

March 2, 2015

VIA EMAIL AND FIRST CLASS U.S. MAIL

Oregon Public Utility Commission
Filing Center
PO Box 2148
Salem, Oregon 97308-2148

puc.filingcenter@state.or.us

RE: Sunriver Water, LLC Affiliated Interest Application

Sir or Madam:

Enclosed for filing is an affiliated interest application for Sunriver Water, LLC. The application is being filed in connection with Condition No. 1 to PUC Order 14-405. As discussed in the enclosed application, Sunriver Water is seeking approval for two new affiliated interest agreements with Sunriver Environmental, LLC. The agreements pertain to two leases for real property owned by Sunriver Environmental, LLC. One parcel is for the recently approved North Reservoir Project, and the other is for shared office/shop/storage space on real property owned by Sunriver Environmental, LLC. Sunriver Water, LLC does not propose to amend or adjust the existing Management Agreement approved in consolidated PUC Order UW 86/UI 168.

Pursuant to Sunriver Water's initial rate case filing in UW 160, the PUC removed a number of proposed expenses from the application either because the PUC considered the expenses covered by the existing Management Agreement between Sunriver Resort Limited Partnership and Sunriver Water, or the expenses constituted affiliated interest transactions for which there was no approved affiliated interest agreement. The following major expenses were removed:

1. General Manager Salary \$21,827. The PUC determined that this position was covered within the approved Management Agreement and disallowed this expense. Sunriver Water now understands that this salary falls within the existing Management Agreement. Sunriver Water is not seeking an additional affiliated interest contract for this position, nor does it seek to amend the existing Management Agreement to account for the wages of the General Manager. Consequently, Sunriver Water will not seek rate recovery for this expense in its next rate application independent of the approved Management Agreement. Sunriver Water will continue to rely on the existing Management Agreement for this cost.

2. Contract Accounting Services \$20,000. The PUC determined that this fee, attributable to Sunriver Water's portion of the audit expense for its parent company, Sunriver

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Resort Limited Partnership, was also covered under the existing Management Agreement or was characterized as an affiliated interest transaction for which there was no affiliated interest contract. The PUC also found that the fee was not warranted because the PUC determined that the PUC rules do not require an audit. Sunriver Water is not seeking an additional affiliated interest contract to cover the audit fee and will not seek rate recovery for this expense in its next rate application independent of the Management Agreement. Sunriver Water will continue to rely on the existing Management Agreement for this cost.

3. Building/Real Property Rental Expense \$33,600. The PUC disallowed this entire expense because the rental payment was not approved pursuant to an approved affiliated interest agreement. The current Affiliated Interest application is intended address this issue and to provide for the rent of the North Reservoir Project real property.

4. Computers/IT Costs \$32,803. The PUC disallowed this expense because it determined that the computer/IT service costs fell within the Management Agreement. Sunriver Water is not seeking an additional affiliated interest contract to cover the computer/IT service costs, understanding that this fee is within the Management Agreement. Consequently, Sunriver Water will not seek rate recovery for this expense in its next rate application independent of the Management Agreement. Sunriver Water will continue to rely on the existing Management Agreement for this cost.

Thank your for your consideration of the enclosed Affiliated Interest application. Please contact me, Thomas Samwell or Terry Penhollow directly should you have any questions regarding the enclosed application.

Very truly yours,



Steven P. Hultberg

Enclosure(s)

cc: Sunriver Water, LLC
Sunriver Environmental, LLC
Josh Newton (SROA)

Instructions: All applications submitted to the Commission must be filed electronically with the Commission's Filing Center. Documents may be electronically filed by sending the filing as an attachment to an electronic mail message addressed to the Commission's Filing Center at puc.filingcenter@state.or.us. An original document must be personally delivered or mailed on the date the electronic copy of the document is filed.

Date: March 2, 2015

COMPANY NAME: SUNRIVER WATER LLC

ADDRESS: PO BOX 3699

CITY, STATE, ZIP: SUNRIVER, OR 97707

Oregon Public Utility Commission
Filing Center
PO Box 2148
Salem, OR 97308-2148

RE: SUNRIVER WATER, LLC Affiliated Interest Application with **SUNRIVER ENVIRONMENTAL, LLC** pursuant to ORS 757.495 and OAR 860-036-0730

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;

SUNRIVER WATER, LLC, 57850 W. Cascade Road, Sunriver, Oregon 97707

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

Thomas Samwel, Director of Finance, Sunriver Resort, 17600 Center Drive, Sunriver, Oregon 97707

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

The water utility is wholly owned by Sunriver Resort Limited Partnership ("SRLP"). SRLP, in turn, is the sole owner of Sunriver Environmental, LLC. Consequently, Sunriver Environmental, LLC has an affiliated interest with the water utility.

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

N/A

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

N/A

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

N/A

(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;

The water utility proposes to enter into two separate leases with Sunriver Environmental, LLC ("Environmental"). One lease is for the North Reservoir Site (the "Reservoir Site") which is owned by Environmental, the second is for shared office space and shared shop/storage/yard space (together, the "Office Space"), also owned by Environmental. The lease for the Reservoir Site is necessary because the underlying real property for the approved reservoir site is owned by Environmental. Given the topographical and proximity needs of the reservoir project, there is no practical alternative to siting the reservoir project on property other than the Reservoir Site. Consequently, a lease with an affiliated party is required. Similarly, the need for the Office Space is required due to the fact that the water utility requires office space for its employees and shop, yard and storage space for its operations. Given that water utility employees are also employees of Environmental, the most efficient solution to providing Office Space is to locate the Office Space at the same location as Environmental. The only other alternative for obtaining Office Space would be to seek comparable space in the Sunriver Business Park. The water utility believes that locating the Office Space away from the water utilities' plant, infrastructure and system would be inefficient and more expensive.

The monthly rent for the Reservoir Site is \$1,279.20, with yearly rent being \$15,350.40.

The monthly rent for the Office Space is \$3,689.69, with yearly rent being \$44,276.28.

Exhibit A **identifies** the space requirements and allotments between the water utility and Environmental for the Office Space. Space required at the treatment plant for the water utility is 4,065 square feet, while Environmental will occupy 8,987 square feet of the total square footage of 13,052. The Reservoir Site comprises 42,640 square feet, which includes the entire north reservoir project. To establish the rental rates for the Office Space and the Reservoir Site, the water utility obtained rental amounts from comparable properties, including affiliated rents charged by Avion and Roats which have been approved by the PUC. Exhibit C, Requested Rate Assessment, summarizes the rent amounts, on the first page, and then includes the comparable rents on page 2.

(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 water utility will be paying rent under two partial net leases with Environmental. With the exception of gas and electric costs, which will be billed directly to the water utility by landlord or

by the provider of gas and electric services, all utilities and other charges associated with operation of the leased areas are included in the rent payable under the leases. The monthly and yearly fees associated with both leases is addressed under Section (g) above.

The charges will be to the following accounts.

Sunriver Water account #5023-689-7090-0000 Sunriver Environmental 5022-692-4485-7795

(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.

For the North Reservoir Project, the Reservoir Site is the only feasible location available to site the project. It is at a location previously approved by the PUC. The rent charged by Sunriver Environmental is equal to or less than comparable rents for industrial areas, resulting in a savings to rate payers. Given that there is no feasible location other than the proposed location to place the reservoir, the only feasible option is to locate the project at the selected site. Placement of the reservoir on property owned by an affiliate results in a benefit to the utility customers for the simple reason that locating the reservoir in any other location would entail additional construction and operation costs, as well as associated land purchase or lease costs. With respect to the office and storage and shop areas, the primary benefit to the water utility and its customers is the fact that by sharing office, shop and storage space with an affiliated company, the water utility is not required to obtain independent office, storage and shop space, which would come at a greater price to the water utility. Moreover, office, shop and storage space anywhere else in the Sunriver community would result in utility employees being further from the utilities' plant and infrastructure. It is not efficient to locate employees, the shop, storage facilities and infrastructure in four separate areas.

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

As stated above, the unique needs of the reservoir site to provide gravity service leave very few options available for location of the reservoir. There are, in fact, no other properties which are suitably zoned for the project which could accommodate the reservoir project. Consequently, a competitive procurement process would not have yielded a suitable site. With respect to the office, shop and storage areas, a competitive procurement process would have, at best, yielded multiple locations outside of Sunriver proper, and away from the plant and infrastructure. Moreover, given that rents are comparable between those being charged to the water utility and those available in the market, a competitive procurement process likely would not have yielded appreciable savings to the water utility and would have resulted in a fragmented location of employees, equipment and infrastructure.

(k) Transfer prices in contracts or agreements for the procurement of goods or services under competitive procurement shall be presumed to be the market value, subject to evaluation of the procurement process;

Company: Sunriver Water, LLC

Date: March 2, 2015

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For all locations being leased pursuant to the affiliated contract, the cost paid by the water utility is the actual cost charged to the water utility and, as shown on Exhibits A-D, the rents are comparable or less than market rate. Consequently, the water utility is paying its actual costs, and the actual costs are at or below market rates.

OAR 860-036-0739 provides that when services or supplies are sold to a water utility by an affiliate, sales must be recorded in the water utility's accounts at the affiliate's cost or the market rate, whichever is lower. The affiliate's cost must be calculated using the water utility's most recently authorized rate of return. "Market rate" means the lowest price that is available from nonaffiliated suppliers for comparable services or supplies. "Cost" means fully distributed cost, including the water utility's authorized rate of return and all overheads. For all locations being leased pursuant to the affiliated contract, the cost paid by the water utility is the actual cost charged to the water utility and, as shown on Exhibits A-D, the rents are comparable or less than market rate. Consequently, the water utility is paying its actual costs, and the actual costs are at or below market rates.

ATTACHMENTS

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

Copies of the proposed leases are attached, as are supporting materials for both leases.

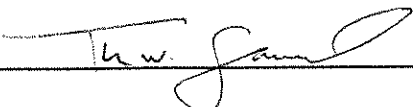
(m) Copies of all resolutions of directors authorizing the proposed transactions and, if stockholders' approval has been obtained, copies of the resolutions approved by the stockholders.

N/A

For the reasons set forth above, Sunriver Water, LLC respectfully requests that the Commission issue an order approving the affiliated interest contract between, Sunriver Water, LLC and Sunriver Environmental, LLC, pursuant to the provisions of ORS 757.495 and OAR 860-0386-730.

DATE: March 2, 2015

NAME OF COMPANY: SUNRIVER WATER, LLC



Thomas Samwel, Director of Finance

EXHIBIT A

Treatment Plant

Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water Sq. Ft.	Sewer Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
Lab	20	22	440	5%	95%	22	418
Lunch	30	16	480	60%	40%	288	192
Timecard	10	16	160	50%	50%	80	80
Locker	15	30	450	50%	50%	225	225
Generator	23	18	414	50%	50%	207	207
Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
Chlorine	8	12	96	0%	100%	0	96
Irrigation	8	11	88	0%	100%	0	88
Effluent	16	15	240	0%	100%	0	240
Lime	29	8	232	0%	100%	0	232
Ras	18	15	270	0%	100%	0	270
Belt Press	32	36	1152	0%	100%	0	1152
Belt Press Mez.	31	25	775	0%	100%	0	775
Camel	37	22	814	15%	85%	122.1	691.9
Aquatech	27	34	918	50%	50%	459	459
Barn	46	27	1242	50%	50%	621	621
Barn Mez.	10	27	270	90%	10%	243	27
Sewer Inventory rm.	8	9	72	0%	100%	0	72
Camera Room	7	9	63	25%	75%	15.75	47.25
Office Records	11	9	99	80%	20%	79.2	19.8
Screen	24	25	600	0%	100%	0	600
Backwash Storage	13	8	104	0%	100%	0	104
Total			13,052			4,065	8,987

Total Office Sq. Ft.	1305
Total Warehouse Sq. Ft.	2,760
Treatment Plant Land Sq. Ft.¹	8,648
North Reservoir Site Land Sq. Ft.²	42,640

¹ - Land has been calculated for number of vehicles and equipment stored, materials and inventory stored, and access to these areas on Environmental's property - see map.

² - Land has been calculated to provide space for two 1.5MG reservoirs and new well field

****Power per month for the WWTP site averages \$5,200 / SRWLLC should pay 10% or \$520/month**

***** Natural Gas bills should be split to 75% Environmental and 25% SRWLLC**

INDUSTRIAL/OFFICE LEASE

THIS INDUSTRIAL/OFFICE LEASE ("**Lease**") is made between SUNRIVER ENVIRONMENTAL, LLC a ("**Landlord**"), and SUNRIVER WATER, LLC ("**Tenant**"), as of March __, 2015 (the "**date of this Lease**").

DESCRIPTION OF PREMISES: See Exhibit A, together with proportionate share calculations.

PERMITTED USE: General office, shop and storage uses.

COMMENCEMENT DATE: March __, 2015

SCHEDULED INITIAL TERM: 60 months; with option to renew for three (3) additional 60-month terms.

BASE RENT:

- a) Initial Annual Base Rent \$44,276.28
- b) Initial Monthly Installment of Base Rent: \$3,689.69
- c) Subject to annual CPI increase pursuant to Paragraph 3.1(d).

IN WITNESS WHEREOF, the parties hereto have executed this Lease, consisting of the foregoing Basic Lease Information, the following Standard Lease Provisions, together with all Exhibits hereto, all of which are incorporated herein by this reference (collectively, this "**Lease**"). In the event of any conflict between the provisions of the Basic Lease Information and the provisions of the Standard Lease Provisions, the Standard Lease Provisions shall control.

"Landlord"

"Tenant"

SUNRIVER ENVIRONMENTAL, LLC

SUNRIVER WATER, LLC

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

**INDUSTRIAL/OFFICE LEASE
STANDARD TERMS**

1. **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to all of the terms and conditions set forth herein, those certain premises (the "**Premises**") described in the Basic Lease Information and as described on attached hereto as Exhibit A. The Premises is located on that certain land which is also improved with landscaping, parking facilities and other improvements and appurtenances. Such land, together with all such improvements and appurtenances and the building, are all or part of a project which may consist of more than one building and additional facilities, as described in the Basic Lease Information (collectively referred to herein as the "**Project**").

2. **Term.** Unless earlier terminated in accordance with the provisions hereof, the term of this Lease (the "**Term**") shall be as set forth in the Basic Lease Information. Tenant shall have the option to extend the Term of this Lease for three (3) additional 60 month terms.

3. **Rent and Operating Expenses.**

3.1 **Base Rent.**

(a) Subject to the provisions of this Paragraph 3.1, Tenant agrees to pay during the Term as Base Rent for the Premises the sums specified in the Basic Lease Information (as increased from time to time as provided in the Basic Lease Information or as may otherwise be provided in this Lease) ("**Base Rent**").

(b) Except as expressly provided to the contrary herein, Base Rent shall be payable in equal consecutive monthly installments, in advance, without deduction or offset, commencing on the Commencement Date and continuing on the first day of each calendar month thereafter. Base Rent, all forms of additional rent payable hereunder by Tenant and all other amounts, fees, payments or charges payable hereunder by Tenant (collectively, "**Additional Rent**") shall (i) each constitute rent payable hereunder (and shall sometimes collectively be referred to herein as "**Rent**"), and (ii) be payable to Landlord in lawful money of the United States when due without any prior demand therefor, except as may be expressly provided to the contrary herein. Any Rent or other amounts payable to Landlord by Tenant hereunder for any fractional month shall be prorated based on a month of 30 days.

(c) This shall be a partial net lease, and Base Rent shall be paid to Landlord, which amounts shall include of all costs and expenses, except Tenant's proportionate share of gas and electricity costs, which shall be payable to Landlord upon invoice therefore from Landlord. Tenant's proportionate share of gas and electricity costs is 31% of total gas and electricity costs income for the Project, and is based on the square footage total of the Premises as it relates to the entire Project square footage, as more particularly described on Exhibit A (Treatment Plant Room Square Footage).

(d) Base Rent shall increase annually, effective on each anniversary date of the Commencement Date, in the same proportion as any increase in the "Consumer Index" during the immediately prior twelve-month period. The "Consumer Index" shall mean the

Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-1984=100) U.S. City Average for All Items, as published by the United States Department of Labor, Bureau of Labor Statistics. If the Consumer Index is discontinued or revised during the term of this Lease, then such other index or computation with which it is replaced shall be used or if not replaced Landlord shall designate a reasonable substitute. Landlord shall submit a statement to Tenant reflecting the increase, if any, as provided in this paragraph. If such statement is delayed, Tenant shall continue to pay the Base Rent in effect and shall immediately pay to Landlord any deficiency in Base Rent due upon submission of such statement. In no event shall Base Rent decrease pursuant to this paragraph.

4. Landlord's Obligations.

4.1 Services and Utilities. Landlord shall contract for and pay directly when due for all water, gas, heat, air conditioning, light, power, telephone, sewer, sprinkler charges, cleaning, waste disposal, and other utilities and services (the "**Services**") used on or from the Premises, together with any taxes, penalties, surcharges or the like pertaining thereto.

5. Improvements, Alterations, Repairs and Maintenance.

5.1 Improvements; Alterations. Any alterations, additions, deletions, modifications or utility installations in, of or to the improvements contained within the Premises (collectively, "**Alterations**") shall be installed at Tenant's expense and only in accordance with detailed plans and specifications, construction methods, and all appropriate permits and licenses, all of which have been previously submitted to and approved in writing by Landlord, and by a professionally qualified and licensed contractor and subcontractors approved by Landlord. No Alterations in or to the Premises may be made without (a) Landlord's prior written consent and (b) compliance with such reasonable requirements and construction regulations concerning such Alterations as Landlord may impose from time to time.

5.2 Repairs and Maintenance. Landlord, at Landlord's expense, shall keep in good order, condition and repair the Premises

6. Use.

6.1 Permitted Use. Tenant shall continuously occupy and use the Premises only for the Permitted Use stated in the Basic Lease Information (the "**Permitted Use**") and shall not create or permit any nuisance or unreasonable interference with or disturbance of any other tenants of Landlord.

6.2 Hazardous Materials.

6.2.1 General Restrictions. Tenant shall conduct its business in such a manner as to (a) not release or permit the release of any Hazardous Material in, under, on or about the Premises or Project, or (b) not use, store, generate, treat, discharge, disperse, handle, manufacture, transport or dispose of (collectively, "**Handle**") any Hazardous Materials (other than incidental amounts of customary cleaning and office supplies) in or about the Premises or Project without the prior written consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion ("**Hazardous Materials Consent Requirements**"). "**Hazardous**

Material" means any hazardous, explosive, radioactive or toxic substance, material or waste which is or becomes regulated by any local, state or federal governmental authority or agency, including, without limitation, any material or substance which is (i) defined or listed as a "hazardous waste," "extremely hazardous waste," "restricted hazardous waste," "hazardous substance," "hazardous material," "pollutant" or "contaminant" under any Regulation, (ii) petroleum or petroleum derivative, (iii) a flammable explosive, (iv) a radioactive material or waste, (v) a polychlorinated biphenyl, (vi) asbestos or asbestos containing material, (vii) infectious waste, or (viii) a carcinogen.

7. Assignment and Subletting.

7.1 Transfers; Consent. Tenant shall not, without the prior written consent of Landlord, (a) assign, transfer, mortgage, hypothecate, or encumber this Lease or any estate or interest herein, whether directly, indirectly or by operation of law, (b) permit any other entity to become a Tenant hereunder by merger, consolidation, or other reorganization, (c) if Tenant is a corporation, partnership, limited liability company, limited liability partnership, trust, association or other business entity (other than a corporation whose stock is publicly traded), permit, directly or indirectly, the transfer of any ownership interest in Tenant so as to result in (i) a change in the current control of Tenant, (ii) a transfer of twenty-five percent (25%) or more in the aggregate in any twelve (12) month period in the beneficial ownership of such entity or (iii) a transfer of all or substantially all of the assets of Tenant, (d) sublet any portion of the Premises, or (e) grant any license, concession, or other right of occupancy of or with respect to any portion of the Premises, or (f) permit the use of the Premises by any party other than Tenant or a Tenant Party (each of the events listed in this Paragraph 9.1 being referred to herein as a "**Transfer**").

8. Insurance, Waivers, Subrogation and Indemnity.

8.1 Insurance. Tenant shall maintain throughout the Term insurance policies reasonably deemed appropriate between Landlord and Tenant.

8.2 Waiver of Subrogation. Landlord and Tenant each waives any claim, loss or cost it might have against the other for any injury to or death of any person or persons, or damage to or theft, destruction, loss, or loss of use of any property (a "**Loss**"), to the extent the same is insured against (or is required to be insured against under the terms hereof) under any "all risk" property damage insurance policy covering the Building, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, regardless of whether the negligence of the other party caused such Loss.

9. Fire or Other Casualty.

9.1 Repair Estimate; Right to Terminate. If all or any portion of the Premises, the Building or the Project is damaged by fire or other casualty (a "**Casualty**"), Landlord shall, within ninety (90) days after Landlord's discovery of such damage, deliver to Tenant its good faith estimate (the "**Damage Notice**") of the time period following such notice needed to repair the damage caused by such Casualty. Landlord may elect to terminate this Lease in any case where (a) any portion of the Premises or any material portion of the Project are damaged and (b) either (i) Landlord estimates in good faith that the repair and restoration of such damage under

Paragraph 9.2 ("**Restoration**") cannot reasonably be completed (without the payment of overtime) within two hundred (200) days of Landlord's actual discovery of such damage, (ii) the Holder of any Security Instrument requires the application of any insurance proceeds with respect to such Casualty to be applied to the outstanding balance of the obligation secured by such Security Instrument, (iii) the cost of such Restoration is not fully covered by insurance proceeds available to Landlord and/or payments received by Landlord from tenants, or (iv) Tenant shall be entitled to an abatement of rent under this Paragraph 9 for any period of time in excess of thirty-three percent (33%) of the remainder of the Term. Such right of termination shall be exercisable by Landlord by delivery of written notice to Tenant at any time following the Casualty until forty-five (45) days following the later of (A) delivery of the Damage Notice or (B) Landlord's discovery or determination of any of the events described in clauses (i) through (iv) of the preceding sentence, and shall be effective upon delivery of such notice of termination (or if Tenant has not vacated the Premises, upon the expiration of thirty (30) days thereafter).

9.2 Repair Obligation; Abatement of Rent. Subject to the provisions of Paragraph 9.1, Landlord shall, within a reasonable time after the discovery by Landlord of any damage resulting from a Casualty, begin to repair the damage to the Building and the Premises resulting from such Casualty and shall proceed with reasonable diligence to restore the Building and Premises to substantially the same condition as existed immediately before such Casualty, except for modifications required by Regulations, and modifications to the Building or the Project reasonably deemed desirable by Landlord; provided, however, that Landlord shall not be required as part of the Restoration to repair or replace any of the Alterations, furniture, equipment, fixtures, and other improvements which may have been placed by, or at the request of, Tenant or other occupants in the Building or the Premises. Landlord shall have no liability for any inconvenience or annoyance to Tenant or injury to Tenant's business as a result of any Casualty, regardless of the cause therefor. Base Rent, and Additional Rent payable under Paragraph 3.2, shall abate if and to the extent a Casualty damages the Premises or common areas in the Project required and essential for access thereto and as a result thereof all or a material portion of the Premises are rendered unfit for occupancy, and are not occupied by Tenant, for the period of time commencing on the date Tenant vacates the portion of the Premises affected on account thereof and continuing until the date the Restoration to be performed by Landlord with respect to the Premises (and/or required common areas) is substantially complete, as determined by Landlord's architect. Landlord and Tenant agree that the provisions of this Paragraph 9 and the remaining provisions of this Lease shall exclusively govern the rights and obligations of the parties with respect to any and all damage to, or destruction of, all or any portion of the Premises or the Project by Casualty, and Landlord and Tenant hereby waive and release each and all of their respective common law and statutory rights inconsistent herewith, whether now or hereinafter in effect.

10. Events of Default. Each of the following occurrences shall be an "**Event of Default**" and shall constitute a material default and breach of this Lease by Tenant: (a) any failure by Tenant to pay any installment of Base Rent, Additional Rent or to make any other payment required to be made by Tenant hereunder when due; (b) the abandonment or vacation of the Premises by Tenant, provided, however, that abandonment or vacation of the Premises shall not be an Event of Default so long as no other Event of Default has occurred hereunder and provided Tenant has given Landlord five (5) days' prior written notice of its intent to vacate the Premises;;

(c) any failure by Tenant to fully perform any other obligation of Tenant under this Lease, where such failure continues for thirty (30) days (except where a shorter period of time is specified in this Lease, in which case such shorter time period shall apply) after delivery of written notice of such failure by Landlord to Tenant; (d) the voluntary or involuntary filing of a petition by or against Tenant or any general partner of Tenant (i) in any bankruptcy or other insolvency proceeding, (ii) seeking any relief under any state or federal debtor relief law; or (e) any other event, act or omission which any other provision of this Lease identifies as an Event of Default.

11. Remedies. Upon the occurrence of any Event of Default by Tenant, Landlord shall have all remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate, and cumulative).

12. Surrender of Premises. At the expiration or earlier termination of this Lease, Tenant shall deliver to Landlord all keys (including any electronic access devices and the like) to the Premises, and Tenant shall deliver to Landlord the Premises in the same condition as existed on the date Tenant originally took possession thereof, ordinary wear and tear excepted, provided that ordinary wear and tear shall not include repair and clean up items. In addition, prior to the expiration of the Term or any sooner termination thereof, (a) Tenant shall remove such Alterations as Landlord shall request and shall restore the portion of the Premises affected by such Alterations and such removal to its condition existing immediately prior to the making of such Alterations, (b) Tenant shall remove from the Premises all unattached trade fixtures, furniture, equipment and personal property located in the Premises, including, without limitation, phone equipment, wiring, cabling and all garbage, waste and debris, and (c) Tenant shall repair all damage to the Premises or the Project caused by any such removal including, without limitation, full restoration of all holes and gaps resulting from any such removal and repainting required thereby. All personal property and fixtures of Tenant not so removed shall, to the extent permitted under applicable Regulations, be deemed to have been abandoned by Tenant and may be appropriated, sold, stored, destroyed, or otherwise disposed of by Landlord without notice to Tenant and without any obligation to account for such items.

13. Miscellaneous.

13.1 Landlord Transfers and Liability. Landlord may, without restriction, sell, assign or transfer in any manner all or any portion of the Project, any interest therein or any of Landlord's rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall automatically be released from any further obligations hereunder, provided that the assignee thereof assumes in writing all of Landlord's obligations hereunder accruing after such assignment. The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease or with respect to any obligation or liability related to the Premises or the Project shall be recoverable only from the interest of Landlord in the Project, and neither Landlord nor any affiliate thereof shall have any personal liability with respect thereto and in no case shall Landlord be liable to Tenant for any lost profits, damage to business, or any form of special, indirect or consequential damage on account of any breach of this Lease.

13.2 Notices. Notices, requests, consents or other communications desired or required to be given by or on behalf of Landlord or Tenant under this Lease shall be effective only if given in writing and sent by (a) registered or certified United States mail, postage prepaid, (b)

nationally recognized express mail courier that provides written evidence of delivery, fees prepaid, or (c) facsimile and United States mail, postage prepaid, and addressed as set forth in the Basic Lease Information, or at such other address in the State of Oregon as may be specified from time to time, in writing, or, if to Tenant, at the Premises. Any such notice, request, consent, or other communication shall only be deemed given (i) if sent by registered or certified United States mail, on the day it is officially delivered to or refused by the intended recipient, (ii) if sent by nationally recognized express mail courier, on the date it is officially recorded by such courier, (iii) if delivered by facsimile, on the date the sender obtains written telephonic confirmation that the electronic transmission was received, or (iv) if delivered personally, upon delivery or, if refused by the intended recipient, upon attempted delivery.

13.3 Miscellaneous. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Tenant and the person or persons signing on behalf of Tenant represent and warrant that Tenant has full right and authority to enter into this Lease, and that all persons signing this Lease on its behalf are authorized to do so. If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease. All exhibits and attachments attached hereto are incorporated herein by this reference. This Lease shall be governed by and construed in accordance with the laws of the State of Oregon. In any action which Landlord or Tenant brings to enforce its respective rights hereunder, the unsuccessful party shall pay all costs incurred by the prevailing party, including without limitation, reasonable attorneys' fees and court costs. Landlord is a real estate organization licensed by the State of Oregon. Tenant shall not record this Lease or any memorandum hereof. This Lease may be executed in any number of counterparts, each of which shall be deemed an original. Time is of the essence as to the performance of each covenant hereunder in which time of performance is a factor.

EXHIBIT A

PREMISES FLOOR PLAN

Treatment Plant Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water	Sewer
						Sq. Ft.	Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
Lab	20	22	440	5%	95%	22	418
Lunch	30	16	480	60%	40%	288	192
Timecard	10	16	160	50%	50%	80	80
Locker	15	30	450	50%	50%	225	225
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Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
Chlorine	8	12	96	0%	100%	0	96
Irrigation	8	11	88	0%	100%	0	88
Effluent	16	15	240	0%	100%	0	240
Lime	29	8	232	0%	100%	0	232
Ras	18	15	270	0%	100%	0	270
Belt Press	32	36	1152	0%	100%	0	1152
Belt Press Mez.	31	25	775	0%	100%	0	775
Camel	37	22	814	15%	85%	122.1	691.9
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Barn	46	27	1242	50%	50%	621	621
Barn Mez.	10	27	270	90%	10%	243	27
Sewer Inventory rm.	8	9	72	0%	100%	0	72
Camera Room	7	9	63	25%	75%	15.75	47.25
Office Records	11	9	99	80%	20%	79.2	19.8
Screen	24	25	600	0%	100%	0	600
Backwash Storage	13	8	104	0%	100%	0	104

Total **13,052** **4,065** **8,987**

Total Office Sq. Ft.	1305
Total Warehouse Sq. Ft.	2,760
Treatment Plant Land Sq. Ft.¹	8,648
North Reservoir Site Land Sq. Ft.²	42,640

¹ - Land has been calculated for number of vehicles and equipment stored, materials and inventory stored, and access to these areas on Environmental's property - see map.

² - Land has been calculated to provide space for two 1.5MG reservoirs and new well field

**Power per month for the WWTP site averages \$5,200 / SRWLLC should pay 10% or \$520/month

*** Natural Gas bills should be split to 75% Environmental and 25% SRWLLC

RESERVOIR PROPERTY LEASE

THIS RESERVOIR PROPERTY LEASE ("**Lease**") is made between SUNRIVER ENVIRONMENTAL, LLC a ("**Landlord**"), and SUNRIVER WATER, LLC ("**Tenant**"), as of March __, 2015 (the "**date of this Lease**").

DESCRIPTION OF PREMISES: 46,640 square feet of land more particularly depicted on Exhibit A.

PERMITTED USE: Water reservoir, well field and associated uses.

COMMENCEMENT DATE: March __, 2015

SCHEDULED INITIAL TERM: 20 years, with option to renew for three (3) additional 20-year terms.

BASE RENT:

- a) Initial Annual Base Rent \$15,350.40
- b) Initial Monthly Installment of Base Rent: \$1,279.20
- c) Subject to annual CPI increase pursuant to Paragraph 3.1(d).

IN WITNESS WHEREOF, the parties hereto have executed this Lease, consisting of the foregoing Basic Lease Information, the following Standard Lease Provisions, together with all Exhibits hereto, all of which are incorporated herein by this reference (collectively, this "**Lease**"). In the event of any conflict between the provisions of the Basic Lease Information and the provisions of the Standard Lease Provisions, the Standard Lease Provisions shall control.

"Landlord"

"Tenant"

SUNRIVER ENVIRONMENTAL, LLC

SUNRIVER WATER, LLC

By: _____

By: _____

Its: _____

Its: _____

Date: _____

Date: _____

**RESERVOIR PROPERTY LEASE
STANDARD TERMS**

1. **Premises.** Landlord hereby leases to Tenant and Tenant hereby leases from Landlord, subject to all of the terms and conditions set forth herein, those certain premises (the "**Premises**") described in the Basic Lease Information and as described on attached hereto as Exhibit A.

2. **Term.** Unless earlier terminated in accordance with the provisions hereof, the term of this Lease (the "**Term**") shall be as set forth in the Basic Lease Information. Tenant shall have the option to extend the Term of this Lease for three (3) additional 20-year terms.

3. **Rent and Operating Expenses.**

3.1 **Base Rent.**

(a) Subject to the provisions of this Paragraph 3.1, Tenant agrees to pay during the Term as Base Rent for the Premises the sums specified in the Basic Lease Information (as increased from time to time as provided in the Basic Lease Information or as may otherwise be provided in this Lease) ("**Base Rent**").

(b) Except as expressly provided to the contrary herein, Base Rent shall be payable in equal consecutive monthly installments, in advance, without deduction or offset, commencing on the Term Commencement Date and continuing on the first day of each calendar month thereafter. Base Rent, all forms of additional rent payable hereunder by Tenant and all other amounts, fees, payments or charges payable hereunder by Tenant (collectively, "**Additional Rent**") shall (i) each constitute rent payable hereunder (and shall sometimes collectively be referred to herein as "**Rent**"), (ii) be payable to Landlord in lawful money of the United States when due without any prior demand therefor, except as may be expressly provided to the contrary herein, and (iii) be payable to Landlord at Landlord's Remittance Address set forth in the Basic Lease. Any Rent or other amounts payable to Landlord by Tenant hereunder for any fractional month shall be prorated based on a month of 30 days.

(c) This shall be a partial net lease, and Base Rent shall be paid to Landlord, which amounts shall include of all costs and expenses, except, if Tenant has not obtained gas an electric service directly, in addition to Base Rent Tenant shall pay Tenant's proportionate share of gas and electricity costs, which shall be payable to Landlord upon invoice therefore from Landlord.

(d) Base Rent shall increase annually, effective on each anniversary date of the Commencement Date, in the same proportion as any increase in the "Consumer Index" during the immediately prior twelve-month period. The "Consumer Index" shall mean the Consumer Price Index for Urban Wage Earners and Clerical Workers (1982-1984=100) U.S. City Average for All Items, as published by the United States Department of Labor, Bureau of Labor Statistics. If the Consumer Index is discontinued or revised during the term of this Lease, then such other index or computation with which it is replaced shall be used or if not replaced Landlord shall designate a reasonable substitute. Landlord shall submit a statement to Tenant reflecting the increase, if any, as provided in this paragraph. If such statement is delayed, Tenant shall continue to pay the Base Rent in effect and shall immediately pay to Landlord any deficiency in Base Rent

due upon submission of such statement. In no event shall Base Rent decrease pursuant to this paragraph.

4. Use.

4.1 Permitted Use. Tenant shall continuously occupy and use the Premises only for the Permitted Use stated in the Basic Lease Information (the "**Permitted Use**") and shall not create or permit any nuisance or unreasonable interference with or disturbance of any other tenants of Landlord.

4.2 Hazardous Materials.

4.2.1 General Restrictions. Tenant shall conduct its business in such a manner as to (a) not release or permit the release of any Hazardous Material in, under, on or about the Premises or Project, or (b) not use, store, generate, treat, discharge, disperse, handle, manufacture, transport or dispose of (collectively, "Handle") any Hazardous Materials (other than incidental amounts of customary cleaning and office supplies) in or about the Premises or Project without the prior written consent of Landlord, which consent Landlord may withhold in its sole and absolute discretion ("Hazardous Materials Consent Requirements"). "Hazardous Material" means any hazardous, explosive, radioactive or toxic substance, material or waste which is or becomes regulated by any local, state or federal governmental authority or agency, including, without limitation, any material or substance which is (i) defined or listed as a "hazardous waste," "extremely hazardous waste," "restricted hazardous waste," "hazardous substance," "hazardous material," "pollutant" or "contaminant" under any Regulation, (ii) petroleum or petroleum derivative, (iii) a flammable explosive, (iv) a radioactive material or waste, (v) a polychlorinated biphenyl, (vi) asbestos or asbestos containing material, (vii) infectious waste, or (viii) a carcinogen.

5. Assignment and Subletting.

5.1 Transfers; Consent. Tenant shall not, without the prior written consent of Landlord, (a) assign, transfer, mortgage, hypothecate, or encumber this Lease or any estate or interest herein, whether directly, indirectly or by operation of law, (b) permit any other entity to become a Tenant hereunder by merger, consolidation, or other reorganization, (c) if Tenant is a corporation, partnership, limited liability company, limited liability partnership, trust, association or other business entity (other than a corporation whose stock is publicly traded), permit, directly or indirectly, the transfer of any ownership interest in Tenant so as to result in (i) a change in the current control of Tenant, (ii) a transfer of twenty-five percent (25%) or more in the aggregate in any twelve (12) month period in the beneficial ownership of such entity or (iii) a transfer of all or substantially all of the assets of Tenant, (d) sublet any portion of the Premises, or (e) grant any license, concession, or other right of occupancy of or with respect to any portion of the Premises, or (f) permit the use of the Premises by any party other than Tenant or a Tenant Party (each of the events listed in this Paragraph 9.1 being referred to herein as a "**Transfer**").

6. Insurance, Waivers, Subrogation and Indemnity.

6.1 Insurance. Tenant shall maintain throughout the Term each of insurance policies reasonably deemed appropriate between Landlord and Tenant.

6.2 Waiver of Subrogation. Landlord and Tenant each waives any claim, loss or cost it might have against the other for any injury to or death of any person or persons, or damage to or theft, destruction, loss, or loss of use of any property (a "Loss"), to the extent the same is insured against (or is required to be insured against under the terms hereof) under any "all risk" property damage insurance policy covering the Building, the Premises, Landlord's or Tenant's fixtures, personal property, leasehold improvements, or business, regardless of whether the negligence of the other party caused such Loss.

7. Events of Default. Each of the following occurrences shall be an "Event of Default" and shall constitute a material default and breach of this Lease by Tenant: (a) any failure by Tenant to pay any installment of Base Rent, Additional Rent or to make any other payment required to be made by Tenant hereunder when due; (b) the abandonment or vacation of the Premises by Tenant, provided, however, that abandonment or vacation of the Premises shall not be an Event of Default so long as no other Event of Default has occurred hereunder and provided Tenant has given Landlord five (5) days' prior written notice of its intent to vacate the Premises;; (c) any failure by Tenant to fully perform any other obligation of Tenant under this Lease, where such failure continues for thirty (30) days (except where a shorter period of time is specified in this Lease, in which case such shorter time period shall apply) after delivery of written notice of such failure by Landlord to Tenant; (d) the voluntary or involuntary filing of a petition by or against Tenant or any general partner of Tenant (i) in any bankruptcy or other insolvency proceeding, (ii) seeking any relief under any state or federal debtor relief law; or (e) any other event, act or omission which any other provision of this Lease identifies as an Event of Default.

8. Remedies. Upon the occurrence of any Event of Default by Tenant, Landlord shall have all remedies available to Landlord at law or in equity (all of which remedies shall be distinct, separate, and cumulative).

9. Miscellaneous.

9.1 Landlord Transfers and Liability. Landlord may, without restriction, sell, assign or transfer in any manner all or any portion of the Project, any interest therein or any of Landlord's rights under this Lease. If Landlord assigns its rights under this Lease, then Landlord shall automatically be released from any further obligations hereunder, provided that the assignee thereof assumes in writing all of Landlord's obligations hereunder accruing after such assignment. The liability of Landlord to Tenant for any default by Landlord under the terms of this Lease or with respect to any obligation or liability related to the Premises or the Project shall be recoverable only from the interest of Landlord in the Project, and neither Landlord nor any affiliate thereof shall have any personal liability with respect thereto and in no case shall Landlord be liable to Tenant for any lost profits, damage to business, or any form of special, indirect or consequential damage on account of any breach of this Lease.

9.2 Notices. Notices, requests, consents or other communications desired or required to be given by or on behalf of Landlord or Tenant under this Lease shall be effective only if given in writing and sent by (a) registered or certified United States mail, postage prepaid, (b) nationally recognized express mail courier that provides written evidence of delivery, fees prepaid, or (c) facsimile and United States mail, postage prepaid, and addressed as set forth in the Basic Lease Information, or at such other address in the State of Oregon as may be specified from

time to time, in writing, or, if to Tenant, at the Premises. Any such notice, request, consent, or other communication shall only be deemed given (i) if sent by registered or certified United States mail, on the day it is officially delivered to or refused by the intended recipient, (ii) if sent by nationally recognized express mail courier, on the date it is officially recorded by such courier, (iii) if delivered by facsimile, on the date the sender obtains written telephonic confirmation that the electronic transmission was received, or (iv) if delivered personally, upon delivery or, if refused by the intended recipient, upon attempted delivery.

9.3 Miscellaneous. If any clause or provision of this Lease is illegal, invalid, or unenforceable under present or future laws, then the remainder of this Lease shall not be affected thereby. This Lease may not be amended except by instrument in writing signed by Landlord and Tenant. No provision of this Lease shall be deemed to have been waived by Landlord unless such waiver is in writing signed by Landlord. The terms and conditions contained in this Lease shall inure to the benefit of and be binding upon the parties hereto, and upon their respective successors in interest and legal representatives, except as otherwise herein expressly provided. This Lease constitutes the entire agreement between Landlord and Tenant regarding the subject matter hereof and supersedes all oral statements and prior writings relating thereto. Tenant and the person or persons signing on behalf of Tenant represent and warrant that Tenant has full right and authority to enter into this Lease, and that all persons signing this Lease on its behalf are authorized to do so. If Tenant is comprised of more than one party, each such party shall be jointly and severally liable for Tenant's obligations under this Lease. All exhibits and attachments attached hereto are incorporated herein by this reference. This Lease shall be governed by and construed in accordance with the laws of the State of Oregon. In any action which Landlord or Tenant brings to enforce its respective rights hereunder, the unsuccessful party shall pay all costs incurred by the prevailing party, including without limitation, reasonable attorneys' fees and court costs. Landlord is a real estate organization licensed by the State of Oregon. Tenant shall not record this Lease or any memorandum hereof. This Lease may be executed in any number of counterparts, each of which shall be deemed an original. Time is of the essence as to the performance of each covenant hereunder in which time of performance is a factor.

EXHIBIT A

PREMISES

Treatment Plant Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water	Sewer
						Sq. Ft.	Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
Lab	20	22	440	5%	95%	22	418
Lunch	30	16	480	60%	40%	288	192
Timecard	10	16	160	50%	50%	80	80
Locker	15	30	450	50%	50%	225	225
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Blower	26	18	468	0%	100%	0	468
AB Pump Lower Level	29	15	435	0%	100%	0	435
AB Pump Upper Level	20	18	360	0%	100%	0	360
AB Control	18	10	180	0%	100%	0	180
Paint	17	12	204	50%	50%	102	102
Shop	22	58	1276	75%	25%	957	319
Shop - Mez.	24	14	336	10%	90%	33.6	302.4
Chlorine	8	12	96	0%	100%	0	96
Irrigation	8	11	88	0%	100%	0	88
Effluent	16	15	240	0%	100%	0	240
Lime	29	8	232	0%	100%	0	232
Ras	18	15	270	0%	100%	0	270
Belt Press	32	36	1152	0%	100%	0	1152
Belt Press Mez.	31	25	775	0%	100%	0	775
Camel	37	22	814	15%	85%	122.1	691.9
Aquatech	27	34	918	50%	50%	459	459
Barn	46	27	1242	50%	50%	621	621
Barn Mez.	10	27	270	90%	10%	243	27
Sewer Inventory rm.	8	9	72	0%	100%	0	72
Camera Room	7	9	63	25%	75%	15.75	47.25
Office Records	11	9	99	80%	20%	79.2	19.8
Screen	24	25	600	0%	100%	0	600
Backwash Storage	13	8	104	0%	100%	0	104

Total **13,052** **4,065** **8,987**

Total Office Sq. Ft.	1305
Total Warehouse Sq. Ft.	2,760
Treatment Plant Land Sq. Ft.¹	8,648
North Reservoir Site Land Sq. Ft.²	42,640

¹ - Land has been calculated for number of vehicles and equipment stored, materials and inventory stored, and access to these areas on Environmental's property - see map.

² - Land has been calculated to provide space for two 1.5MG reservoirs and new well field

**Power per month for the WWTP site averages \$5,200 / SRWLLC should pay 10% or \$520/month

*** Natural Gas bills should be split to 75% Environmental and 25% SRWLLC

AI (g) Contents

- (1) Property Research
- (2) Rate Assessment
 - a. Wastewater Treatment Plant Building Sq. Ft.
 - b. Wastewater Treatment Plant Vehicle and Storage Sq. Ft.
- (3) Maps
 - a. WWTP Sq Ft Map
 - b. WWTP Vehicle and Storage Sq Ft Map
 - c. North Reservoir Sq Ft Map
 - d. Existing Water Properties Map (DR43)
- (4) Asset Accounts
 - a. Plant Accounts Environmental(DR42)
 - b. Plant Accounts Water (DR43)
- (5) Backup
 - a. Roats
 - i. Docket No. UI 326
 - b. Agate
 - i. Lease
 - ii. Site Plan
 - iii. Lease Map
 - c. Avion
 - i. Powell Butte Well Lease
 - d. BendBroadband
 - i. Fiber Optic Lease
 - e. Fire Department
 - i. Fire Training Facility Lease
 - f. AT&T
 - i. Cell Tower Lease

REQUESTED RATE ASSESMENT

Property Description	Sq Ft	Rate per Sq Ft	Monthly Rent
Office (WWTP)	1,305	\$1.00	\$1,304.70
Warehouse (WWTP)	2,760	\$0.77	\$2,125.55
Land (WWTP)	8,648	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.03	\$1,279.20

BELOW LINE ALL REFERENCED/EQUATIONS - CHANGE ORANGE FIELDS TO VIEW CHANGES

Property Description	Sq Ft	Mean Mkt Rate	Mean Mkt Rent	Requested Rate per Sq Ft	Requested Monthly Rent
Office (WWTP)	1,305	\$1.00	\$1,300.35	\$1.00	\$1,304.70
Warehouse (WWTP)	2,760	\$0.77	\$2,120.03	\$0.77	\$2,125.55
Land (WWTP)	8,648	\$0.16	\$1,383.68	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.16	\$6,822.40	\$0.03	\$1,279.20
TOTAL	55,353		\$11,626.46		\$4,968.89

Property Description	Sq Ft	Median Mkt Rate	Median Mkt Rent	Requested Rate per Sq Ft	Requested Monthly Rent
Office (WWTP)	1,305	\$1.11	\$1,448.22	\$1.00	\$1,304.70
Warehouse (WWTP)	2,760	\$0.69	\$1,904.71	\$0.77	\$2,125.55
Land (WWTP)	8,648	\$0.20	\$1,729.60	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.20	\$8,528.00	\$0.03	\$1,279.20
TOTAL	55,353		\$13,610.53		\$4,968.89

Property Description	Sq Ft	Comparable Mkt Rate	Comparable Mkt Rent	Requested Rate per Sq Ft	Requested Monthly Rent
Office (WWTP)	1,305	\$1.38	\$1,800.49	\$1.00	\$1,304.70
Warehouse (WWTP)	2,760	\$0.80	\$2,208.36	\$0.77	\$2,125.55
Land (WWTP)	8,648	\$0.05	\$432.40	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.05	\$2,132.00	\$0.03	\$1,279.20
TOTAL	55,353		\$6,573.25		\$4,968.89

Rate does not include NNN. Rate is lower than actual monthly rate.

FOR EXISTING LAND LEASES

Property Description	Sq Ft	Mean Mkt Rate	Mean Mkt Rent	Requested Rate per Sq Ft	Requested Monthly Rent
Land (WWTP)	8,648	\$0.23	\$1,973.69	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.23	\$9,731.51	\$0.03	\$1,279.20

Property Description	Sq Ft	Mean Mkt Rate	Mean Mkt Rent	Requested Rate per Sq Ft	Requested Monthly Rent
Land (WWTP)	8,648	\$0.04	\$350.24	\$0.03	\$259.44
Land (North Reservoir Site)	42,640	\$0.04	\$1,726.92	\$0.03	\$1,279.20

Treatment Plant Room Square Footage

Room	Length	Width	Total	% Water	% Sewer	Water Sq. Ft.	Sewer Sq. Ft.
Office	37	22	814	75%	25%	610.5	203.5
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Camera Room	7	9	63	25%	75%	15.75	47.25
Office Records	11	9	99	80%	20%	79.2	19.8
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Total			13,052			4,065	8,987

Total Office Sq. Ft.	1305
Total Warehouse Sq. Ft.	2,760
Treatment Plant Land Sq. Ft.¹	8,648
North Reservoir Site Land Sq. Ft.²	42,640

¹ - Land has been calculated for number of vehicles and equipment stored, materials and inventory stored, and access to these areas on Environmental's property - see map.

² - Land has been calculated to provide space for two 1.5MG reservoirs and new well field

****Power per month for the WWTP site averages \$5,200 / SRWLLC should pay 10% or \$520/month**

***** Natural Gas bills should be split to 75% Environmental and 25% SRWLLC**

BEND

Property Type	Sq Ft	Rate per Sq Ft	Lease Type	Rate per Sq. Ft. With NNN	Monthly Rent	Location	Description
Office	1,630	\$0.65	NNN		\$1,059.50	2525 Twin Knolls	Reception, conference room, 6 offices, open workspace, restroom. NNN AMOUNT UNKNOWN
Office	1,527	\$0.79	NNN (\$.32/sqft)	\$1.11	\$1,694.97	Space 120, 1375 Se Wilson Ave	Private office, open area, showroom, storage, bathroom
Office	2,678	\$0.85	No NNN		\$2,276.30	859 Ne 1st St	Conference room, break room, 3 restrooms
Office	1,500	\$1.05	NNN (\$.33/sqft)	\$1.38	\$2,070.00	102-A, 20310 Empire Avenue	Office-R&D space, reception, 2 offices, open space, kitchenette, restroom, storage
Office	1,550	\$1.15	NNN (\$.40/sqft)	\$1.55	\$2,402.50	106 NW Wall	Reception, 4 offices, conference room, 5 parking spaces, 2 levels
Office	1,440	\$1.25	NNN		\$1,800.00	438 NE Irving	Free standing office building, reception, 5 offices, break room. NNN AMOUNT UNKNOWN
Warehouse	2,550	\$0.55	NNN (\$.14/sqft)	\$0.69	\$1,759.50	1080 SE Centennial	Industrial flex space, 220 sq ft office, 2 garage doors, 14 parking spaces
Warehouse	2,576	\$0.55	NNN (\$.55/sqft)	\$1.10	\$2,833.60	63830 Clausen	Industrial flex space, 300 sq ft office, 2 drive in doors, 6 parking spaces
Warehouse	2,400	\$0.60	NNN		\$1,440.00	20736 American Ln	Flex space, 110 sq ft office, 1 14 ft garage door, 2 parking spaces. NNN AMOUNT UNKNOWN
Warehouse	4,008	\$0.65	No NNN		\$2,605.20	859 Ne 1st St	High pile warehouse, dock high door access
Warehouse	2,350	\$0.80	NNN		\$1,880.00	2525 Twin Knolls	Distribution warehouse. NNN AMOUNT UNKNOWN
Land	27,000	\$0.04	No NNN		\$1,080.00	859 Ne 1st St	Vacant lot adjacent to preceding office and warehouse
Land	57,499	\$0.20	Unknown NNN		\$11,499.80	NE Medical Center Dr	1.32 Ac lot zoned RH (Lot Type Commercial/Other)
Land	47,045	\$0.24	Unknown NNN		\$11,290.80	NE Medical Center Dr	1.08 Ac lot zoned RH (Lot Type Commercial/Other)

SUNRIVER

Property Type	Sq Ft	Rate per Sq Ft	Lease Type	Monthly Rent	Location	Description
Office	1,552	\$0.30	NNN	\$465.60	Space 201, 56880 Venture Ln	Second floor, 1 office, open area, bathroom. NNN AMOUNT UNKNOWN
Office	1,438	\$0.38	NNN	\$546.44	Space 210, 56870 Venture Ln	Second floor, 4 offices, open area. NNN AMOUNT UNKNOWN
Office	1,383	\$1.50	NNN	\$2,074.50	Bldg 27 Sunriver Village	Office space. NNN AMOUNT UNKNOWN

NNN refers to "Triple Net" Lease - Tenant pays portion of property tax, insurance, building maintenance, road and snow removal maintenance, etc.

Office Mean	\$1.00	Warehouse Mean	\$0.77	Land Mean	\$0.16
Office Median	\$1.11	Warehouse Median	\$0.69	Land Median	\$0.20

EXISTING LEASES

Company	Sq Ft	Rate per Sq Ft	Monthly Rent	Location	Description
Agate	14,055	\$0.026*	\$369.91	Deschutes River Woods	Lease for Reservoir --- *Also provide free water to mining operation.
Avion	45,000	\$0.028**	\$1,250.00	Powell Butte, Crook County	Lease for wellsite --- **2002 rate. Likely adjusted upward since.
BendBroadband	6,626	\$0.031	\$208.34	SRELLC property	Easement through SRELLC Property.
Cell Tower	2,500	\$0.8300	\$2,086.69	SRELLC property	Lease for cell tower on SRELLC Property.
Fire Dept	105,000	\$0.0019	\$200.00	SRELLC property	Lease for new fire training facility on SRELLC Property.
Roats	139,580	\$0.0500	\$6,979.00	Bend	Service Office and Brookwood lot combined due to same rate.
Land Mean	\$0.23				
Land Median	\$0.04				

VEHICLES

DESCRIPTION	DIMENSIONS (FT)	SQUARE FT
2006 Dodge Dakota 4x4 Club Cab	6 X 17	102
2006 Dodge Dakota 4x4 Club Cab	6 X 17	102
2005 Dodge Dakota Club Cab 4x4	6 X 17	102
2005 Dodge 2500 SLT Quad Cab w/Flat bed	7 X 20	140
2014 Toyota Tacoma Ext Cab 4x4	5.5 X 15	82.5
2000 INTL. Dump Truck	8 X 19	152
2006 Case 430 SSL Skid/Steerer Loader Basic Unit	6 X 11	66
2006 Case 580M 4WD LDR/EXTHOE Turbo Eng	7 X 22	154
2008 Dodge Dakota Club Cab 4 x 4	6 X 17	102
Trailer (Red)	8 X 16.5	132
2006 Butler (yellow) Flat Bed Skidsteer Trailer	7 X 17.5	122.5
2014 Caterpillar 304E Mini Excavator	6.5 X 15	97.5
2013 KAWASAKI 4010 MULE	4.5 x 9.5	42.75
2013 KAWASAKI 4010 MULE	4.5 x 9.5	42.75
2013 MCLAUGHLIN V500LE Vacuum Excavator	8 X 13	104
TOTAL Sq Ft		1544

STORAGE

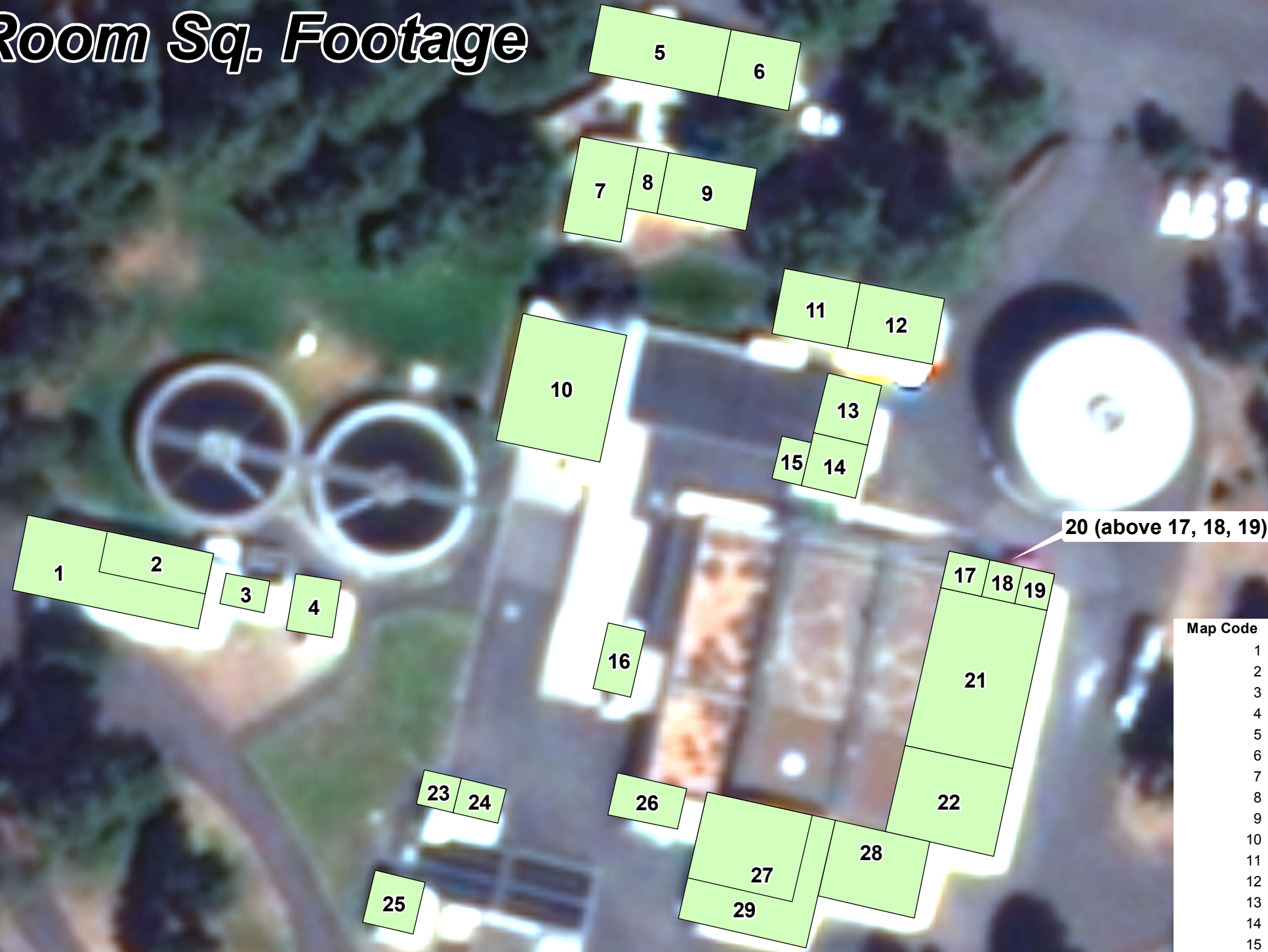
WATER AREAS	DIMENSIONS (FT)	SQUARE FT
PVC PIPES	20 X 34	680
SNOW PLOWS	10 X 11	110
VALVES & VALVE GASKETS	10.5 X 28	294
DUMPSTER	8 X 12.5	100
GRAVEL PIT	14 X 20	280
MISC PIPES	10 X 10	100
METER BOXES & DUCTAL IRON	20 X 45	900
SCRAP WOOD	12 X 18	216
EXTRA STORAGE	10 X 10	100
TOTAL Sq Ft		2780

Combined Total Sq Ft	4324
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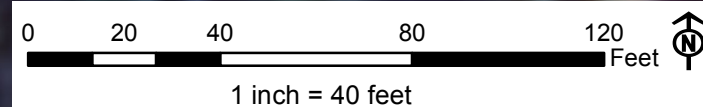
Ailes/Cirulcation	100%
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Affective Land Area	8648
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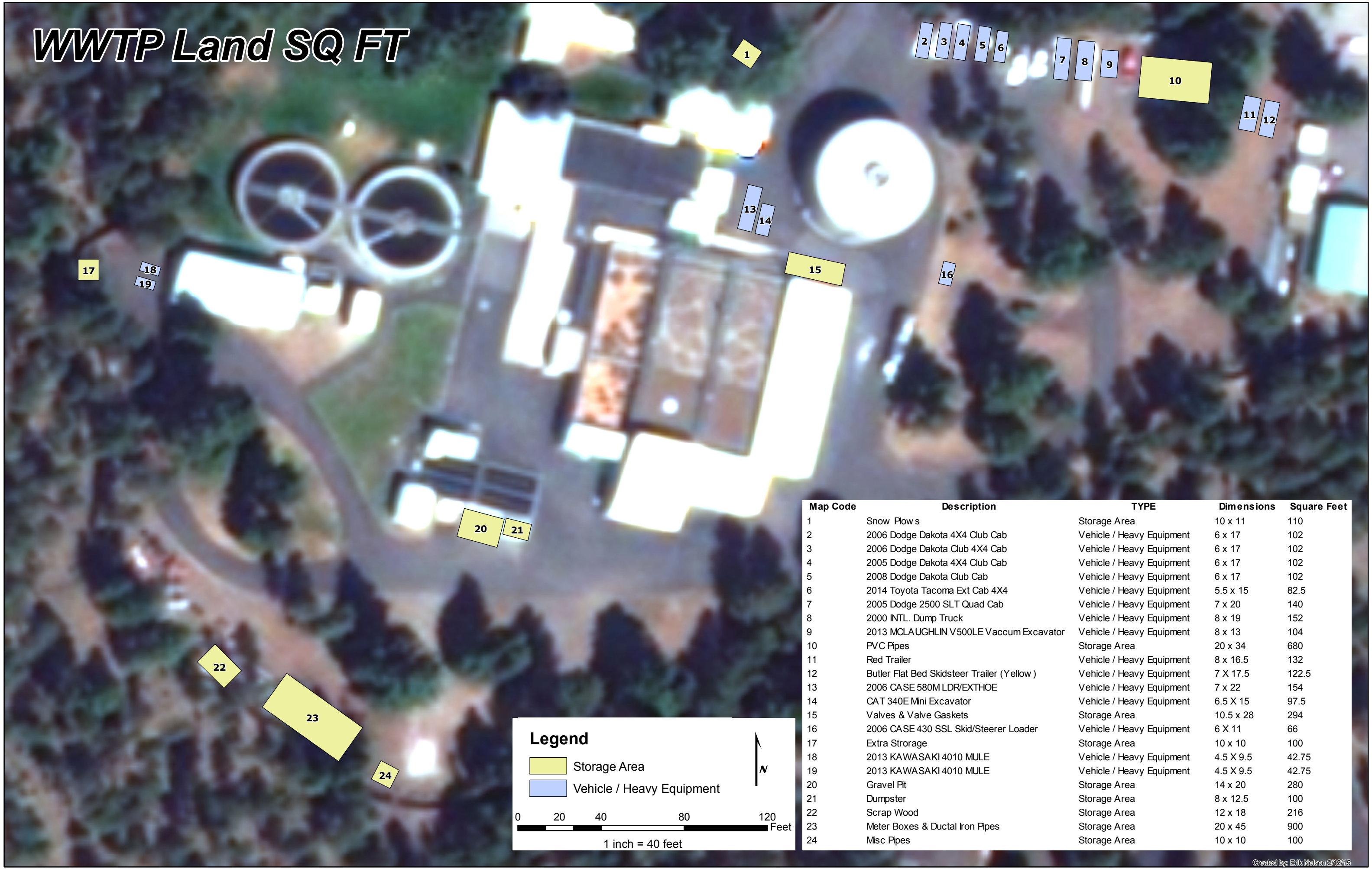
WWTP Room Sq. Footage



Map Code	NAME	SQ. FEET	% WATER	% SEWER
1	Shop	1276	75	25
2	Shop Mezzanine	336	10	90
3	Backwash Storage	104	0	100
4	Paint Room	204	50	50
5	Office	814	75	25
6	Lab	440	5	95
7	Locker Room	450	50	50
8	Timecard	160	50	50
9	Lunch Room	480	60	40
10	Screen Room	600	0	100
11	Generator Room	414	50	50
12	Blower Room	468	0	100
13	AB Lower Level	435	0	100
14	AB Pump Upper Level	360	0	100
15	AB Control	180	0	100
16	Ras	270	0	100
17	Office Records	99	80	20
18	Camera Room	72	25	75
19	Sewer Inventory	63	0	100
20	Barn Mezzanine	270	90	10
21	Barn	1242	50	50
22	Aquatech	918	50	50
23	Irrigation	88	0	100
24	Chlorine	96	0	100
25	Effluent	240	0	100
26	Lime	232	0	100
27	Belt Press Mezzanine	775	0	100
28	Camel Room	814	15	85
29	Belt Press Room	1152	0	100



WWTP Land SQ FT



Map Code	Description	TYPE	Dimensions	Square Feet
1	Snow Flow s	Storage Area	10 x 11	110
2	2006 Dodge Dakota 4X4 Club Cab	Vehicle / Heavy Equipment	6 x 17	102
3	2006 Dodge Dakota Club 4X4 Cab	Vehicle / Heavy Equipment	6 x 17	102
4	2005 Dodge Dakota 4X4 Club Cab	Vehicle / Heavy Equipment	6 x 17	102
5	2008 Dodge Dakota Club Cab	Vehicle / Heavy Equipment	6 x 17	102
6	2014 Toyota Tacoma Ext Cab 4X4	Vehicle / Heavy Equipment	5.5 x 15	82.5
7	2005 Dodge 2500 SLT Quad Cab	Vehicle / Heavy Equipment	7 x 20	140
8	2000 INTL. Dump Truck	Vehicle / Heavy Equipment	8 x 19	152
9	2013 MCLAUGHLIN V500LE Vaccum Excavator	Vehicle / Heavy Equipment	8 x 13	104
10	PVC Pipes	Storage Area	20 x 34	680
11	Red Trailer	Vehicle / Heavy Equipment	8 x 16.5	132
12	Butler Flat Bed Skidsteer Trailer (Yellow)	Vehicle / Heavy Equipment	7 X 17.5	122.5
13	2006 CASE 580M LDR/EXTHOE	Vehicle / Heavy Equipment	7 x 22	154
14	CAT 340E Mini Excavator	Vehicle / Heavy Equipment	6.5 X 15	97.5
15	Valves & Valve Gaskets	Storage Area	10.5 x 28	294
16	2006 CASE 430 SSL Skid/Steerer Loader	Vehicle / Heavy Equipment	6 X 11	66
17	Extra Storage	Storage Area	10 x 10	100
18	2013 KAWASAKI 4010 MULE	Vehicle / Heavy Equipment	4.5 X 9.5	42.75
19	2013 KAWASAKI 4010 MULE	Vehicle / Heavy Equipment	4.5 X 9.5	42.75
20	Gravel Pit	Storage Area	14 x 20	280
21	Dumpster	Storage Area	8 x 12.5	100
22	Scrap Wood	Storage Area	12 x 18	216
23	Meter Boxes & Ductal Iron Pipes	Storage Area	20 x 45	900
24	Misc Pipes	Storage Area	10 x 10	100

Legend

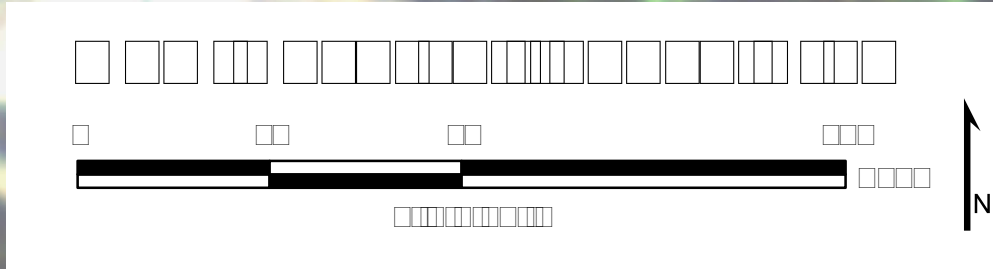
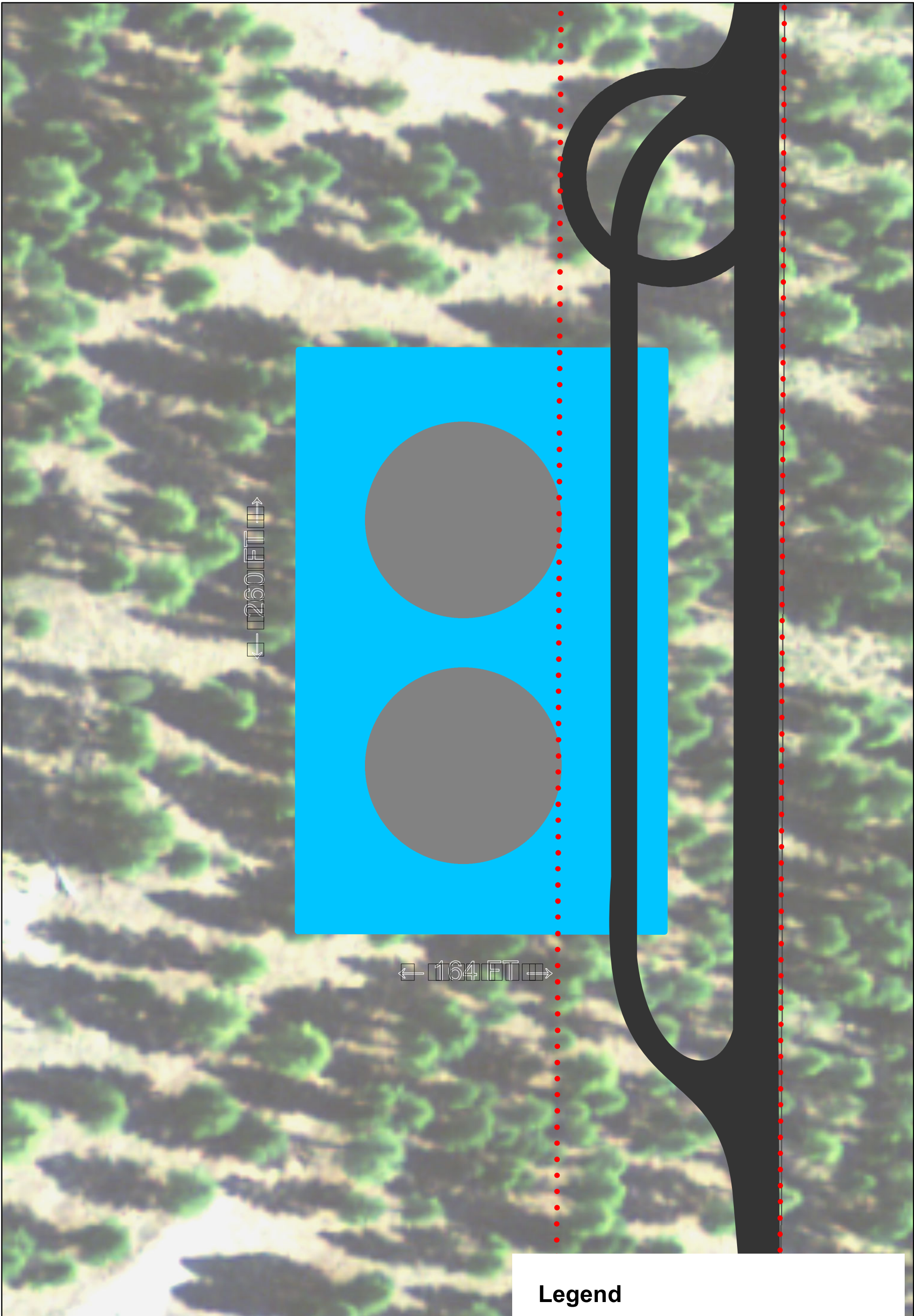
Storage Area

Vehicle / Heavy Equipment

0 20 40 80 120 Feet

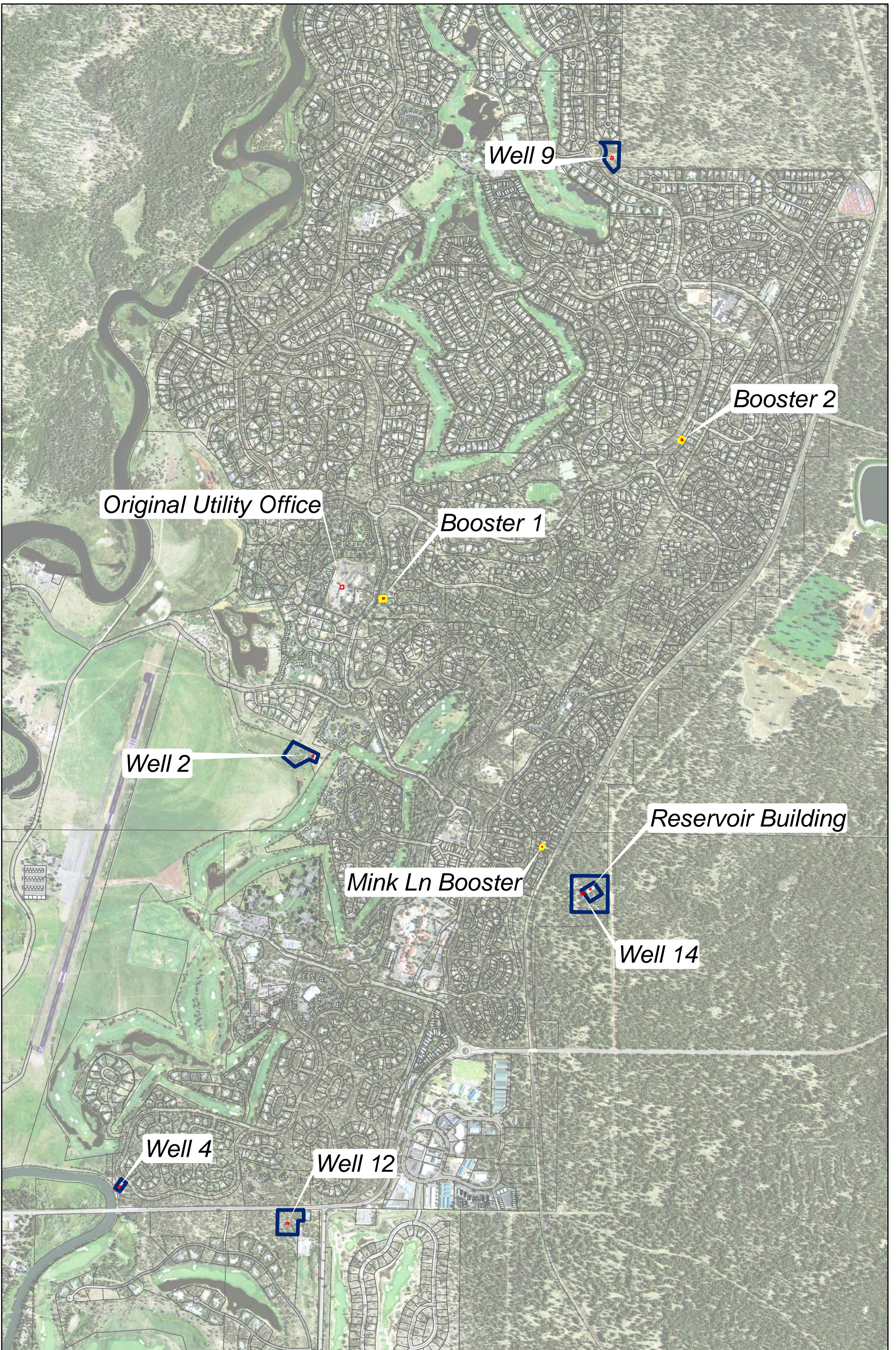
1 inch = 40 feet

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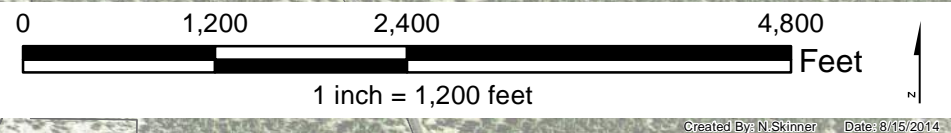


Legend

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Water Properties Overview



DR #42 PLANT ACCOUNTS

(4) a. Plant accounts Environmental (DR42)

Sunriver Environmental (5022)

File Listing Report

Book = Tax
 FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000230		000 A	2447	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				8,454.00
		000 A	2702	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				13,663.00
000236		000 A	884	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				29,565.00
000237		000 A	885	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				366.00
000238		000 A	886	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				297,727.00
000239		000 A	887	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				183.00
000240		000 A	888	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				823.00
000241		000 A	889	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				115,024.00
000242		000 A	902	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,279.00
000243		000 A	903	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,325.00
000245		000 A	1131	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				43,136.00
000246		000 A	1257	SEWER	SI	5022-001-1630-0000	07/01/98	R	MF150				731.00
000247		000 A	1403	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				125,489.00
000248		000 A	1531	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				2,696.00
000249		000 A	1576	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				2,650.00
000250		000 A	1577	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				28,788.00
000251		000 A	1740	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				111,916.00
000252		000 A	1743	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				3,564.00
000253		000 A	1858	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				8,316.00

Sunriver Environmental (5022)

File Listing Report

Book = Tax

FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000254			OFFICE LAB EXPANSION (5) AND (6)	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				29,747.00
		000 A	2260										
000255			ODOR CONTROL STRUCTURE	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				39,526.00
		000 A	2262										
000256			DMJM TANK REPAIR	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				14,485.00
		000 A	2290										
000257			AQUA TECH GARAGE (22)	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF150				1,919.00
		000 A	2322										
000258			AQUA TECH DUMP SITE	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				2,330.00
		000 A	2323										
000259			PARKING LOT PAVING	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				7,448.00
		000 A	2400										
000260			F.E.B. PUMP 90	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				7,083.00
		000 A	2444										
000261			ODOR CONTROL 90	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				11,881.00
		000 A	2448										
000262			ODOR CONTROL 91	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				1,462.00
		000 A	2545										
000263			WASHWATER DIVERSION	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				503.00
		000 A	2703										
000305			MOBILE HOME 1987	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF200				1,234.00
		000 A	1917										
000408			ODOR CONTROL FILTER	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				685.00
		000 A	3501										
000409			LIME STABILIZATION	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				12,246.00
		000 A	3503										
000410			PAVE HANDICAP RAMP	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				274.00
		000 A	3504										
000412			MOBILE HOME ROOF REPAIR	SEWER	BU	5022-001-1630-0000	07/01/98	P	MF200				2,148.00
		000 A	3506										
000419			FENCE REPLACEMENT	SEWER	SI	5022-001-1630-0000	07/01/98	P	MF150				1,919.00
		000 A	3513										
000427			SUBMURSABLE PUMP	SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				3,610.00
		000 A	3521										
000435			PAINT METAL ROOFS	SEWER	B	5022-001-1630-0000	07/01/98	P	MF150				2,148.00
		000 A	3529										
000436			ASPHALT DRIVE & PARKING										

Sunriver Environmental (5022)
File Listing Report

Book = Tax
FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000458		000 A	3530	SEWER	I	5022-001-1630-0000	07/01/98	R	MF150				1,782.00
000476		000 A		SEWER	B	5022-001-1630-0000	07/01/98	P	MF200				3,336.00
000477		000 A		SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				1,058.00
000481		000 A		SEWER	I	5022-001-1630-0000	07/01/98	P	MF150				2,995.00
000484		000 A		SEWER	PP	5022-001-1630-0000	07/01/98	P	MF150				9,483.00
000491		000 A		SEWER	I	5022-001-1630-0000	07/01/98	P	MF150				791,602.00
000495		000 A		SEWER	I	5022-001-1630-0000	09/10/98	P	MF150				7,166.85
000496		000 A		SEWER PLANT	E	5022-001-1630-0000	11/15/99	P	MF150				0.00
000497		000 A		SEWER PLANT	E	5022-001-1630-0000	11/23/99	P	MF150				0.00
000501		000 A		SEWER PLANT	I	5022-001-1630-0000	12/08/99	P	MF150				12,789.59
000508		000 A		SEWER PLANT	E	5022-001-1630-0000	03/02/99	P	MF150				7,900.00
000516		000 A		SEWER PLANT	E	5022-001-1630-0000	10/30/00	R	MF100				6,503.70
000517		000 A		LAKE PENHOLLOW	B	5022-001-1630-0000	01/01/00	R	MF100				142,437.00
000522		000 A		LAKE PENHOLLOW	I	5022-001-1630-0000	01/01/00	R	MF100				406,599.78
000523		000 A		lake penhollow	I	5022-001-1630-0000	11/01/01	P	MF150				152,724.69
000543		000 A		lake penhollow	I	5022-001-1630-0000	05/16/01	P	MF150				22,139.55
000550		000 A		Plant	I	5022-001-1630-0000	03/31/03	P	MA150				12,863.29
000555		000 A		ENV	I	5022-001-1630-0000	06/30/04	P	MA150	720	Various		44,741.37
		000 A		ENV	I	5022-001-1630-0000	06/30/04	P	MA150	725			455,245.81

Sunriver Environmental (5022)
File Listing Report

Book = Tax
FYE Month = December

Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1630-0000													
000561		Roofing 000 A		ENV	I	5022-001-1630-0000	06/30/04	P	MA150	730			8,451.20
000562		Basin Improvements No 168 000 A		ENV	I	5022-001-1630-0000	06/30/04	P	MF150	720	Various		25,108.51
000571		Plant Expansion Insurance 000 A		Sewer	e	5022-001-1630-0000	12/31/05	P	MF150				16,173.00
000572		Roof Main Plant 000 A		Sewer	bu	5022-001-1630-0000	12/31/05	R	MF100				8,534.63
000586		BLOWER AT TREATMENT PLANT (ADJUST VALVES) 000 A P				5022-001-1630-0000	06/30/06	P	MF150				30,247.21
000599		furnace 000 A		plant	e	5022-001-1630-0000	09/01/07	R	MF100				6,640.80
000600		plant improvements 000 A		plant	i	5022-001-1630-0000	09/01/07	R	MF150				13,157.85
000616		Sewer Plant Planning 000 A				5022-001-1630-0000	12/31/09	R	MF100				22,742.69
000617		Waste Water Treatment Plant Expansion Studies Grant Refund 000 A		Sewer Plant		5022-001-1630-0000	03/31/10	R	MF100				(41,996.09)
000638		Office Expansion Design 000 A				5022-001-1630-0000	06/30/12	R	MF100				502.50
000645		Utilities Bldg/Office Upgrades 000 A				5022-001-1630-0000	12/31/12	R	MF100				5,054.44
000648		Office Improvements 000 A				5022-001-1630-0000	08/01/13	P	MA200				7,690.30
000649		Wastewater Treatment plan improvements 000 A				5022-001-1630-0000	12/01/13	P	MA100				78,365.01

Sunriver Environmental (5022)
File Listing Report

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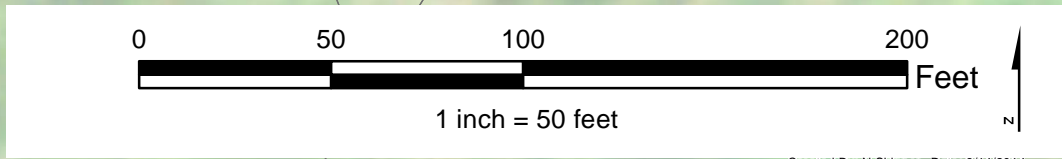
Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Vendor/Mfg	Disposal Date	Acquired Value
G/L Asset Acct No = 5022-001-1634-3581													
000551			Waste Water Plant Expansion 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	721			3,131.10
000552			Head Works Project Plant Expansion 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	722			137,461.85
000554			EOR Clarifier Upgrades 2010 DEQ 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	724			268,146.83
000556			Flow Equalization Tank (FET) 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	725			48,768.78
000557			Spray Nozzles 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	726			4,429.92
000558			FET Pump Room 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	727			348,411.53
<i>AB PUMP LOWER (13)</i> <i>AB PUMP UPPER (14)</i> <i>AB CONTROL (15)</i>													
000559			Screen Room Mods 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	728			97,631.78
000563			Waste Water Plant Expansion No 168 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MF150	721			93,448.14
000564			Waste Water Plant Expansion 30% 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	721			113,731.53
000566			EOR Clarifier Upgrades 2010 DEQ 30% 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	724			110,573.34
000567			Capitalized Int DEQ - 30% 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	720-730			38,635.77
000568			Capitalized Int DEQ - 50% 000 A	ENV	E	5022-001-1634-3581	06/30/04	P	MA150	720-730			110,247.85
000570			Lift Station Upgrade 000 A	Sewer	e	5022-001-1634-3581	12/22/05	P	MF200				26,478.94
000573			Grinder Pump 000 A	Sewer	e	5022-001-1634-3581	01/31/05	P	MF200				3,338.77
000574			Monitoring and Sensing equipment 000 A	Sewer	e	5022-001-1634-3581	01/31/05	P	MF200				6,410.45
000575			Scada Alarm system 000 A	Sewer	e	5022-001-1634-3581	01/31/05	P	MF200				7,505.81



Well 2

Well 2 Taxlot ID:191132C000110

Well 2: Used as housing for well pump and generator, divided 100% Water 0% Sewer
-Not occupied full time
-Built 1969, Renovated 1985 (generator structure), 1989 (roof)
-Plant Acct: 310 - #2 Well aux power structure, Dec 1985, \$14,397
 307 - Well #2 Upgrade, Dec 1989, \$6,497
-No Situs Address



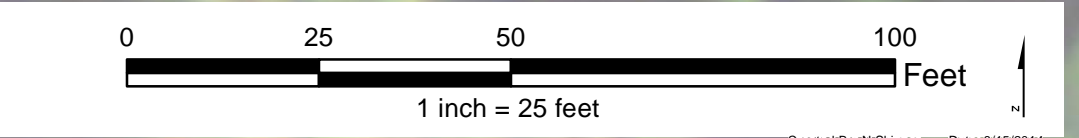


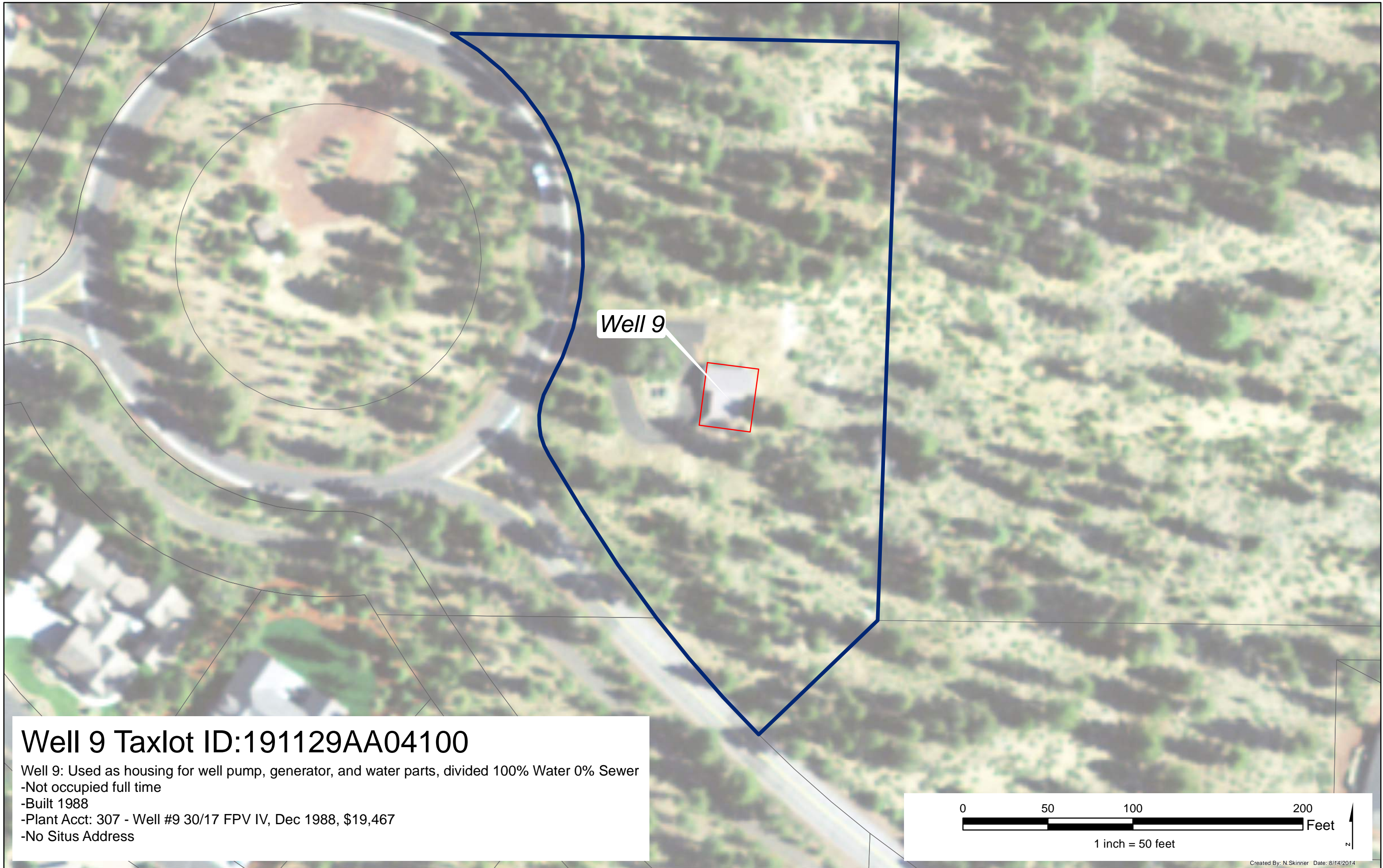
Well 4

Well 4 Taxlot ID:201106D000111

- Well 4: Used as housing for well pump, divided 100% Water 0% Sewer
- Not occupied full time
- Built 1969, renovated 1982
- Plant Acct: 304 - #4 Well Building, Jul 1982, \$18,747
- No Situs Address

NO LONGER IN USE

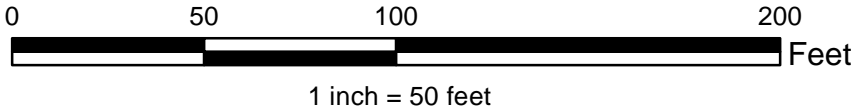


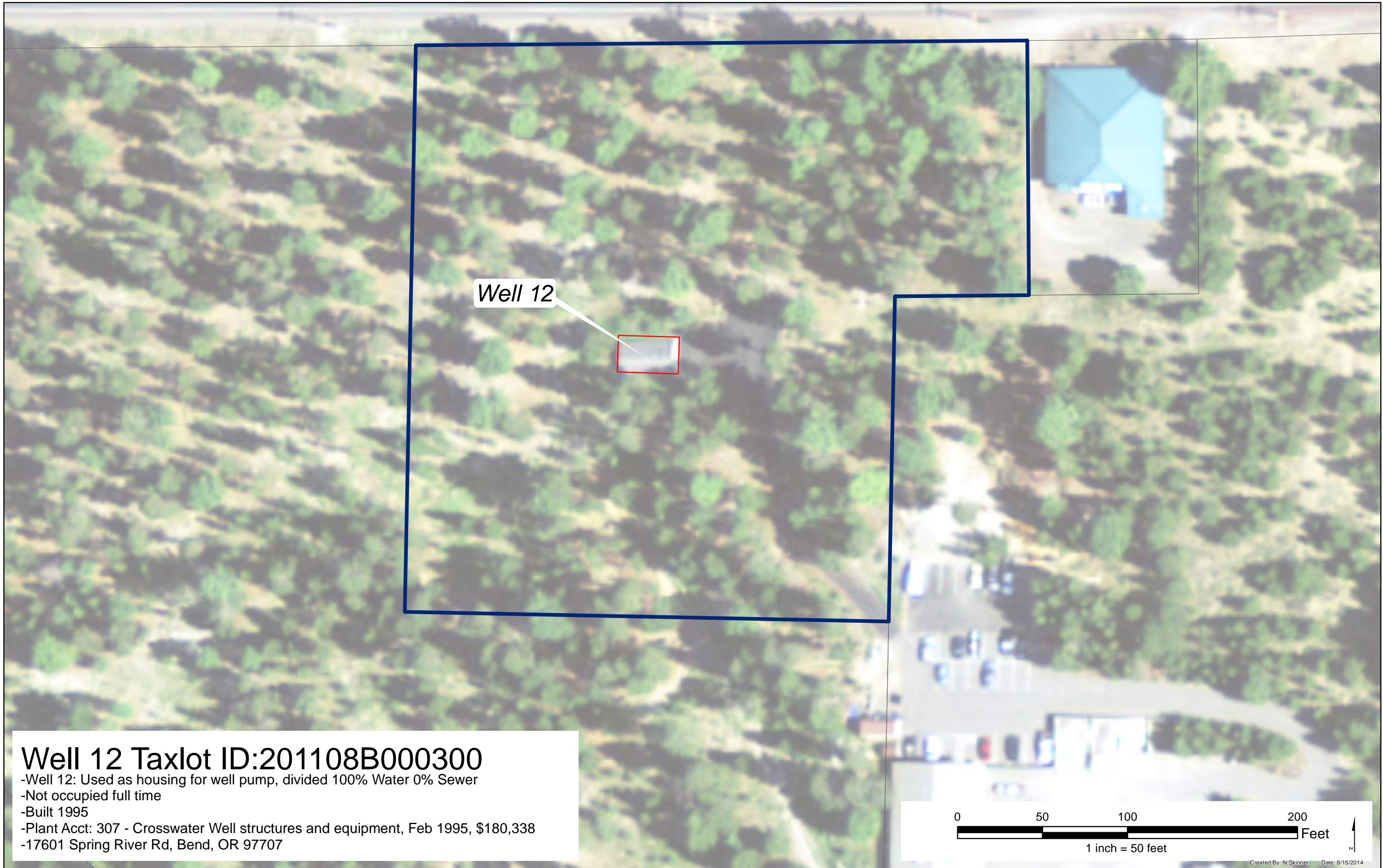


Well 9

Well 9 Taxlot ID:191129AA04100

Well 9: Used as housing for well pump, generator, and water parts, divided 100% Water 0% Sewer
-Not occupied full time
-Built 1988
-Plant Acct: 307 - Well #9 30/17 FPV IV, Dec 1988, \$19,467
-No Situs Address



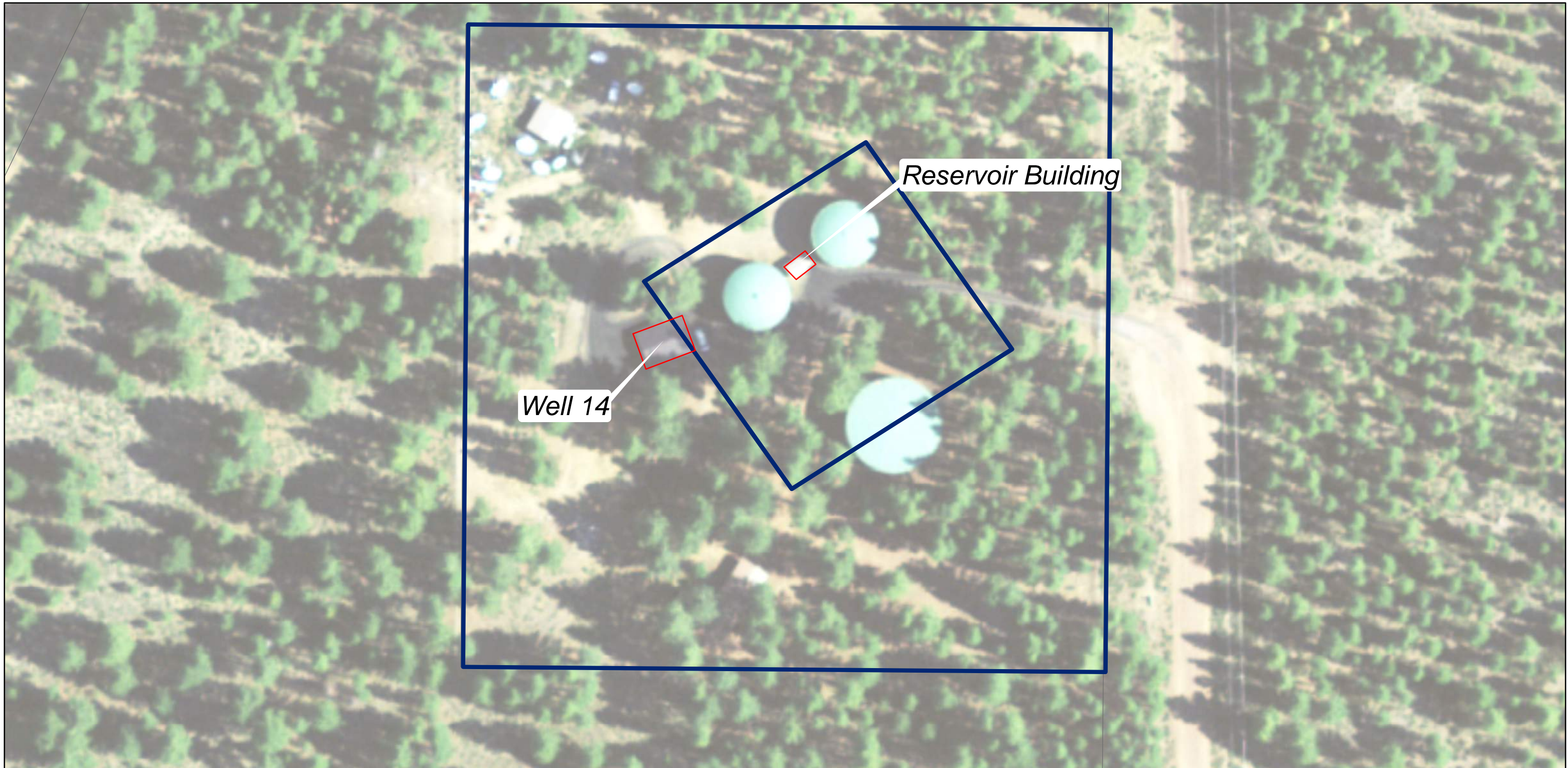


Well 12

Well 12 Taxlot ID:201108B000300

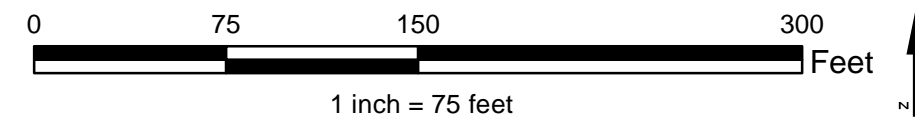
- Well 12: Used as housing for well pump, divided 100% Water 0% Sewer
- Not occupied full time
- Built 1995
- Plant Acct: 307 - Crosswater Well structures and equipment, Feb 1995, \$180,338
- 17601 Spring River Rd, Bend, OR 97707





Well 14 Taxlot ID:201105A000100 and Reservoir Building Taxlot ID:201105A000101

- Well 14: Used as housing for well pump, generator, and water parts, divided 100% Water 0% Sewer
- Reservoir Building: Used as housing for reservoir controls, divided 100% Water 0% Sewer
- Both not occupied full time
- Well 14 built 2007 (Permit B-64088)
- Reservoir building built 1969-71?
- Plant Acct: 307 - New Well, Feb 2007, \$993,232 (Well 14)
- 17990 South Century Dr, Bend, OR 97707 (Well 14)
- 17992 South Century Dr, Bend, OR 97707(Reservoir)



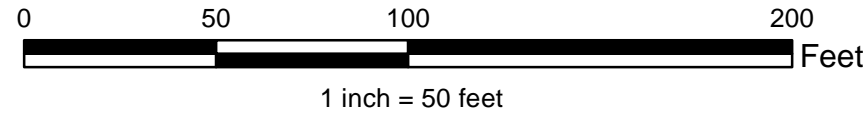


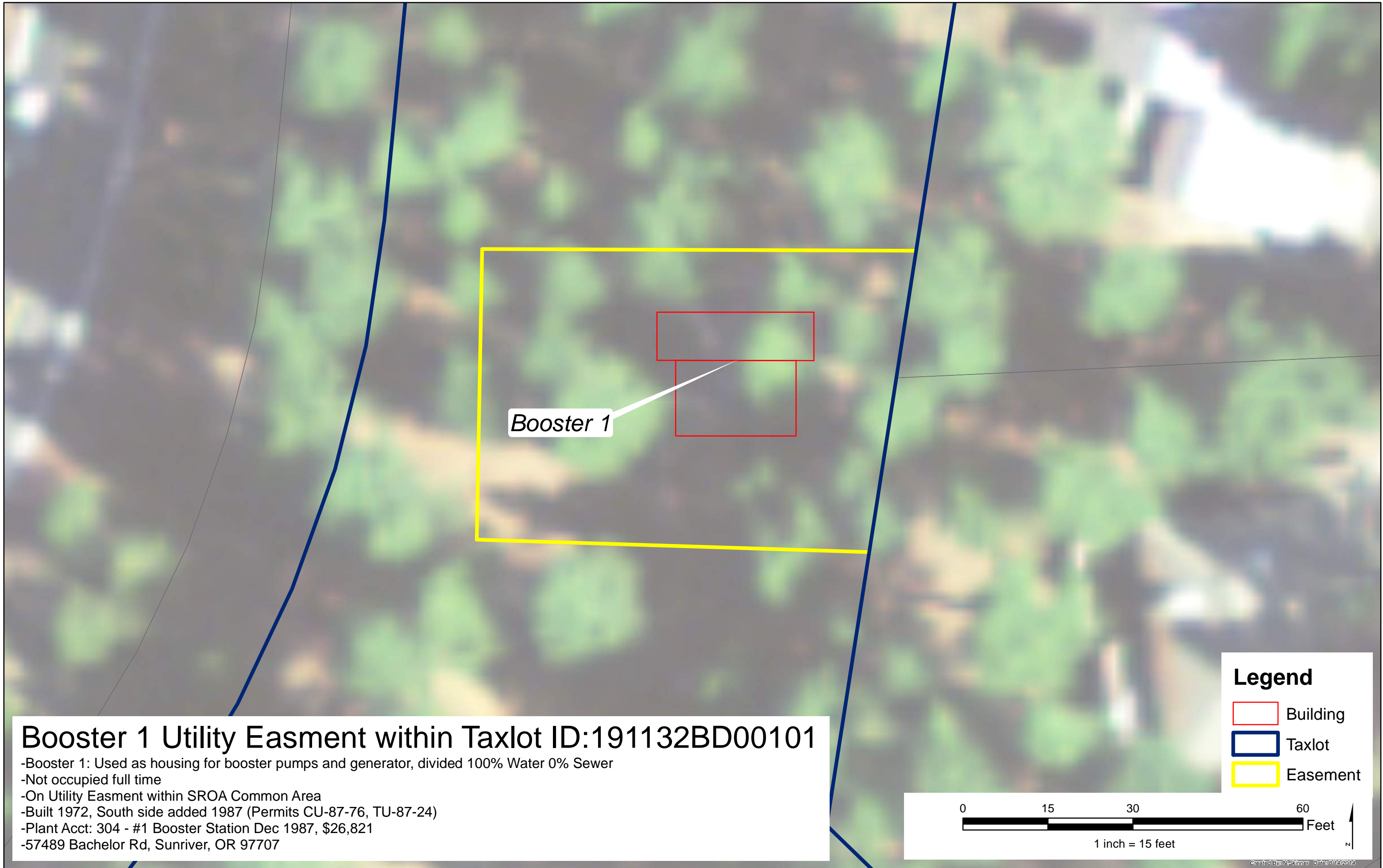
Original Utility Office

Original Utility Office Taxlot ID: 191132BD00202

- Original Utility Office
- Occupied full time until 1988
- Built 1942 (army) repurposed 1975 as Utility office
- 57380 Sun Eagle Ln, Sunriver, OR 97707

NO LONGER IN EXISTENCE








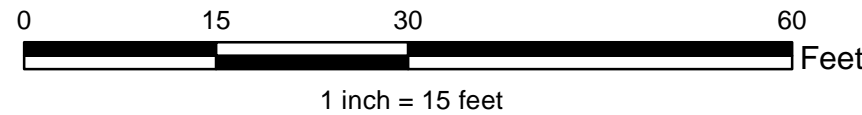
Booster 1

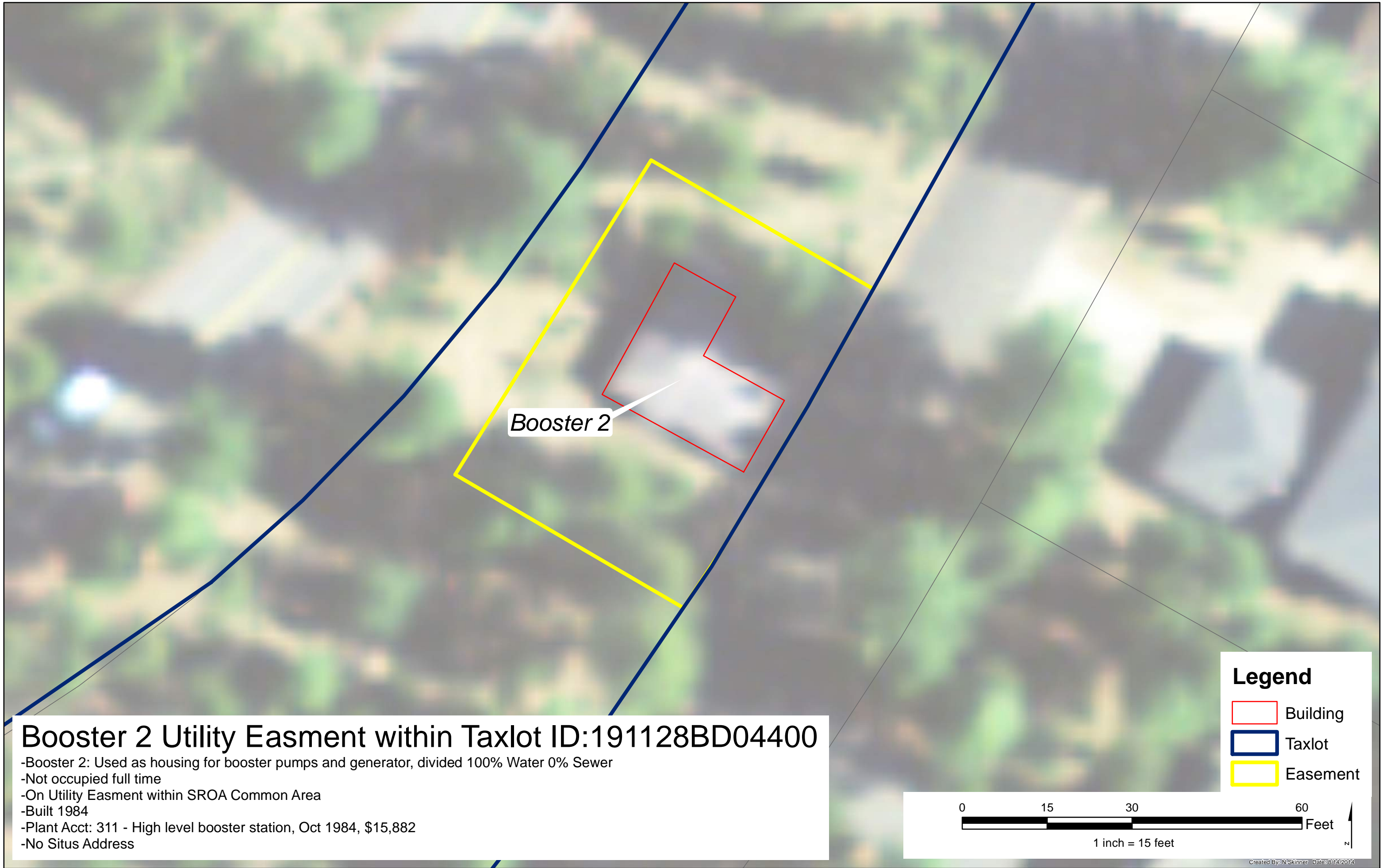
Booster 1 Utility Easement within Taxlot ID:191132BD00101

- Booster 1: Used as housing for booster pumps and generator, divided 100% Water 0% Sewer
- Not occupied full time
- On Utility Easement within SROA Common Area
- Built 1972, South side added 1987 (Permits CU-87-76, TU-87-24)
- Plant Acct: 304 - #1 Booster Station Dec 1987, \$26,821
- 57489 Bachelor Rd, Sunriver, OR 97707

Legend

-  Building
-  Taxlot
-  Easement








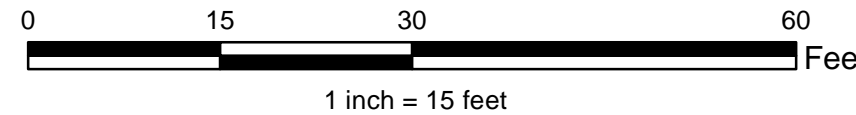
Booster 2

Booster 2 Utility Easement within Taxlot ID:191128BD04400

- Booster 2: Used as housing for booster pumps and generator, divided 100% Water 0% Sewer
- Not occupied full time
- On Utility Easement within SROA Common Area
- Built 1984
- Plant Acct: 311 - High level booster station, Oct 1984, \$15,882
- No Situs Address

Legend

-  Building
-  Taxlot
-  Easement





Mink Ln Booster

Legend

- Building
- Taxlot
- Easement

Mink Ln Booster Utility Easement within Taxlot ID:201105A000201

Mink Ln Booster: Used as housing for booster pump, divided 100% Water 0% Sewer
 -Not occupied full time
 -On Utility Easement within SROA Common Area
 -Built 1973, updated building and pump 1989
 -Plant Acct: 311 - Mink Lane Booster, Nov 1989, \$11,886
 -No Situs Address



1 inch = 10 feet



DR#43 PLANT ACCOUNTS

(4) b. Plant Accounts Water (DR43)

Sunriver Water (5023)

File Listing Report

Book = PUC

FYE Month = December

PUC Acct#	Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Disposal Date	Acquired Value
PUC Acct# = 304 Structures & Improvem													
000307													
000307					STRUCTURES & IMPROVEMENTS								
304 Structures & Improvem		000	A	852	WATER	BU	5023-001-1630-0000	10/20/69	R	SLMM			\$ 31,057.35
000008					STRUCTURES & IMPROVEMENTS								
304 Structures & Improvem		000	A	830	WATER	BU	5023-001-1630-0000	05/01/71	R	SLMM			4,861.35
000002					STRUCTURES & IMPROVEMENTS								
304 Structures & Improvem		000	A	828	WATER	BU	5023-001-1630-0000	06/29/71	R	SLMM			3,442.00
000004					#4 WELL BUILDING								
304 Structures & Improvem		000	A	1215	WATER	BU	5023-001-1630-0000	07/01/82	R	SLMM			18,747.42
000308					UTILITY PLANT OFFICE BLDG								
304 Structures & Improvem		000	A	1405	WATER	BU	5023-001-1630-0000	01/01/84	R	SLMM			5,826.56
000014					#1 BOOSTER BUILDING 1987								
304 Structures & Improvem		000	A	1923	WATER	BU	5023-001-1630-0000	12/31/87	R	SLMM			26,820.71
000029					STRUCTURES & IMPROVEMENTS								
304 Structures & Improvem		000	A	832	WATER	BU	5023-001-1630-0000	12/30/90	R	SLMM			41.44
000016					CONCRETE RETAINING WALL								
304 Structures & Improvem		000	A	2688	WATER	SI	5023-001-1630-0000	11/30/92	R	SLMM			2,218.47
000532					TREE REMOVAL & CLEAN UP								
304 Structures & Improvem		000	A		RESERVOIR	I	5023-001-1634-3200	08/04/04	P	SLMM			3,245.00
000533					FENCES @ RESERVOIR								
304 Structures & Improvem		000	A		RESERVOIR	I	5023-001-1634-3200	10/15/04	P	SLMM			26,680.00
000534					CONCRETE FLOOR								
304 Structures & Improvem		000	A		Cir 9 Pumphouse	I	5023-001-1630-0000	11/29/04	R	SLMM			940.00
000543					Aluminum Floor Plate								
304 Structures & Improvem		000	A				5023-001-1630-0000	03/01/05	P	SLMM			405.00

Sunriver Water (5023)
File Listing Report

Book = PUC
FYE Month = December

PUC Acct #	Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Disposal Date	Acquired Value
PUC Acct # = 307 Wells and Springs													
000003					WELL - GC II								
307 Wells and Springs		000	A	1139	WATER	SI	5023-001-1630-0000	12/31/81	R	SLMM			\$ 10,171.13
000036					#8 WELL TIES								
307 Wells and Springs		000	A	1393	WATER	SI	5023-001-1632-9220	06/30/84	R	SLMM			1,783.81
000038					AIRPORT/SKYPARK WELL TIE								
307 Wells and Springs		000	A	1564	WATER	SI	5023-001-1632-9220	08/31/85	R	SLMM			9,776.93
000001					WELL # 9 30/17 FPV IV								
307 Wells and Springs		000	A	2084	WATER	LA	5023-001-1634-4960	12/31/88	R	SLMM			19,467.15
000025					WELL #2 UPGRADE								
307 Wells and Springs		000	A	2257	WATER	SI	5023-001-1634-3580	12/31/89	R	SLMM			6,497.42
000041					AIRPORT WELL 89								
307 Wells and Springs		000	A	2256	WATER	SI	5023-001-1632-9220	12/31/89	R	SLMM			8,105.60
000414					WATER MAINS / WELL TIE								
307 Wells and Springs		000	A	3508	WATER	SI	5023-001-1632-9220	06/30/94	R	SLMM			6,865.19
000447					CROSSWATER WELL STRUCTURES								
307 Wells and Springs		000	A		WATER	B	5023-001-1630-0000	02/28/95	P	SLMM			75,013.04
000449					CROSSWATER WELL EQUIPMENT								
307 Wells and Springs		000	A		WATER	I	5023-001-1634-3580	02/28/95	P	SLMM			105,325.33
000474					CW WELL ADDITIONS								
307 Wells and Springs		000	A		WATER	I	5023-001-1632-9220	01/31/97	P	SLMM			7,061.00
000579					new well								
307 Wells and Springs		000	A		Reservoir Site Well 14	i	5023-001-1634-3580	02/01/07	P	SLMM			993,232.00

WELL 12

Sunriver Water (5023)
File Listing Report

Book = PUC
FYE Month = December

PUC Acct #	Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Disposal Date	Acquired Value
PUC Acct # = 310 Power Generation													
000011	#2 WELL AUX. POWER STRUCTURAL												
310 Power Generation		000	A	1441	WATER	BU	5023-001-1630-0000	04/01/85	R	SLMM			\$ 14,396.67
000022	#2 WELL AUX POWER EQUIPMENT												
310 Power Generation		000	A	1442	WATER	PP	5023-001-1634-3580	04/01/85	P	SLMM			30,146.00
000023	CIRCLE #9 WELL AUX. POWER EQUIP.												
310 Power Generation		000	A	1737	WATER	PP	5023-001-1634-3580	09/30/86	P	SLMM			46,953.02
000012	CIRCLE 9 WELL AUX POWER STRUCTURE												
310 Power Generation		000	A	1736	WATER	BU	5023-001-1630-0000	12/31/86	R	SLMM			73,181.93
000346	KUBOTA PORTABLE GENERATOR												
310 Power Generation		000	A	2024	WATER	PP	5023-001-1634-6361	10/01/88	P	SLMM			1,349.00
000024	BOOSTER #1 GENERATOR												
310 Power Generation		000	A	2077	WATER	PP	5023-001-1634-3580	10/31/88	P	SLMM			22,570.73
000352	FUEL TANKS												
310 Power Generation		000	A	2689	WATER	SI	5023-001-1634-6361	11/30/92	P	SLMM			22,298.14
000445	DIESEL TANK COVER												
310 Power Generation		000	A		WATER	I	5023-001-1630-0000	10/31/95	P	SLMM			1,002.61
000526	Bobcat Port Generator 5k watt												
310 Power Generation		000	A		Plant	E	5023-001-1634-6361	06/30/03	P	SLMM			1,800.00
000531	KOHLER GENERATOR (USED)												
310 Power Generation		000	A		WATER	E	5023-001-1634-6361	12/31/04	P	SLMM			5,525.00
000651	Hi Level Booster #2												
310 Power Generation		000	A				5023-001-1634-3580	08/31/11	R	SLMM			84,711.41

Sunriver Water (5023)
File Listing Report

Book = PUC
FYE Month = December

PUC Acct#	Sys No	Ext	A C	Co Asset No	Location	Cl	G/L Asset Acct No	In Svc Date	P T	Depr Meth	Department	Disposal Date	Acquired Value
PUC Acct# = 311 Pumping Equipment													
000017	ELECTRIC PUMPING EQUIPMENT												
311 Pumping Equipment		000	A	833	WATER	PP	5023-001-1634-3580	06/01/76	P	SLMM			\$ 18,472.70
000018	ELECTRIC PUMPING EQUIP.												
311 Pumping Equipment		000	A	834	WATER	PP	5023-001-1634-3580	06/01/77	P	SLMM			778.32
000019	ELECTRIC PUMPING EQUIP.												
311 Pumping Equipment		000	A	835	WATER	PP	5023-001-1634-3580	12/31/78	P	SLMM			1,057.94
000020	ELECTRIC PUMPING EQUIPMENT												
311 Pumping Equipment		000	A	836	WATER	PP	5023-001-1634-3580	12/31/79	P	SLMM			17,094.68
000009	HIGH LEVEL BOOSTER STATION												
311 Pumping Equipment		000	A	1216	WATER	BU	5023-001-1630-0000	07/01/82	R	SLMM			3,178.25
000344	2 EA GP 2S PMPS												
311 Pumping Equipment		000	A	1265	WATER	PP	5023-001-1634-6361	12/29/83	P	SLMM			494.00
000010	HIGH LEVEL BOOSTER STATION #2												
311 Pumping Equipment		000	A	1390	WATER	BU	5023-001-1630-0000	10/31/84	R	SLMM			15,881.95
000021	HILEVEL BOOSTER #2 EQUIPMENT												
311 Pumping Equipment		000	A	1391	WATER	PP	5023-001-1634-3580	10/31/84	P	SLMM			52,426.26
000015	MINK LANE BOOSTER												
311 Pumping Equipment		000	A	2229	WATER	SI	5023-001-1630-0000	11/30/89	R	SLMM			11,886.44
000396	OVERFLOW SYSTEM												
311 Pumping Equipment		000	A	1611	WATER	SI	5023-001-1630-0000	06/30/91	R	SLMM			3,091.03
000315	PORTABLE WATER PUMP												
311 Pumping Equipment		000	A	2589	WATER	PP	5023-001-1634-9101	04/30/92	P	SLMM			369.96
000434	PUMP												
311 Pumping Equipment		000	A	3528	WATER	M	5023-001-1634-6361	07/31/95	P	SLMM			1,324.13
000493	8HP PUMP												
311 Pumping Equipment		000	A		WATER	E	5023-001-1634-6361	09/01/98	P	SLMM			1,215.00
000515	pump controllers												
311 Pumping Equipment		000	A		water	e	5023-001-1634-3580	05/28/02	P	SLMM			4,703.30
000516	Water booster PLC												
311 Pumping Equipment		000	A		plant	e	5023-001-1634-2605	12/23/02	P	SLMM			8,494.00
000536	WATER BOOSTER STATION												
311 Pumping Equipment		000	A		Booster Station 1 Pumps	E	5023-001-1634-3580	06/30/04	P	SLMM			34,602.00
000535	PUMP WIRING												
311 Pumping Equipment		000	A		Booster Pump Station 1	I	5023-001-1634-3580	12/14/04	P	SLMM			5,428.81
000544	Electric pump control WH&H												
311 Pumping Equipment		000	A		Water Booster Station 1	e	5023-001-1634-3580	01/31/05	P	SLMM			6,743.78

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UI 326

In the Matter of

ROATS WATER SYSTEM INC

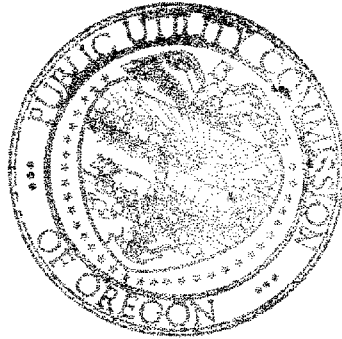
Application for Approval of Affiliated Interest Agreement with W.K. Roats, and Request for Waiver of OAR 860-036-0739(4)(e).

ORDER

DISPOSITION: STAFF'S RECOMMENDATION ADOPTED

At its Public Meeting on February 26, 2013, the Public Utility Commission of Oregon adopted Staff's recommendation in this matter. The Staff Report with the recommendation is attached as Appendix A.

BY THE COMMISSION:



Becky L. Beier

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order under ORS 756.561. A request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-001-0720. A copy of the request must also be served on each party to the proceedings as provided in OAR 860-001-0180(2). A party may appeal this order by filing a petition for review with the Court of Appeals in compliance with ORS 183.480 through 183.484.

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: February 26, 2013**

REGULAR _____ CONSENT X EFFECTIVE DATE _____ N/A _____

DATE: February 20, 2013

TO: Public Utility Commission

FROM: Brian Bahr *BB*
F

THROUGH: Jason Eisdorfer, *JE* Bryan Conway, and Irv Emmons

SUBJECT: ROATS WATER SYSTEM INC.: (Docket No. UI 326) Requests approval of an Affiliated Interest Agreement with W. K. Roats.

STAFF RECOMMENDATION:

The Public Utility Commission of Oregon (Commission) should grant a waiver of Oregon Administrative Rule (OAR) 860-036-0739(4)(e) and approve Roats Water System, Inc.'s (Company) application for approval of an Affiliated Interest Agreement (Agreement) with W. K. Roats, an affiliated interest, subject to the following conditions:

1. The Company will provide the Commission access to all books of account as well as all documents, data, and records that pertain to any transactions involving W. K. Roats.
2. The Commission reserves the right to review, for reasonableness, all financial aspects of this transaction in any rate proceedings or alternative form of regulation.
3. The Company will notify the Commission in advance of any substantive changes to the Agreement, including any material change in price. Any such changes shall be submitted in an application for a supplemental order (or other appropriate format) in this docket.
4. The Company will report to the Commission, as part of its annual affiliated interest report, a summary of the Company's transactions with W. K. Roats.

Docket No. UI 326
February 20, 2013
Page 2

DISCUSSION:

The Company filed this application on July 31, 2012, pursuant to ORS 757.495 and OAR 860-036-0730. The Company is a water utility that provides water to approximately 1,609 customers near Bend, Oregon. The Company was incorporated in Oregon in 1963 and is entirely owned by W. K. Roats.

"Affiliated interest," as defined in ORS 757.015, includes every corporation and person owning or holding directly or indirectly five percent or more of the voting securities of such public utility. Because W. K. Roats directly owns 100 percent of the Company, he qualifies as an affiliated interest.

Certain properties currently used by the Company for operational and administrative functions are donated by the Company's owner, W. K. Roats. These properties include a Business Office, a Service Office, a Shop/Warehouse, and a lot where utility equipment is stored (collectively referred to as the Properties). The Properties have been owned by W. K. Roats for several decades. During that time, the rental expense of the Properties has not been included in the Company's revenue requirement used to set rates. In other words, ratepayers have enjoyed the benefit of the Company's rent-free usage of the Properties since the inception of the Company.

Given the opportunity for potential other revenue-producing uses of the Properties, W. K. Roats now wishes to begin charging the Company appropriate rent. In its application, the Company requests Commission approval of an affiliated interest agreement between the Company and W. K. Roats, an affiliated interest, for rental of the Properties.

Issues

Staff investigated the following issues:

1. Terms and Conditions of the Agreement
2. Waiver of OAR 860-036-0739(4)(e)
3. Transfer Pricing
4. Public Interest Compliance
5. Records Availability, Audit Provisions, and Reporting Requirements

Terms and Conditions of the Agreement

Staff reviewed the Agreement between the Company and W. K. Roats and did not observe any unusual terms or conditions in the Agreement. The Agreement appears similar to other property rental agreements typically used by water utility companies.

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February 20, 2013
Page 3

Waiver of OAR 860-036-0739(4)(e)

OAR 860-036-0001 provides that the Commission may waive its rules upon good cause shown. The rule at issue requires that affiliate transactions be priced at lower of cost or market. In this case, the calculated cost is significantly lower than market rates or opportunity costs. Additionally, the Company has given ratepayers the benefit of not previously including these costs in customer rates.

If the affiliated interest application were approved at cost, it may provide a disincentive for the Company to continue to utilize the property for the benefit of ratepayers and instead rent the property based upon its market value. Furthermore, a strict application of the rule could be interpreted as punishing the Company for its failure to charge customers for the cost of the Properties in the past.

Staff only supports waiver in this very specific instance because the Company is a water utility that has not previously included any costs of the Properties in rates. To use the past behavior of a water utility to disallow the future opportunity of receiving market rates for the Properties could incentivize the water utility to not use the property for water utility business. Finally, Staff notes that this does not constitute rate making treatment and that these costs will only be considered in context of overall fair and reasonable rates.

Transfer Pricing

OAR 860-036-0739(4)(e) requires that affiliated interest transactions be priced at the lower of cost or market rate. The rule states:

When services or supplies are sold to a water utility by an affiliate, sales must be recorded in the water utility's accounts at the affiliate's cost or the market rate, whichever is lower. The affiliate's cost must be calculated using the water utility's most recently authorized rate of return.

In its application, the Company is requesting a monthly rent expense of \$10,756. This amount is based on the market rate as determined using the rental rate per square foot of comparable properties in the Bend area found in real estate listings. Staff verified these listings to ensure they represent accurate, reasonable market rates for the Bend area. Table 1 shows the calculation of the \$10,756 rent amount requested in the Company's application.

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February 20, 2013
Page 4

Table 1.

Property Description	Sq. Ft.	Rate per Sq. Ft.	Monthly Rent
Service Office	83,580 ¹	\$0.05	\$4,179
Shop/Warehouse	3,000 ²	\$0.50	\$1,500
Brookwood Lot	56,000 ³	\$0.05	\$2,800
Business Office	2,277	\$1.00	\$2,277
		TOTAL	\$10,756

The Company's application lists the square footage of the Business Office as 2,277; however, Deschutes County Tax Assessor records indicate the square footage to be 1,247. To resolve the discrepancy, Staff requested a Certified Public Accountant in the Bend area to certify the actual dimensions of the usable square footage of the Business Office building.⁴ The certified square footage amount is 2,024. Using this amount would change the total amount of monthly rent requested from \$10,756 to \$10,503, as shown below in Table 2.

Table 2.

Property Description	Sq. Ft.	Rate per Sq. Ft.	Monthly Rent
Service Office	83,580	\$0.05	\$4,179
Shop/Warehouse	3,000	\$0.50	\$1,500
Brookwood Lot	56,000	\$0.05	\$2,800
Business Office	2,024	\$1.00	\$2,024
TOTAL	144,604	TOTAL	\$10,503

Table 3 shows comparable properties and market rates based on information included with the Company's application and verified by Staff. The highlighted amounts are the properties that are most comparable to the Properties used by the Company, based on square footage.

¹ Per the Company's response to Staff Data Request No. 5, the entirety of the Service Office and Shop/Warehouse is used for purposes directly related to water utility operations.

² *Ibid.*

³ This amount is the square footage of the portion of the lot used specifically for utility purposes, not the square footage of the entire lot (4.14 acres, or 180,338 Sq. Ft.). See the Company's response to Staff Data Request No. 4.

⁴ The Certified Public Accountant certifying the dimensions was Wes Price, CPA, who is a partner of the firm Harrigan Price Fronk & Co. LLP.

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Table 3.

Property Type	Sq. Ft.	Rate asked per Sq. Ft.	Asked Monthly Rent
Office	4,755	\$1.10	\$5,230.50
Office	1,500	\$1.25	\$1,875
Office	1,477	\$1.00	\$1,477
Office	2,400	\$1.10	\$2,640.00
Office	9,360	\$0.90	\$8,424
Office	1,749	\$0.87	\$1,521.63
	Mean	\$1.04	
	Median	\$1.05	
Shop/Warehouse	5,050	\$0.40	\$2,020
Warehouse	10,500	\$0.50	\$5,250
Warehouse	2,150	\$0.60	\$1,290
Warehouse	1,050	\$0.60	\$630
	Mean	\$0.53	
	Median	\$0.55	
Lot	14,968	\$0.05	\$7,484.00

Based upon the information presented in Tables 2 and 3, the rental rate of the Business Office requested by the Company (\$1.00 per Sq. Ft.) is less than both the mean and median rental rates for the properties listed in Table 3 (\$1.04 per Sq. Ft. and \$1.05 per Sq. Ft., respectively). It is also lower than the rental rate of the single most comparable property (\$1.10 per Sq. Ft.).

The requested rental rate of the Shop/Warehouse (\$0.50 per Sq. Ft.) is also lower than both the mean and median rates of the listed properties (\$0.53 per Sq. Ft. and \$0.55 per Sq. Ft., respectively) and of the single most comparable property (\$0.60 per Sq. Ft.). The rental rate requested by the Company of the Brookwood Lot and the Service Office (\$0.05 per Sq. Ft.) is the same as that of the listed property.

Table 4 shows the comparison between the rental rates requested by the Company and the mean market rates, as shown in Tables 2 and 3, respectively.

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Table 4.

Property Description	Sq. Ft.	Mean Mkt. Rate	Mean Mkt. Rent	Requested Rate	Requested Rent
Service Office	83,580	\$0.05	\$4,179	\$0.05	\$4,179
Shop/Warehouse	3,000	\$0.53	\$1,590	\$0.50	\$1,500
Brookwood Lot	56,000	\$0.05	\$2,800	\$0.05	\$2,800
Business Office	2,024	\$1.04	\$2,105	\$1.00	\$2,024
TOTAL	144,604		\$10,674		\$10,503

Table 5 shows the comparison between the rental rates requested by the Company and the median market rates, as shown in Tables 1 and 2, respectively.

Table 5.

Property Description	Sq. Ft.	Median Mkt. Rate	Median Mkt. Rent	Requested Rate	Requested Rent
Service Office	83,580	\$0.05	\$4,179	\$0.05	\$4,179
Shop/Warehouse	3,000	\$0.55	\$1,650	\$0.50	\$1,500
Brookwood Lot	56,000	\$0.05	\$2,800	\$0.05	\$2,800
Business Office	2,024	\$1.05	\$2,125	\$1.00	\$2,024
TOTAL	144,604		\$10,694		\$10,503

Table 6 shows the comparison between the rental rates requested by the Company and those of the most comparable properties, as shown in Tables 1 and 2, respectively.

Table 6.

Property Description	Sq. Ft.	Comparable Rate	Comparable Mkt. Rent	Requested Rate	Requested Rent
Service Office	83,580	\$0.05	\$4,179	\$0.05	\$4,179
Shop/Warehouse	3,000	\$0.60	\$1,800	\$0.50	\$1,500
Brookwood Lot	56,000	\$0.05	\$2,800	\$0.05	\$2,800
Business Office	2,024	\$1.10	\$2,226	\$1.00	\$2,024
TOTAL	144,604		\$10,795		\$10,503

Tables 4, 5, and 6 all indicate that the Company is requesting less than comparable market rates. However, OAR 860-036-0739(4)(e) requires the expense be not just lower than market rates, but at the lower of cost or market. Additionally, the rule states that the affiliate's cost must be calculated using the water utility's most recently authorized rate of return.

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To calculate the cost, Staff multiplied the market value of the land by the Company's most recently authorized rate of return, 3.99 percent.⁵ This calculation results in a monthly cost of \$1,534.

Staff recommends the Commission approve a monthly rental amount of \$10,503, which is lower than comparable market rental rates and is based on the Company's application, adjusted for a square footage difference.

Public Interest Compliance

The Commission customarily applies a no harm standard to affiliated interest agreements. Customers could potentially be harmed by not approving this Agreement as this could result in increased expenses to ratepayers and the potential disruption of service.

Records Availability, Audit Provisions, and Reporting Requirements

Order Conditions numbers 1 through 4, listed above in Staff's recommendations, afford the necessary Commission examination of the Company's records concerning the Agreement with W. K. Roats.

Based on the review of this application, Staff concludes the following:

1. The application regards an affiliated interest agreement that is fair and reasonable and not contrary to the public interest, with the inclusion of proposed ordering conditions.
2. Necessary records are available.

PROPOSED COMMISSION MOTION:

Roats Water System, Inc.'s application for approval of the Affiliated Interest Agreement with W. K. Roats, an affiliated interest, be approved in the monthly expense amount of \$10,503 and subject to the four recommended conditions. In order to grant this recommendation, Staff further recommends that the Commission waive the requirements of OAR 860-036-0729(4)(e).

UI 326

⁵ Approved by Commission Order No. 05-811.

(5) b. i. Agate Lease

DESCHUTES COUNTY OFFICIAL RECORDS
MARY SUE PENHOLLOW, COUNTY CLERK

2001-42115



\$76.00

00012281200100421150060064

08/27/2001 02:18:07 PM

D-LE Cnt=1 Stn=2 TRACY
\$30.00 \$11.00 \$10.00 \$5.00 \$20.00

REV 8/15/01

LEASE

AGATE WATER CO., an Oregon corporation, ("Agate") and PIERATT BROTHERS, INC., an Oregon corporation, ("Pieratt") hereby enter into this Lease as follows:

PROPERTY DESCRIPTION ("property")

Attached as Exhibit 1. Tax lot 18-11-25CO-12600

SITE DESCRIPTION ("site")

Attached as Exhibit 2 "Water System Facilities Easement Map"

TERMS:

1. This lease shall be binding on the parties hereto and their successors and assigns. Each party may assign its interest in this lease upon 60 days prior written notice.
2. Agate desires to locate a 560,000 gallon water reservoir on the property. As additional consideration for Pieratt's execution of this Lease, Pieratt shall be granted the right to use the water from the reservoir in Pieratt's mineral extraction operation on the contiguous real property owned by Pieratt at no cost to Pieratt.

Pieratt will be furnished a 4" water stub-out at a location on the water main of Pieratt's choice. There will be no charge for water used in Pieratt's operation for dust control and watering down truck loads to prevent blowing dust.

In the event water is used for crushing or a processing operation, water will be paid for at Agate's current rate.

3. Agate shall, at Agate's own cost and expense, construct, use and maintain the reservoir for the storage of water on the site described on Exhibit 2 attached. Agate shall have reasonable access to the property for the purpose of construction, use and maintenance of the reservoir. Construction shall not be commenced until Agate has obtained all required permits and approvals from the appropriate governmental agencies.

Agate will not use any type of hazardous materials in the construction, operation and maintenance of said reservoir.

*Fred Schilling
21/65 Bear Creek Rd.
Bend, Oregon 97702*

If Agate does not begin construction on said reservoir within a period of nine (9) months from the date of this agreement, Pieratt and Agate reserve the right to renegotiate this agreement or this agreement will become null and void.

If construction is held up because of permits from County, State or AWWA, the monthly rent may be suspended for a period not to exceed six (6) months.

4. Agate shall have an easement across Pieratt's contiguous property for the purpose of construction, using and maintaining water lines to and from the reservoir consistent with its purpose. The easement is delineated on Exhibit 2 "Water System Facilities Easement Map" attached hereto.

Pieratt reserves the right to install utility conduits in the water pipe trench for any future service that may be desired. The cost of the conduits and installation shall be shared equally by Pieratt and Agate.

5. Agate shall hold harmless and indemnify Pieratt from and against all damages, claims or causes of actions of any kind whatsoever resulting from or arising out of Agate's use of the property including, but not limited to, damage or destruction occurring to any persons' property located in the surrounding area of the reservoir, and including damage caused by acts of God.

Agate shall provide Comprehensive Liability Insurance coverage of at least \$1,000,000.00 per occurrence and an umbrella policy of not less than \$5,000,000.00, naming Pieratt as an additional insured under this Lease and on the insurance policy. The insurance policy shall provide that Pieratt be given 10 days prior written notice before any cancellation. Agate shall deliver a Certificate of Insurance to Pieratt evidencing such coverage.

6. Pieratt shall use and maintain Pieratt's contiguous property including, but not limited to, maintaining an engineered grade and slope so as not to impair the support of the reservoir, and so as not to interfere with Agate's use of the property for a reservoir.

7. Agate shall pay Pieratt \$300.00 each month beginning the first day of the first month following commencement of construction of the reservoir. Beginning January 1st following the fifth year after completion of the reservoir, the lease payment shall be adjusted upward in accordance with the CPI (Portland, Oregon, or closest U.S. city then reporting the published United States Bureau of Labor Statistics) using 2000 as the base year ("adjustment"). The adjustment shall be made every five years thereafter using the adjustment year as the base year. In no event shall the lease payment be less than \$300.00 per month.
8. Agate shall pay any personal property taxes assessed on, or any portion of such taxes attributable to, Agate's facilities. Pieratt shall pay when due all real property taxes and all other fees and assessments attributable to the lease property. Agate shall pay, as additional rent, any increase in real property taxes levied against the lease property which is directly attributable to Agate's use and occupancy of the property following proof of such increase to Agate.
9. The term of this lease shall be for one period of fifty (50) years, or upon abandonment of the reservoir by Agate as provided in this Lease, or upon non-use of the reservoir by Agate for a complete period of one year, whichever occurs first.
10. Agate may terminate this Lease and abandon the reservoir and all water lines within the easements, upon one (1) year written notice to Pieratt. Within 180 days of receipt of said written notice, Pieratt shall notify Agate in writing as to whether Pieratt desires the reservoir to remain on the property or whether Pieratt directs Agate to remove the reservoir and all connected water lines on the property. If Pieratt desires the reservoir to remain, then Agate shall remove or cap water lines as Agate deems necessary to protect Agate's water system. Agate shall leave the reservoir empty of all water if Pieratt desires it to be empty. If Agate does not remove the reservoir and all water appurtenances, Agate will pay any and all expenses for having it and all water appurtenances removed.

11. Should Pieratt take the reservoir as provided in this Lease, Pieratt shall take the reservoir "AS IS" without any representations or warranties of any kind and without any cause of action or claim for any damages of any kind whatsoever caused by Pieratt's use of the reservoir. Pieratt releases Agate from any claims that may arise from Pieratt's use of the reservoir. Further, Pieratt shall hold harmless and indemnify Agate from any and all claims that may occur regarding the reservoir after Pieratt takes the reservoir. This term and the attorney fee clause in this Lease shall survive the termination of this Lease.
12. In the event that Pieratt should sell the property legally described in Exhibit 1 attached to this Lease, Agate shall recognize the buyer as the Lessor under this Lease, and all terms and conditions of this Lease shall remain as written and in full force and effect.
13. A Memorandum of this Lease shall be recorded in the official records of Deschutes County, Oregon.
14. In the event either party engages an attorney to enforce his Lease or any of its terms, whether or not a suit or action is commenced, it is agreed that the prevailing party shall be entitled to recover all attorney fees, allowable costs, including expert witness fees and costs of depositions and disbursements and other charges to be paid by the losing party to the prevailing party and to be fixed by the trial and appellate courts.
15. This Lease shall be governed by the laws of the state in which the property is located and venue shall be the county in which the property is located.


IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

PIERATT BROTHERS, INC.


Tom Pieratt, President

LESSOR

AGATE WATER CO.


Fred Schilling, President.

LESSEE

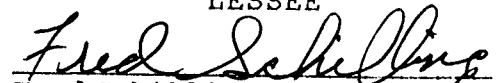

Fred Schilling, Individually
and as Guarantor

EXHIBIT "1"

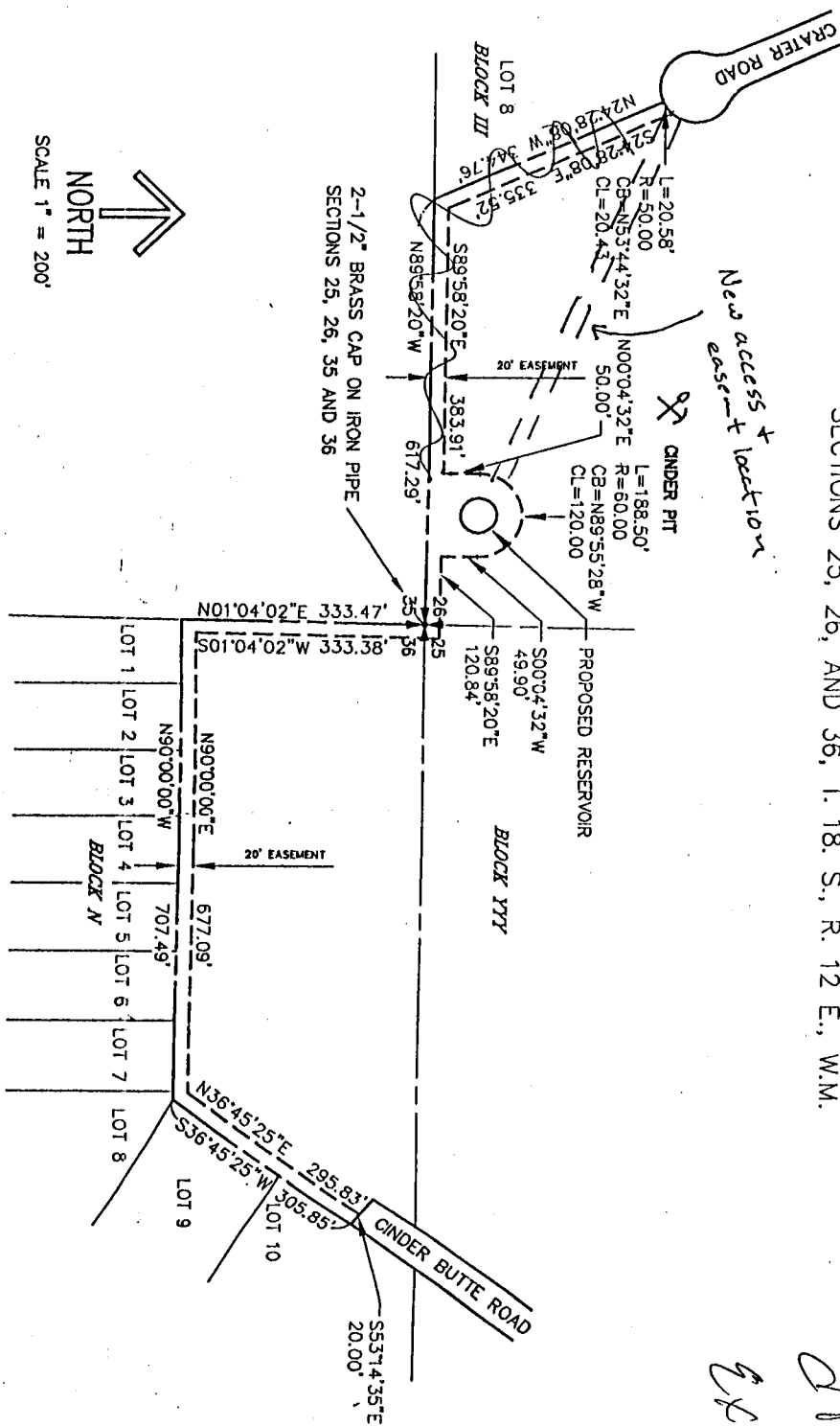
A tract of land lying within Block YYY of DESCHUTES RIVER WOODS, of Section Thirty-six (36), Southwest One-quarter (SW1/4) of Section Twenty-five (25), and Southeast One-quarter (SW1/4) of Section Twenty-five (25), and Southeast One-quarter (SE1/4) of Section Twenty-six (26), Township Eighteen (18) South, Range Twelve (12), East of the Willamette Meridian, Deschutes County, Oregon, being more particularly described as follows:

Beginning at the Southeast corner of said Section 26, being a 2-1/2 inch brass cap monument; thence North 89°58'20" West, 617.29 feet along the South line of said Section 26; thence North 24°28'08" West, 344.76 feet along the Easterly property line of Lot Eight (8), Block III, DESCHUTES RIVER WOODS Subdivision; thence along the arc of a 50.00 foot radius curve to the left, 20.58 feet, the long chord of which bears North 53°44'32" East, 20.43 feet; thence South 24°28'08" East, 335.52 feet along a line parallel to and 20.00 feet Northeasterly of the Easterly property line of Lot 8, Block III, of said subdivision; thence South 89°58'20" East, 383.91 feet along a line parallel to and 20.00 feet Northerly of the South line of said Section 26; thence North 00°04'32" East, 50.00 feet; thence along the arc of a 60.00 foot radius curve to the right 188.50 feet, the long chord of which bears North 89°55'28" West, 120.00 feet; thence South 00°04'32" West, 49.90 feet; thence South 89°58'20" East, 120.84 feet along a line parallel to and 20.00 feet Northerly of the South line of said Section 26; thence South 01°04'02" West, 333.38 feet along a line parallel to and 20.00 feet Easterly of the West line of aforementioned Section 36; thence East, 677.09 feet along a line parallel to and 20.00 feet Northerly of the North property line of Lots One (1) through Seven (7), Block N, of said subdivision; thence North 36°45'25" East, 295.83 feet along a line parallel to and 20.00 feet Northwesterly of the Westerly property line of Lots Nine (9) and Ten (10), Block N, of said subdivision; thence South 53°14'35" East, 20.00 feet to a point on said Westerly property line; thence South 36°45'25" West, 305.85 feet to the most Westerly corner of Lot 9, Block N, of said subdivision; thence West, 707.49 feet to the Northwest corner of Lot 1, Block N, of said subdivision, also being on the West line of said Section 36; thence North 01°04'02" East, 333.47 feet to the Point of Beginning.


COPY

WATER SYSTEM FACILITIES EASEMENT MAP
LOCATED IN DESCHUTES RIVER WOODS SUBDIVISION - BLOCK YYY
SECTIONS 25, 26, AND 36, T. 18. S., R. 12 E., W.M.

*Drawn by
DSY
Sheet 2*



NORTH
SCALE 1" = 200'

 ENGINEERING & SURVEYING, INC. 725 NW HILL BEND OR 97701 503-536-8100		TITLE: EASEMENT MAP	
		JOB NO: 126	
SCALE: 1"=200'	DRAWN BY: DSY		DATE: 4-12-00
FIELD BOOK NO:	DWG NAME: 126-EASE		SHEET: 1 OF 1

Original for file - Cu-01-86 → Cu-01-86
SP-01-53

(5) b. ii. Agate Site Plan

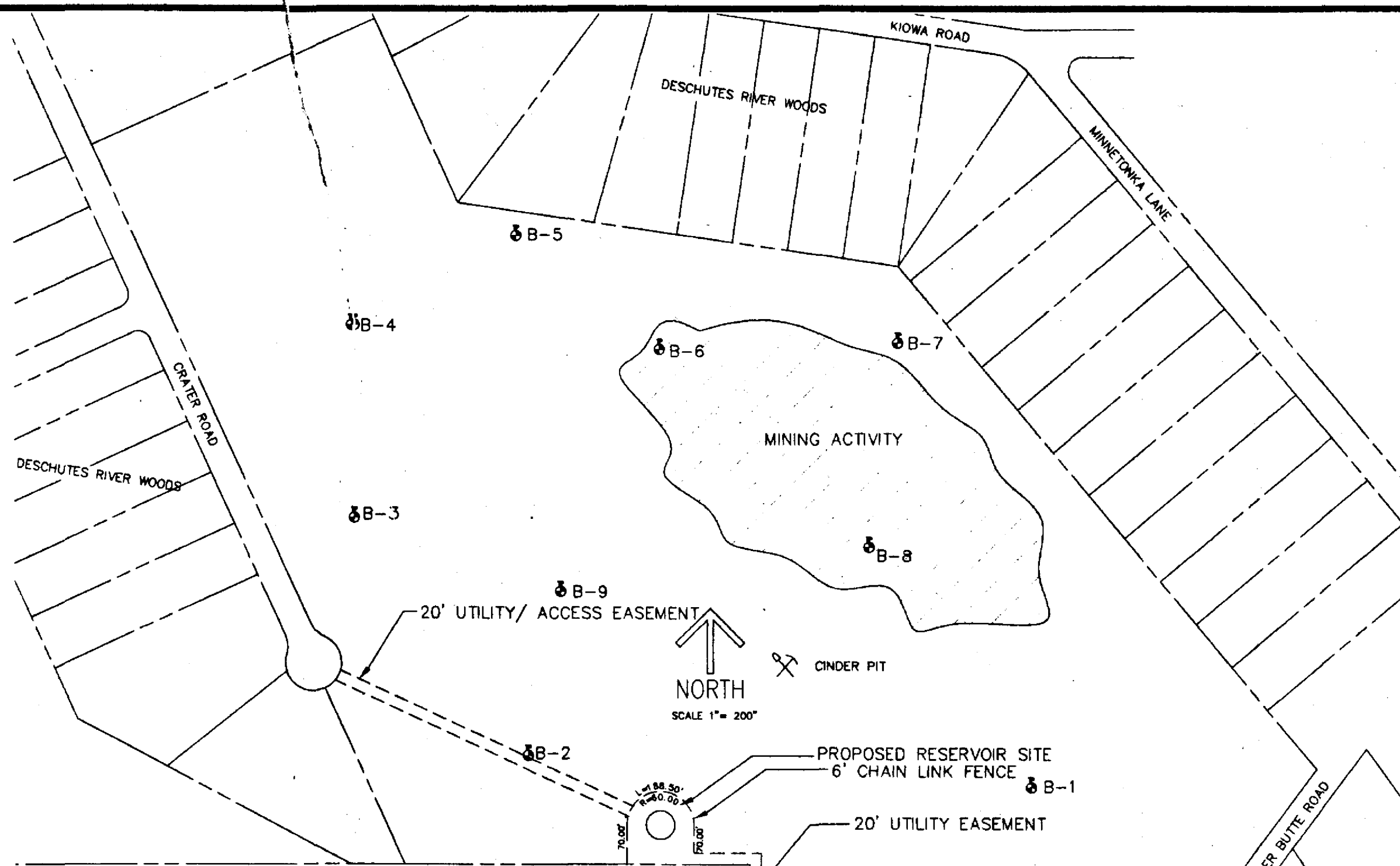
AGATE RESERVOIR SITE PLAN

540,000 GALLON WELDED STEEL RESEVOIR

LOCATED IN THE SE 1/4 OF THE SE 1/4
OF SECTION 26, T. 18 S., R. 11 E., W.M.,
IN DESCHUTES COUNTY, OREGON

SUMMARY OF PUMICE THICKNESS IN BORINGS

BORING NO.	ACCUMULATIVE THICKNESS IN FEET
B-1	75'
B-1A	40'
B-2	26'
B-3	66'
B-4	95'
B-5	94'
B-6	38'
B-7	100'
B-8	68'
B-9	96'



NOTES:

OWNER: TOM PIERATT
21350 STEVENS RD
BEND, OR 97702

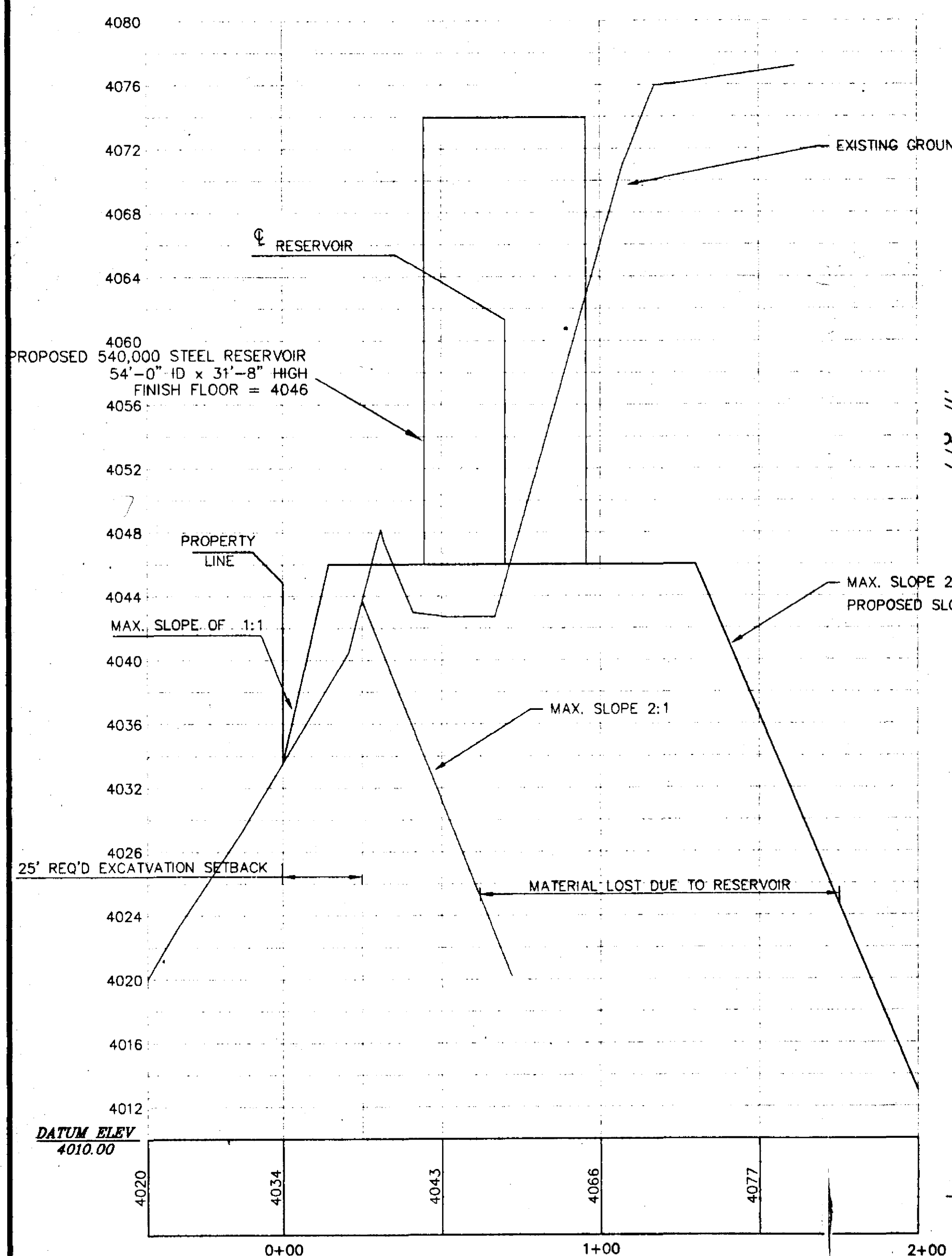
DEVELOPER: FRED SCHILLING
AGATE WATER
60107 MINNETONKA LANE
BEND, OR 97702

TAX LOT: TL 1600
ZONE: SURFACE MINE
EXISTING USE: SURFACE MINE
PROPOSED USE: WATER STORAGE FACILITIES
BUILDING SIZE: 2289 SF
BUILDING COVERAGE: 0.12%
CONSTRUCTION TYPE: 540,000 GAL WELDED STEEL RESEVOIR
COLOR TO BE DETERMINED LATER

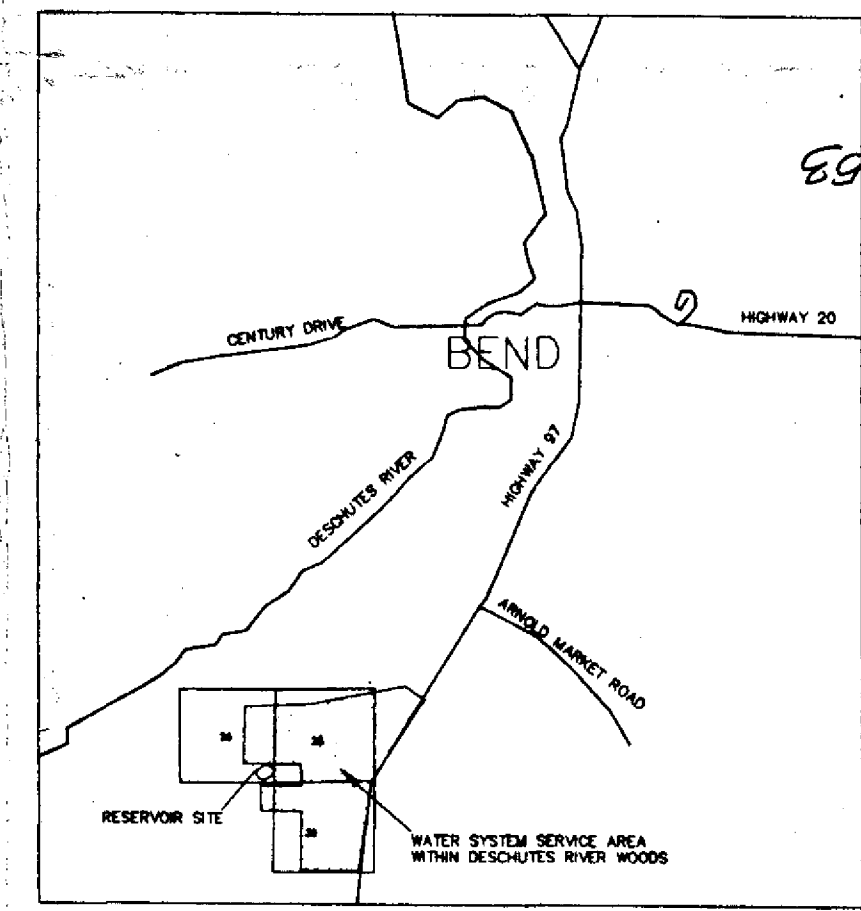
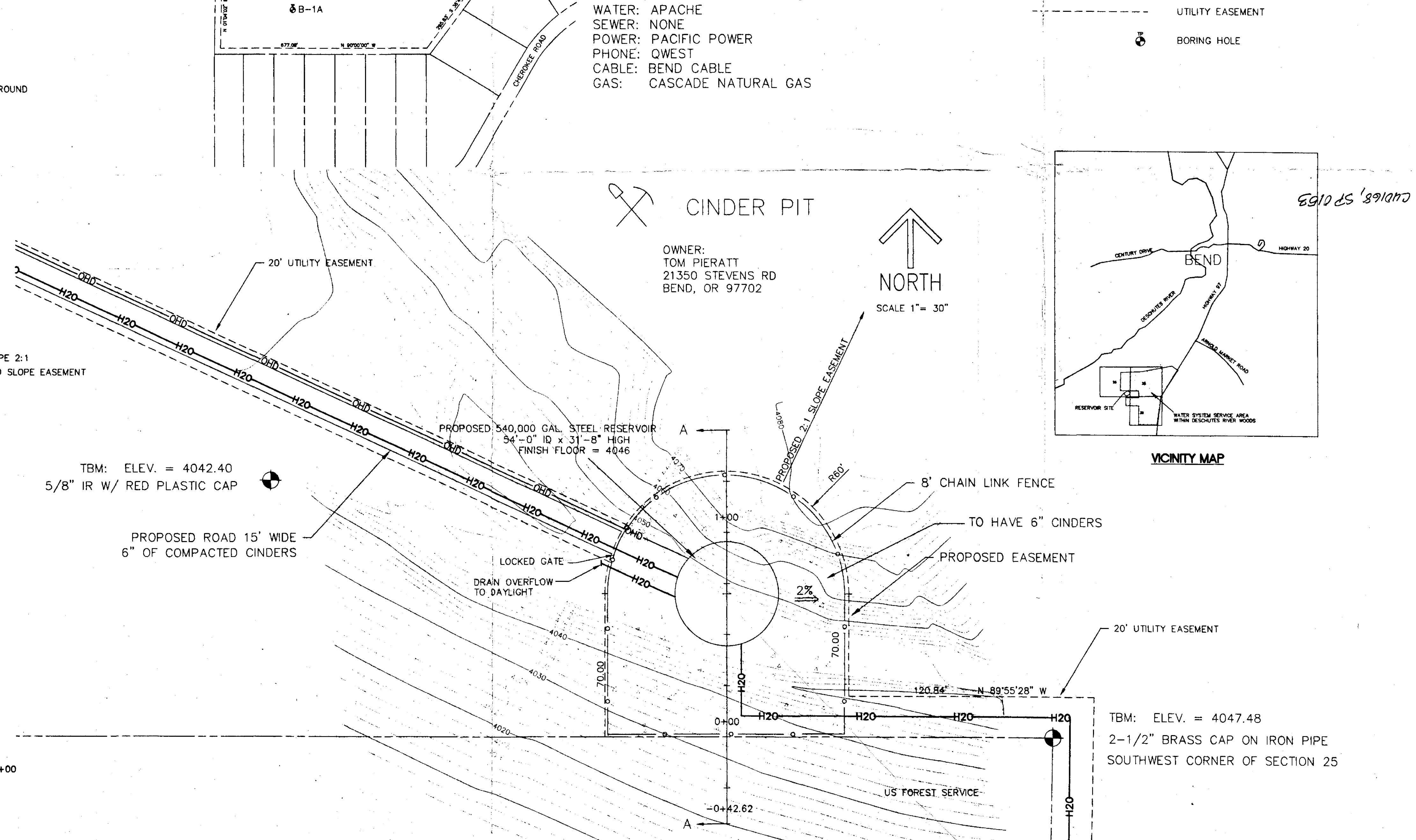
LOT AREA: 49.28 ACRES
LANDSCAPING PROVIDED: NONE PROVIDED
LANDSCAPING REQUIRED: NONE REQUIRED
EXISTING TREES: NONE
PARKING SPACES: NONE
WATER: APACHE
SEWER: NONE
POWER: PACIFIC POWER
PHONE: QWEST
CABLE: BEND CABLE
GAS: CASCADE NATURAL GAS

LEGEND

- OHD— OVERHEAD POWER
- — — — — PROPERTY LINE
- H2O — PROPOSED WATERLINE
- — — — — EXISTING 2'-FT CONTOURS
- o — PROPOSED 6' BARBED WIRE FENCE
- - - - - UTILITY EASEMENT
- ⊙ BORING HOLE



SECTION A-A
HOR. SCALE 1"=30"
VERT. SCALE 1"=6"



VICINITY MAP

TYE ENGINEERING, INC.
725 NW HILL - BEND, OREGON 97701 - (541) 389-6959

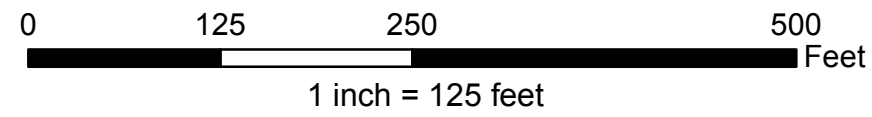
TITLE: RESERVOIR SITE PLAN
GENERAL INFORMATION

FOR: AGATE WATER COMPANY
60107 MINNETONKA AVE
BEND, OREGON 97702


SHEET 1 OF 2
DWG NAME: 126-RES

SCALE: VARIES DATE: AUG. 30, 2001 DRAWN: DPD JOB #: 126

Agate Water Reservoir Lease Area



Legend

-  Appx 14,055 sq ft Lease Area
-  Easement



(5) c. i. Avion Powell Butte Well Lease

GROUND LEASE AND OPTION TO PURCHASE

DATE: December 2, 2002

PARTIES: ROBERT L. NIXON and JOAN M. NIXON, (LESSOR)
 husband and wife,

AVION WATER COMPANY, INC., an Oregon (LESSEE)
 corporation.

RECITALS:

Lessor is the owner of Tax Lot 201, Map 15-14-28, Crook County, Oregon, and has agreed to lease a portion of said land, as described on the attached Exhibit "A", consisting of approximately 45,000 square feet, to Lessee. The land, together with any easements described on Exhibit "A", and together with any appurtenances, but exclusive of any improvements on the land, is referred to in this lease as "the Premises."

Lessee wishes to construct up to two water wells, well houses and a pipeline and power easement, as described on Exhibit "A" on the Premises and to lease said Premises from Lessor. Lessee will construct one water well now and possibly a second well at a later date.

The parties therefore agree as follows:

1. AGREEMENT TO LEASE

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the Premises on the terms and conditions set forth below.

2. TERM

2.1 TERM. The term of this Lease shall begin on August 1, 2002, and shall continue for a period of 99 years, unless it is extended or sooner terminated as provided in this Lease. This Lease

1 - GROUND LEASE

MADATA\RS\CLIENTS\Avion.145.Nixon Ground Lease

BRYANT, LOVLIE & JARVIS, PC
 ATTORNEYS AT LAW, ESTABLISHED 1915

591 SW Mill View Way PO Box 1151 Bend, Oregon 97709-1151 (541) 382-4331 fax (541) 389-3386 www.bryantlovlienjarvis.com
 24 SW Fifth Street PO Box 650 Madras, Oregon 97741 (541) 475-2757 fax (541) 475-2962

may also be terminated upon sixty (60) days prior written notice given by Lessee that the Lessee intends to abandon the well because the well is no longer producing water, due to geological or other reasons beyond the control of the Lessee, or should the water become contaminated and not suitable for domestic use, for reasons beyond the control of the Lessee. The water rights, however, shall remain the property of the Lessee, in the event of termination for any of the reasons set forth above. In the event the well and the leased premises are abandoned for any other reason by Lessee, the water rights appurtenant to the well and to the premises shall revert to the Lessor.

2.2 RENEWALS. Lessee may, by written notice to Lessor given not less than one year prior to the expiration of the original term, renew this lease for one additional period of 99 years, subject to all terms and conditions of this lease except as otherwise specifically provided. The renewal term shall commence immediately upon expiration of the lease term. Extension of the lease term by notice as described above shall be irrevocable.

3. RENT; SECURITY

3.1 BASIC RENT. Basic rent shall be the sum of \$1,250.00 per month, subject to the adjustment described below, for so long as one of the Lessors or any of their children shall be alive. Upon the death of the survivor, or their children, the lease payments shall be reduced to \$750.00 per month, subject to the adjustment described below, if there is only one well on the premises. If a second well has been constructed, the rent shall remain the same. Lessee shall pay basic rent monthly in advance on the first day of each month. The obligation to pay basic rent shall commence on August 1, 2002.

3.2 ADJUSTMENTS TO BASIC RENT

3.2.1 Basic rent shall be adjusted annually and shall be determined by the Consumer Price Index, All Urban Consumers, all items, for Portland, Oregon, published by the Bureau of Labor

2 - GROUND LEASE

M:\DATA\RSU\CLIENTS\AA\avion.145.Nixon Ground Lease

BRYANT, LOVLIE & JARVIS, PC
ATTORNEYS AT LAW, ESTABLISHED 1915

591 SW Mill View Way PO Box 1151 Bend, Oregon 97709-1151 (541) 382-4331 fax (541) 389-3386 www.bryantlovlienjarvis.com
24 SW Fifth Street PO Box 650 Madras, Oregon 97741 (541) 475-2757 fax (541) 475-2962

Statistics of the United States Department of Labor, or in the event that index is no longer published, then by such other index as is generally recognized for similar determinations of purchasing power. In no event shall the basic rent ever be decreased from the prior year.

3.2.2 The parties shall determine the amount, if any, by which basic rent must be increased at the time the increase is due and increase shall be determined by dividing the index figure for the current month by the index figure for the base month and subtracting 1.00 from the quotient. Any remaining positive number shall be multiplied by 100 and the product shall be deemed to be the percentage of increase. The amount of increase shall be determined by applying the percentage of increase to the base rent.

3.2.3 Lessee shall add the amount of the increase to the base rent and pay the total as base rent beginning with the first base rent payment due after the adjustment date.

3.3 GENERAL RENT PROVISIONS. All rents shall be payable without deduction or offset to the order of Lessor at the address shown below or at such other address as may be designated from item to time by Lessor. It is the intention of the parties that all rents payable under this lease shall be net to Lessor and that all costs, expenses and obligations during the lease term relating to the Premises shall be paid by Lessee.

4. USE OF PREMISES

Lessee shall use and permit the use of the Premises only for the construction, maintenance and operation of up to two domestic water wells, well houses, as needed, and a water pipeline and power easement as described on Exhibit "A". Lessee agrees to indemnify and hold Lessor harmless from any and all damages to persons and property arising out of Lessee's use of the Premises.

Lessee agrees to make application for all state groundwater permits and comply in all circumstances with applicable state and county land use laws and regulations.

3 - GROUND LEASE

M:\DATA\SL\CLIENTS\A\Avion.145.Nixon Ground Lease

BRYANT, LOVLIE & JARVIS, PC
ATTORNEYS AT LAW, ESTABLISHED 1915

591 SW Mill View Way PO Box 1151 Bend, Oregon 97709-1151 (541) 382-4331 fax (541) 389-3386 www.bryantlovlienjarvis.com
24 SW Fifth Street PO Box 650 Madras, Oregon 97741 (541) 475-2737 fax (541) 475-2962

5. TAXES AND ASSESSMENTS; UTILITIES

5.1 PAYMENT BY LESSEE. Lessee shall pay before delinquency all real and personal property taxes and other charges of every description levied on or assessed against the personal property or fixtures of Lessee, located on the Premises. Lessee shall also be responsible for any increase in real and personal property taxes, if any, which may be directly attributable to the placement of the wells on the property. Lessee shall make all such payments directly to the taxing authority. If any such tax assessment or charge may be paid in installments, Lessee may elect to do so as long as each installment together with interest is paid before it becomes delinquent. Lessor shall be responsible for any and all real property taxes, or special assessments, levied or assessed against the real property.

5.2 PRORATIONS. Taxes, assessments and charges for the tax years in which the lease term commences and expires shall be prorated between the parties on a daily basis as of the date of commencement or expiration. If any tax, assessment or charge is payable in installments and an election to so pay has been made with respect to the Premises. Lessee shall pay all installments which fall due during the lease term regardless of whether some installments fall due before or after the lease term.

5.3 RIGHT TO CONTEST. Lessee may contest in good faith the validity or amount of any tax, assessment or charge in accordance with the procedures established by statute or administrative rule for such contest so long as the Premises are not subjected to any lien as a result of the contest. Lessee may prosecute such contest in the name of Lessor as Lessor's attorney in fact. All tax contests shall be at the sole expense of Lessee. Any return or rebate from any taxing authority on account of any tax or assessment which was originally paid by Lessee shall be the sole property of Lessee.

4 - GROUND LEASE

M:\DATA\ARSL\CLIENTS\AA\vicz.145.Nixon Ground Lease

BRYANT, LOVLIE & JARVIS, PC
ATTORNEYS AT LAW, ESTABLISHED 1915

591 SW Mill View Way PO Box 1151 Bend, Oregon 97709-1151 (541) 382-4331 fax (541) 389-3386 www.bryantlovlienjarvis.com
24 SW Fifth Street PO Box 650 Madras, Oregon 97741 (541) 475-2757 fax (541) 475-2962

5.4 PROOF OF COMPLIANCE. Lessee shall furnish to Lessor receipts or other proof of payment of taxes and assessments within 30 days after written request from time to time by Lessor.

5.5 UTILITIES. Lessee shall pay when due all charges for electricity telephone, and any other services or utilities used on or in connection with the Premises.

6. MAINTENANCE; ALTERATIONS; RECONSTRUCTION

6.1 MAINTENANCE. Lessee shall maintain the Premises and all improvements in first class condition and repair throughout the term of this lease, ordinary wear and tear excepted, and in accordance with all applicable laws, rules, regulations and ordinances of federal, state, county municipal or other governmental agencies having or claiming jurisdiction.

6.2 ALTERATIONS. After construction of the Project is completed, but not before, Lessee may from time to time construct, improve, demolish, remove, replace, alter, reconstruct, remodel or add to any existing improvements in whole or in part ("alterations") as Lessee shall deem necessary or desirable on the following conditions:

6.2.1 All such work shall be done in a good and workmanlike manner in compliance with all applicable building and zoning laws and all other laws, ordinances, orders and requirements of all authorities having or claiming jurisdiction.

6.3 CONSTRUCTION OF CULVERT. The parties agree that Avion will place a culvert crossing the dry creek on the Premises. The culvert is to be of sufficient size to accommodate the seasonal water flow.

7. OWNERSHIP OF THE IMPROVEMENTS.

All improvements constructed on the Premises by Lessee shall be owned by Lessee until expiration or sooner termination of this lease, except any culverts and bridges that are put in place

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on the Premises shall become the property of the Lessor and shall not be removed. All improvements located on the Premises at the expiration or sooner termination of this lease shall become the property of Lessor, free and clear of all claims of Lessee or anyone claiming under Lessee, and Lessee shall indemnify and defend Lessor against all liability and loss arising from such claims. Nothing in this Paragraph shall alter other provisions of this lease, including without limitation restrictions on removal or alteration of the building on the Premises.

8. FINANCING; ASSIGNMENT

8.1 LESSEE'S RIGHT TO MORTGAGE THE LEASEHOLD. Lessee may at any time and from time to time subject the leasehold estate and any or all improvements to one or more mortgages or other liens as security for a loan or loans or other obligations of Lessee, provided that;

8.1.1 The mortgage or other lien shall be subject to all of the terms and conditions of this lease and to the rights and interests of Lessor except as specifically provided to the contrary in this lease;

8.1.2 Lessee shall promptly notify Lessor of the creation of each such mortgage or other lien and deliver to Lessor a true copy of the note and mortgage or other lien documents; and,

8.1.3 Lessor shall have the opportunity to review any proposed mortgage or other lien or encumbrance which may be placed on the leasehold estate prior to the time that said encumbrance is created. In all cases, any mortgage or lien would be only on the leasehold interest and not extend to the fee interest in the property.

8.2 ASSIGNMENT

8.2.1 Lessee shall be entitled to assign or otherwise transfer Lessee's interest in this lease or the estate created by this lease to any other public utility, whose purpose shall include the delivery of domestic water. Any such assignment will require the consent of the Lessor; provided,

6 - GROUND LEASE

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however, that such consent shall not be unreasonably withheld.

8.2.2 The terms of any assignment, whether or not the assignment requires the consent of Lessor, shall include a covenant by the assignee that it assumes and agrees to pay and perform all of Lessee's obligations under this lease. No assignment shall release Lessee of its obligations under this lease unless Lessor so agrees in writing.

9. INSURANCE

9.1 PUBLIC LIABILITY INSURANCE. Lessee shall procure and continuously maintain during the term of this lease public liability and property damage insurance with initial limits of not less than \$1,000,000.00 for injury and \$100,000.00 for property damage. Lessor may, by written notice to Lessee, demand that the limits of such insurance be raised to amounts specified in the notice and Lessee shall at the next succeeding policy renewal date, but not later than six months after the date of the notice, raise the limits to those specified in the notice. All limits demanded by Lessor shall be commercially reasonable as of the date of the notice for the use Lessee is then making of the Premises and improvements. The insurance shall be in a form sufficient to protect Lessor and Lessee against claims of third persons for personal injury, death or property damage arising from the use, occupancy or condition of the Premises or improvements on the Premises.

9.2 GENERAL INSURANCE PROVISIONS. All policies of insurance which Lessee is required by this lease to carry shall:

9.2.1 Provide that the insurer waives the right of subrogation against Lessor and that any loss shall be payable notwithstanding any negligence or affirmative act of Lessor.

9.2.2 Be issued by a responsible insurance company which is licensed to practice in the state of Oregon.

9.2.3 Be primary policies.

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9.2.4 Be evidenced by certificates furnished to Lessor bearing endorsements requiring ten days' written notice to lessor prior to any change or cancellation of the policies.

10. DEFAULT

Each of the following events shall be a default by Lessee and a breach of this lease:

10.1 FAILURE TO PAY RENT. Failure of Lessee to pay any basic rent, or other rent payment within thirty (30) days after it is due.

10.2 OTHER PERFORMANCE FAILURES. Failure of Lessee to perform any other term, condition or covenant of this lease within 20 days after written notice from Lessor specifying the nature of the failure with reasonable particularity. If the failure is of such a nature that it cannot be completely remedied within the 20-day period, the failure shall not be a default if Lessee begins correction of the failure within the 20-day period and thereafter proceeds with reasonable diligence and in good faith to correct the failure as soon as practicable.

10.3 ATTACHMENT. Attachment, execution, levy or other seizure by legal process of any right or interest of Lessee under this lease if not released within 90 days, provided that the foreclosure of any mortgage permitted by this lease relating to construction of improvements on the Premises shall not be construed to be a default within the meaning of this Section.

10.4 BANKRUPTCY. An assignment by Lessee for the benefit of creditors, the filing by Lessee of a voluntary petition in bankruptcy, the filing of an involuntary petition in bankruptcy and failure of Lessee to secure a dismissal of the petition within 30 days after filing, the appointment of a receiver to take possession of the Premises or improvements or the leasehold estate or of Lessee's operations on the Premises for any reason. For purposes of this paragraph the term bankruptcy includes all arrangements and chapters in the Bankruptcy Code.

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11. REMEDIES ON DEFAULT

11.1 LESSOR'S REMEDIES. Upon default and after the notice period described above, Lessor may elect any one or more of the following consistent remedies.

11.1.1 Lessor may by notice to Lessee and to any qualifying mortgagee terminate this lease as of the date of the notice. All of Lessee's rights in the Premises and in all improvements on the Premises including without limitation the Project shall terminate as of the date of termination. Promptly after such notice Lessee shall surrender and vacate the Premises and all improvements broom clean and in good condition. Lessor may reenter and take possession of the Premises and of all improvements and eject some or all parties in possession except any sublessee qualifying under any nondisturbance agreement by Lessor. Termination under this paragraph shall not relieve Lessee from the payment of any sum then due to Lessor or from any claim for damages previously accrued or then accruing against Lessee.

11.1.2 Lessor may elect to reenter the Premises without terminating this lease and from time to time relet the Premises including any improvements or parts of improvements on the Premises for the account and in the name of Lessee or otherwise. Lessor may elect to eject some or all persons then in possession except any subtenant qualifying under a nondisturbance agreement by Lessor. Any reletting may be for the remainder of the term or for a longer or shorter period and Lessor may execute any leases made under this provision either in Lessor's name or in Lessee's name. Lessor shall apply all rents from the reletting first to the costs of reentry and reletting including reasonable attorney fees and then to rents and other amounts payable by Lessee under this lease including without limitation any amounts which became payable prior to the reletting. Lessee shall nevertheless pay to Lessor on the due dates specified in this lease all sums payable by Lessee under this lease, plus Lessor's expenses of retaking and reletting including any attorney fees, less

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amounts received by Lessor from the reletting, if any. No act by or on behalf of Lessor under this paragraph shall constitute a termination of this lease unless Lessor gives Lessee and any qualifying mortgagee a notice of termination.

11.1.3 Lessor may elect to use all or any part of Lessee's personal property and trade fixtures remaining on the Premises without compensation to Lessee and without liability for use or damage; or Lessor may store all or any of Lessee's personal property and trade fixtures for the account of and at the cost of Lessee. The election of one remedy for any one item shall not preclude an election of any other remedy for another item or for the same item at a later date.

11.1.4 Lessor shall be entitled to the following rents throughout the lease term until the date of any termination: basic rent; plus any adjustments to basic rent pursuant to paragraph 3.2; plus percentage rent; plus interest at the rate of nine percent per annum from the due date of each such payment to the date of payment.

11.1.5 In the event of a termination Lessor shall be entitled to damages in the following amounts:

(a) any excess of the rental obligation of Lessee under this lease from the date of termination to the last day of the lease term or renewal term in which termination occurs over the reasonable rental value of the Premises, including improvements, for such period of time; and

(b) The reasonable cost of reentry and reletting, including the cost of any cleanup, broker's or finder's fees and attorney fees.

12. SURRENDER ON TERMINATION

12.1 SURRENDER. Upon expiration of the lease term or renewal term Lessee shall surrender possession of the Premises to Lessor, including all improvements then located on the

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Premises, free of occupants and broom clean, all in good condition except for reasonable wear and tear since the last necessary restoration, repair or reconstruction made by Lessee pursuant to this lease. All property that Lessee is required to surrender shall become Lessor's property at the date of expiration of this lease. All property that Lessee is not required to surrender, but that Lessee does abandon shall, at Lessor's election, become Lessor's property on the date of expiration or termination of this lease.

12.2 HOLDOVER. Failure by Lessee to vacate the Premises at the time specified in this lease shall not constitute a renewal or extension or give Lessee any rights in or to the Premises or any improvements. Upon such a holdover, Lessee shall defend and indemnify Lessor from all liability and expenses resulting from the failure or delay of Lessee to timely surrender the Premises including, without limitation, claims made by any succeeding tenant founded on or resulting from Lessee's failure to so surrender.

13. ARBITRATION

13.1 SUBJECTS. The following matters shall be subject to arbitration under this lease.

13.1.1 Any controversy arising between Lessor and Lessee pursuant to a paragraph of this lease which provides that a controversy relating to that paragraph shall be settled by arbitration.

13.1.2 Any other controversy between the parties relating to this lease, if both parties agree that the matter shall be settled by arbitration.

13.2 PROCEDURE. Any controversy or claim which is subject to arbitration shall be settled in accordance with the then current rules of the Arbitration Service of Portland and judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction.

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14. OPTION TO PURCHASE EASEMENT.

14.1 In the event the Lessor shall sell the underlying real property subject to the terms of this Lease Agreement, Lessee shall have the option to purchase a perpetual exclusive easement for the well site and pipelines for the sum of \$50,000.00, adjusted by the Consumer Price Index for Portland, Oregon, as set forth above, from the date of execution of this Lease to the time of sale. Provided, however, that the purchase price shall be reduced by \$500.00 per month for each month this Lease shall be in effect until such time, if ever, that Lessee shall have constructed a second well on the property. The easement shall be in the form attached hereto as Exhibit "A".

14.2 **EXERCISE AND SCOPE OF OPTION.** This option shall be exercised, if at all, by written notice given by Lessee to Lessor within 30 days of Lessor notifying Lessee of their intent to sell the property, which notice shall specify that Lessee has elected to exercise this option. A sale shall not include any devise by Lessors of their property by will, personal representatives deed, deed or trust conveyance to their children. This option shall also not preclude the Lessor from partitioning their property; provided, however that any transfer or conveyance of more than 50 percent of the contiguous property owned by Lessor as of the date of this lease shall constitute a sale, except for any sale or transfer to their children.

14.3 Upon exercise of this option, Lessee shall be obligated to purchase the easement from Lessor, Lessor shall be obligated to sell the easement to Lessee, for the price and in the manner hereinafter set forth.

15. CLOSING.

15.1 The purchase of the Property shall be closed in escrow at AmeriTitle, Bend, Oregon, any, and the costs of escrow shall be shared equally by the parties.

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15.2 Closing shall occur as soon as possible following exercise of this option by Lessee and, in any event, not later than the 60th day following the date of exercise of this option.

15.3 At closing, Lessor shall deliver to Lessee: A duly executed and acknowledged easement to Lessee free and clear of all liens and encumbrances, excepting only such matters as may be specifically referred to or identified.

15.4 At closing, Lessee shall pay to Lessor, in cash, the entire amount of the purchase price over and above any credits, and shall pay such additional amounts as may be required for title insurance policy premiums, recording fees, and Lessee's pro rata share of items required to be prorated.

15.5 At or prior to closing, Lessor shall pay the unpaid principal and accrued interest of any liens and encumbrances on the Property necessary to be paid in order to permit issuance of the title insurance policies referred to below, and Lessee understands that any such payments may be made out of the funds paid by Lessee to Lessor at closing.

15.6 Taxes, interest under any Contract, utilities, rents, if any, premiums for any existing policies of insurance assumed by Lessee, and the current portion of assessments for governmental or quasi-governmental improvements, if any, shall be prorated between the parties as of the date of closing.

15.7 The transaction shall be closed when AmeriTitle, or any other mutually agreeable title insurance company, is in a position to insure title to the Property as provided in below. It shall be Lessee's responsibility to arrange for the issuance of such title insurance, which shall be at Lessee's expense.

15.8 Lessee shall be entitled to the following policies of title insurance on the Property: A policy of title insurance insuring the easement in Lessee subject only to the standard printed

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exceptions and such additional exceptions as may be agreed upon.

15.9 Promptly following exercise of this option, Lessee shall obtain a preliminary title report on the Property and shall notify Lessor of any exceptions listed therein which, in the opinion of Lessee, should be removed in order to permit issuance of title insurance policies in the forms required.

16. NOTICES.

Any notice given with respect hereto, whether or not required to be given shall be deemed given when actually delivered or when deposited in the United States registered or certified mails, return receipt requested, in an envelope addressed as above set forth or to such other address as either party may hereafter specify by notice to the other. If Lessee is a corporation, notices to Lessee shall be addressed to the attention of Lessee's corporate secretary.

17. MEMORANDUM.

A memorandum of this option shall be executed by Lessor concurrently herewith and may be recorded by Lessee, but this agreement itself shall not be so recorded.

18. MISCELLANEOUS

18.1 NONWAIVER. Waiver by either party of strict performance of any provision or term of this lease shall not be a waiver of or prejudice the party's right to require strict performance of the same provision or any other provision.

18.2 NOTICES. All notices under this lease shall be effective on the earlier of actual receipt or two days after deposit as registered or certified mail, return receipt requested, postage prepaid and addressed to Lessor or Lessee at the addresses stated below, or to such other address as either party may specify by notice to the other party:

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24 SW Fifth Street PO Box 650 Madras, Oregon 97741 (541) 475-2757 fax (541) 475-2962

LESSOR: 6723 South Powell Butte Hwy., Powell Butte, OR 97753

LESSEE: 60813 Parrell Rd., Bend, OR 97702.

18.3 ATTORNEY FEES. If suit or action is instituted to collect rent, to enforce this lease, or in connection with any claim or controversy arising out of this lease, the prevailing party shall be entitled to recover, in addition to costs, such sum as the court may adjudge reasonable as attorney fees at trial and on any appeal of the suit or action. If arbitration is instituted in connection with any claim or controversy arising out of this lease, attorney fees may be awarded by the arbitrators as they may decide, and if so awarded shall be a part of the arbitrators' decision on which judgment may be rendered.

18.4 SEVERABILITY. The invalidity or illegality of any provision of this lease shall not affect the remainder of the lease.

18.5 GOVERNING LAW. This lease and the party's rights under it shall be construed and regulated by the laws of the state of Oregon.

18.6 MEMORANDUM OF LEASE. At the request of either party the parties will execute and acknowledge a memorandum of lease in recordable form which shall include a legal description of the premises and the term of the lease, and either party may record the memorandum.

18.7 LESSORS' HEIRS. This Lease shall inure to and be for the benefit of Lessors' heirs, successors and assigns, so long as they are the Lessors' children.

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IN WITNESS WHEREOF the parties have executed this agreement the day and year first above written.

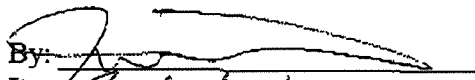
LESSOR:

LESSEE:


ROBERT L. NIXON

AVION WATER COMPANY, INC.


JOAN M. NIXON

By: 
Its: President

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(5) d. i. BendBroadband Fiber Optic Lease

AFTER RECORDING RETURN TO:
Bend Broadband
63090 Sherman Road
Bend, Oregon 97701

LICENSE
(Fiber expansion project)

PARTIES: Grantor: SUNRIVER ENVIRONMENTAL, LLC
P.O. Box 3609
Sunriver, Oregon 97707-0609

Grantee: BEND CABLE COMMUNICATIONS, LLC
63055 Sherman Road
Bend, Oregon 97701

CONSIDERATION: License Granted

RECITALS

Whereas, the BTOP/COFA Fiber Expansion Bend to LaPine Project crosses property owned by Sunriver Environmental, LLC on transmission line power poles owned by Mid-State Electric Co-op, ("Mid-State") located within

The southeast 1/4 of the southwest 1/4 and the southwest 1/4 of the southeast 1/4 of Section 28 lying south of the centerline of Cottonwood Road, the southeast 1/4 of the southeast 1/4 of Section 32 lying east of the Burlington Northern Santa Fe Railroad right-of-way, the northwest 1/4 of the northeast 1/4, the northeast 1/4 of the northwest 1/4, the southeast 1/4 of the northwest 1/4, the southwest 1/4 of the northwest 1/4, the northeast 1/4 of the southwest 1/4, the northwest 1/4 of the southwest 1/4 and the southwest 1/4 of the southwest 1/4 of Section 33 lying east of the Burlington Northern Santa Fe Railroad right-of-way, Township 19 South, Range 11 East of the Willamette Meridian, Deschutes County, Oregon

As depicted on Exhibit A attached hereto

Whereas, Grantor owns fee title of lands crossed by a transmission power line owned by Mid-State

Whereas, Grantee desires to cross Grantor's land to install a fiber optic line on the above described transmission power line poles at the location depicted on Exhibit A

Whereas, Grantee is willing to take all necessary actions to protect Grantor's property and relieve Grantor of risk of damage or loss,

Now therefore, the Parties make the following Agreement, and in reliance on this Agreement, the Grantor grants the following License:



LICENSE AGREEMENT

Incorporating the preceding recitals as if set forth in this Agreement,

GRANT OF CROSSING LICENSE:

1. Grantor hereby grants to Grantee and its affiliates a license (the "License") to construct, replace, maintain, repair, operate, inspect, augment and remove, where necessary but at Grantee's sole option and expense, Grantee's fiber optic line (the "Line") across Grantor's real property as depicted on Exhibit A incorporated as though wholly set forth herein, subject to the terms contained herein.
2. Exhibit A identifies the locations of the Line which are required to be attached to the existing Mid-State transmission facilities. Grantee shall be solely responsible for obtaining permission from Mid-State, and Grantor makes no representations regarding the ability of the Grantee to utilize Mid-State's facilities. If, at any point during the term of this Agreement Mid-State elects to relocate all or a portion of its facilities on the Property, or elects to install its facilities underground, then Grantee shall be required to move the Line underground, all at Grantee's sole cost and expense to the location depicted on Exhibit A. In addition, should the Grantor elect to develop all or a portion of the property, then Grantor may require the Grantee to place the Line underground at the location depicted on Exhibit A, all at Grantee's sole cost and expense.
3. The crossing as depicted on Exhibit A is exclusively for the benefit of Grantee and may not be conveyed or assigned or transferred without express written approval from the Grantor, which approval may be granted or withheld in the Grantor's sole discretion.
4. The Term of this License shall be perpetual, however, if Mid-State no longer operates above-ground facilities on the Grantor's property upon which to attach the Line and if Grantee has not previously placed the Line underground, then this License shall automatically expire upon such time as Mid-State ceases to operate its power facilities on the Grantor's property.
5. The License granted herein is non-exclusive and Grantor reserves the right to grant, renew or extend similar licenses to any third party.
6. In consideration for the grant of the License, the Grantee shall pay to the Grantor (i) the sum of \$ 6 upon execution of this Agreement and the amount of \$ 2500 on each anniversary of the effective date of this Agreement (the "Annual Payment"). [NOTE: *The annual payment will be adjusted pursuant to a formula and process to be determined by the parties prior to execution of this Agreement.*]

MAINTENANCE, REPAIR AND REPLACEMENT

1. Grantee shall be responsible for repairing all damages to real property caused by or resulting from the use, construction, relocation and/or maintenance of said crossing.
2. Grantee shall be responsible for repairing all damages incurred by third parties that are directly or proximately caused by Grantee's errors, acts or emissions in and around the project area as depicted on Exhibit A.
3. Grantee shall be responsible for relocation, removal or replacement of crossing at Grantee's expense, upon removal or relocation of the above described Mid-State transmission power line.
4. The Line shall belong to Grantee, shall be there at the sole risk of Grantee and Grantor shall not be liable for damage thereto or theft, misappropriation or loss thereof. At the expiration of this Agreement, Grantee shall, at Grantee's sole cost and expense, remove the Line and any other personal property from the Grantor's property, and repair all damage caused by such removal. Any property not so removed within one-hundred-twenty (120) days after the expiration of this Agreement shall be deemed the property of Grantor without further liability to the Grantee.

5. Grantee shall be responsible for the satisfaction or payment of any liens for any provider of work, labor, material or services claiming by, through or under Grantee. Grantee shall also indemnify, hold harmless and defend Grantor against any such liens, including the reasonable fees of Grantor's attorneys.
6. NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY LOST PROFITS, SPECIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO FRUSTRATION OF ECONOMIC OR BUSINESS EXPECTATIONS, LOSS OF PROFITS, LOSS OF CAPITAL, COST OF SUBSTITUTE PRODUCT(S), FACILITIES OR SERVICES, OR DOWN TIME COST, EVEN IF ADVISED OF THE POSSIBILITY OF SUCH DAMAGES.
7. Should either party default in the performance of material provision of this Agreement and fail to correct same within thirty (30) days after having received notice specifying nature of such default, unless such default is of a nature that it cannot be completely cured within thirty (30) days, if a cure is not commenced within such time and thereafter diligently pursued to completion), then the non-defaulting party may terminate this Agreement and may pursue all other remedies available to it at law and/or equity. In addition, Grantee may, upon at least sixty (60) days prior written notice to Grantor, terminate this Agreement without cause and without further liability or penalty, except with respect to liabilities that have accrued through the date of termination.
8. Grantee shall indemnify, hold harmless and defend Grantor, its employees, agents, contractors, officers, directors, affiliates and subsidiaries from and against any and all claims, actions, damages, liabilities and expenses, including attorneys' and other professional fees, arising from or out of the installation, operation, maintenance or removal by Grantee of the Line and the services provided by the Grantee.

DATED: This 18 day of July, 2012.

GRANTOR:

Sunriver Environmental, LLC

By: [Signature]

Name: TOM O'SHEA

Title: MANAGING DIRECTOR

State of: OREGON
County of: DESCHUTES

This is to certify that on this 18 day of July, 2012, before me personally appeared TOM O'SHEA known to me to be the individual who signed above, as a free and voluntary act, and acknowledged that they are authorized to sign on behalf of Sunriver Environmental, LLC.

NOTARY PUBLIC

[Signature]



GRANTEE:

Bend Cable Communications, LLC

By: [Signature]

Name: Wade Holmes

Title: VP, Technology

State of Oregon
County of: DESCHUTES

This is to certify that on this 25th day of July, 2012, before me personally appeared Wade Holmes, VP Technology known to me to be the individual who signed above, as a free and voluntary act, and acknowledged that they are authorized to sign on behalf of Bend Cable Communications, LLC.

NOTARY PUBLIC

[Signature]



Reference Exhibit 1 attached.
ADDENDUM to license Agreement
[Signature]

ADDENDUM TO LICENSE AGREEMENT

This Addendum is hereby made a part of that certain License Agreement by and between Bend Cable Communications, LLC (“Grantee”) and Sunriver Environmental LLC, (“Grantor”) dated and effective as of July 18, 2012 (the “License”).

The following provisions are hereby added to and made a part of the License:

1. Permits and Approvals: Grantee shall be solely responsible for obtaining and defending any permits, approvals or other authorizations necessary for the use, operation or maintenance of the Line. Grantor makes no representations or warranties regarding the ability or right of Grantee to install, use, operate or maintain the Line under applicable laws, rules or regulations. At all times during the Term, Grantee shall operate and maintain the Line in accordance with all applicable laws, rules and regulations.

2. Relocation of Line: In addition to the rights and obligations of the parties under the License, Grantor reserves the right to relocate the Line elsewhere on the real property owned by Grantor, provided, however, that any such relocation shall be at the Grantor’s sole cost and expense and provided further that any such relocation does not materially affect Grantee’s rights under the License.

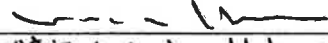
3. Subordination and Non-Disturbance. This License shall automatically be subordinate to the lien of any mortgage, deed of trust, ground or master lease, sale-leaseback transaction or other security instrument (any one or more of the foregoing individually or collectively called an “Encumbrance”) which shall hereafter be placed on the Grantor’s property, provided that contemporaneously with the grant or execution of any such Encumbrance Grantor obtains from the holder of the Encumbrance a non-disturbance agreement in recordable form which provides that in the event of any foreclosure, sale under power of sale, ground or master lease termination or transfer in lieu of any of the foregoing or the exercise of any other remedy pursuant to any such Encumbrance (a) Grantee’s use, possession and enjoyment of the Grantor’s real property depicted on Exhibit A shall not be disturbed and this License shall continue in full force and effect so long as Grantee is not in default hereunder, and (b) this License shall automatically and unconditionally become a direct license between any successor to Grantor’s interest, and Grantee as if such successor were the Grantor originally hereunder. Grantee shall, within twenty (20) days of written request execute any and all documents reasonably required by any holder of an Encumbrance to effectuate the foregoing provisions.

Grantor and Grantee have executed this Addendum to acknowledge that it is a part of the License.

Sunriver Environmental, LLC

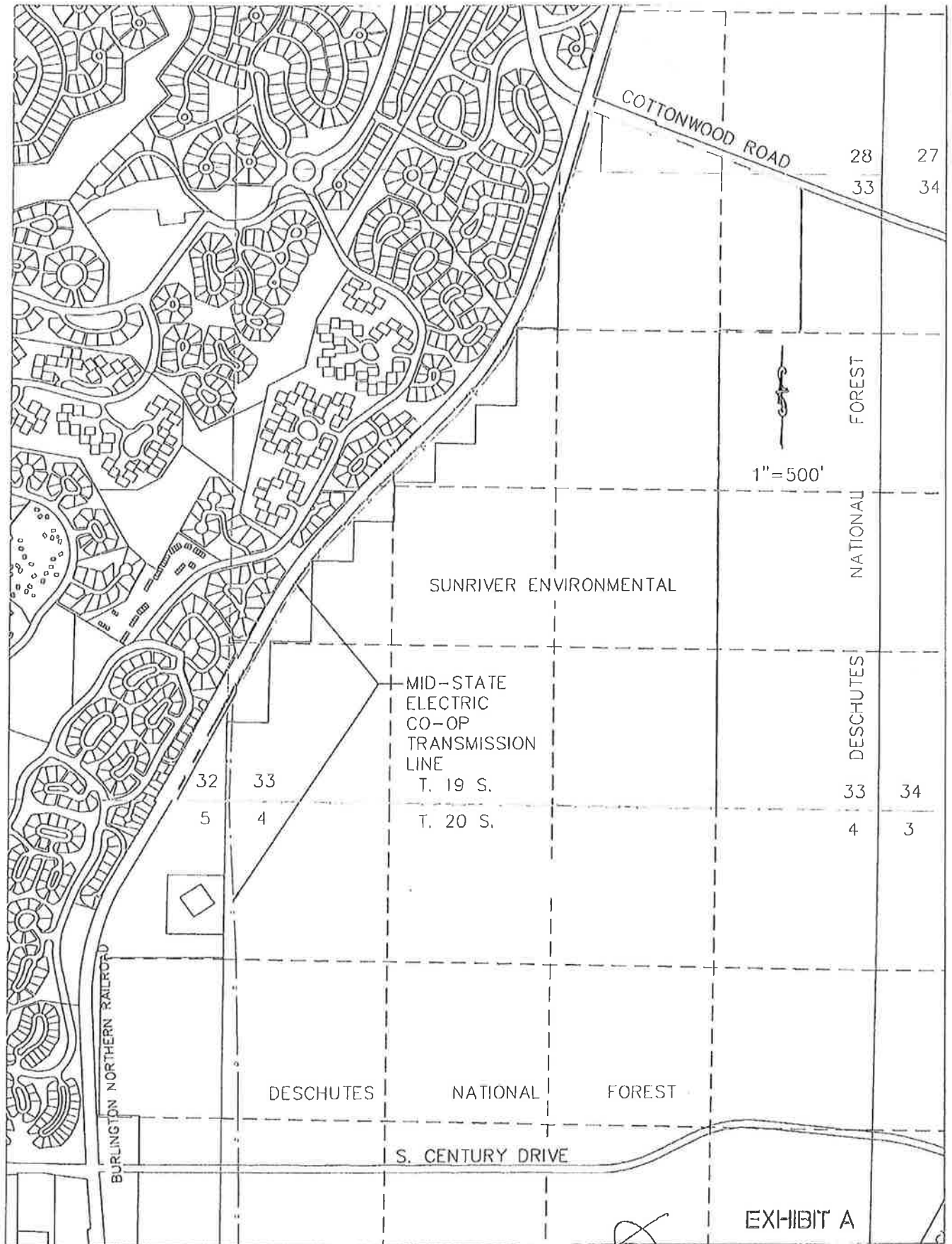
By: 
Name: Tom O'Shea
Title: Managing Director

Bend Cable Communications, LLC

By: 
Name: ~~Wade Holmes~~ Wade Holmes
Title: VP Technology

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[Handwritten signature]

GROUND LEASE

DATE: June 30, 2012 ("Commencement Date")
BETWEEN: SUNRIVER ENVIRONMENTAL, LLC ("Landlord")
AND: SUNRIVER SERVICE DISTRICT ("Tenant")

Landlord leases to Tenant, and Tenant leases from Landlord, the real property (the "Premises") graphically depicted on the map attached as Exhibit A. The final boundary of the Premises shall be mutually agreed upon by the Landlord and Tenant on or before the date set forth in Section 1.2 and such legal description shall be appended to this Lease and such description shall be the Premises. Access to the Premises shall be provided along "power line road" as more particularly described on the map attached as Exhibit A (the "Access Road"). During the Term of this Lease, Landlord grants Tenant a license for the use of the Access Road to access the Premises.

Landlord and Tenant agree as follows:

SECTION 1 PROJECT CONDITIONS

1.1 Tenant intends to construct a fire training facility (the "Building") and related improvements on, under, and over the Premises. The Building and all the related improvements are referred to in this Lease as the "Project." The Project and any future alterations, additions, replacements, or modifications to the Project during the Term of this Lease are referred to in this Lease as the "Improvements." This Lease shall be conditioned on Tenant determining that the Project is feasible after completing a due-diligence investigation of the condition of the Property and obtaining all necessary governmental approvals necessary for the operation of Tenant's permitted use described in Section 4 below.

1.2 The foregoing condition shall be for the benefit of both parties and must be satisfied or waived by both the parties on or before 5:00 p.m. on July 31, 2013, or this Lease shall terminate and be of no further force and effect. In such event neither party shall have any further liability under this Lease except for liability accrued before the date of termination. Landlord makes no representations or warranties regarding the feasibility of the Premises for Tenant's proposed use of the Premises as described in Section 4 of this Lease.

1.3 Landlord shall cooperate with Tenant in all respects in connection with satisfying the condition, all at no cost or expense to the Landlord. Landlord shall execute such applications and other instruments reasonably necessary to satisfying the condition, provided that Landlord shall not be required to pay any application fees or incur any other costs or liability in connection with satisfying the condition beyond Landlord's fees for any professional advice Landlord desires. Any rezoning of the Premises shall require Landlord's consent, which consent shall be granted or withheld in Landlord's sole discretion.

1.4 Prior to any construction on the Premises or use of the Premises for Tenant's permitted use, Tenant shall, at Tenant's sole cost and expense, improve the Access Road and any other roads on the real property owned by Landlord and for which the Landlord has provided approval for the Tenant's use, with an "all weather" crushed rock surface. Such obligation shall only apply to roads which do not then currently have an "all weather" crushed rock surface.

1.5 Prior to any construction on the Premises or use of the Premises for Tenant's permitted use, Tenant shall, at Tenant's sole cost and expense, construct electronic gate at the location set forth on Exhibit B (the "Gate"). The Gate shall be approved by Landlord in Landlord's reasonable discretion prior to any construction, and shall be the property of the Landlord. During the Term, Landlord shall provide Tenant with a reasonable number of access cards or key codes, as appropriate.

1.6 Prior to the initiation of Tenant's use on the Property, Tenant shall install a 6-ft. tall chain link fence necessary to enclose the Building, together with accessory structures, other improvements and equipment utilized in connection with the Tenant's permitted use. Parking areas and other areas not actively used for Tenant's permitted use are not required to be enclosed by the fence, but may be so enclosed at Tenant's election.

SECTION 2 CONSTRUCTION OF THE PROJECT

Tenant shall construct the Project in accordance with the final plans and specifications approved by Landlord, which approval shall not be unreasonably withheld or delayed. Project construction shall be performed in accordance with all Legal Requirements and in a good and professional manner. For the purposes of this Lease, the term Legal Requirements includes all present and future laws, ordinances, orders, rules, regulations, and requirements of all federal, state, and municipal governments, departments, commissions, boards, and officers, foreseen or unforeseen, ordinary as well as extraordinary.

SECTION 3 MINIMUM RENT; TERM

3.1 Until the condition stated in Section 1 is satisfied or waived by the parties, no Minimum Rent shall be payable in advance with respect to the Premises. Tenant covenants and agrees to pay to Landlord, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, \$200.00 per month as Minimum Rent for the Premises from the date the condition stated in Section 1 of this Lease is satisfied or waived by the parties. Rent may also be paid quarterly or yearly, at the option of Tenant, in advance.

3.2 All amounts payable under section 3.1 above, as well as all other amounts payable by Tenant to Landlord under the terms of this Lease, shall be paid at the office of Landlord set forth in Section 32, or at such other place from time to time designated by notice to Tenant.

3.3 Tenant shall also pay without notice, except as may be provided in this Lease, and without abatement, deduction, or setoff, as additional rent, all sums, impositions, costs, and other payments which Tenant in any of the provisions of this Lease assumes or agrees to pay, and in the event of any nonpayment, Landlord shall have (in addition to all other rights and remedies) all the rights and remedies provided for in this Lease or by law in the case of nonpayment of the Minimum Rent.

3.4 On each annual anniversary date of the Commencement Date of this Lease, Landlord shall adjust the Minimum Rent in the same percentage as the increase, if any, in the Consumer Price Index (the "Index") published by the United States Department of Labor, Bureau of Labor Statistics over the preceding year of the Term, on an annualized basis. The change shall be computed by comparing the schedule entitled "U.S. City Average, All Items, All Urban Consumers, 1982-84=100" for the latest available month preceding the month in which the Term commenced with the same figure for the same month in the years for which the adjustment is computed, with the express intent of the parties that the increase, if any, be based on the annualized change in the CPI over the preceding 12-month period. All comparisons shall be made using Index figures derived from the same base period and in no event shall this provision operate to decrease the Minimum Rent for the Premises below the initial stated Minimum Rent. If the Index cited above is revised or discontinued during the Term, then the Index that is designated to replace it by the Portland Association of Building Owners and Managers shall be used.

3.5 Upon the execution of this Lease Tenant shall pay to Landlord the sum of Five Thousand Dollars and no/100 (\$5,000.00) ("Lease Consideration"). The Lease Consideration shall be non-refundable, even in the event that the Lease is terminated pursuant to Section 1.2.

3.6 Term: The term of this Lease shall be for a period of twenty (20) years, commencing on the Commencement Date (the "Term"). Upon the mutual agreement of the Landlord and the Tenant, the Term of this Lease may be renewed for four (4) successive five (5) year terms, each a "Renewal Term." Tenant shall notify Landlord no later than 120 days prior to the expiration of the Term or any Renewal Term of Tenant's desire to extend the Term. Landlord shall notify Tenant no later than 30 days after receipt of Tenant's renewal notice of Landlord's desire to renew the Lease. Should Landlord fail to provide such notice to Tenant, then this Lease shall automatically terminate on the date then set for the termination of this Lease.

SECTION 4 USE

Tenant shall use the Premises and the Improvements for a fire training facility for Sunriver Fire Department personnel only, and for no other use, unless approved in writing pursuant to an amendment to this Lease. Notwithstanding the foregoing, Tenant shall have the right to permit other fire department personnel from other firefighting jurisdictions to engage in joint training sessions with the Sunriver Fire Department.

SECTION 5 LIENS

5.1 Tenant shall have no power to do any act or to make any contract that may create or be the foundation for any lien, mortgage, or other encumbrance on the reversion or other estate of Landlord or on any interest of Landlord in the Premises.

5.2 Tenant shall not suffer or permit any liens to attach to the interest of Tenant in all or any part the Premises by reason of any work, labor, services, or materials done for, or supplied to, or claimed to have been done for or supplied to, Tenant or anyone occupying or holding an interest in all or any part of the Improvements on the Premises through or under Tenant. If any

such lien shall at any time be filed against the Premises, Tenant shall cause the same to be discharged of record within 30 days after the date of filing the same, by either payment, deposit, or bond.

5.3 Nothing in this Lease shall be deemed to be, or be construed in any way as constituting, the consent or request of Landlord, express or implied, by inference or otherwise, to any person, firm, or corporation for the performance of any labor or the furnishing of any materials for any construction, rebuilding, alteration, or repair of or to the Premises or to the Improvements, or as giving Tenant any right, power, or authority to contract for or permit the rendering of any services or the furnishing of any materials that might in any way give rise to the right to file any lien against Landlord's interest in the Premises or against Landlord's interest, if any, in the Improvements. Tenant is not intended to be an agent of Landlord for the construction of Improvements on the Premises. Landlord shall have the right to post and keep posted at all reasonable times on the Premises and on the Improvements any notices that Landlord shall be required to post for the protection of Landlord and of the Premises and of the Improvements from any such lien. The foregoing shall not be construed to diminish or vitiate any rights of Tenant in this Lease to construct, alter, or add to the Improvements.

SECTION 6 TAXES AND OTHER CHARGES

6.1 Tenant shall pay and discharge, or cause to be paid and discharged, before any fine, penalty, interest, or cost may be added for nonpayment, all real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales charges, assessments (including, but not limited to, assessments for public improvements or benefits), and all other governmental impositions and charges of every kind and nature whatsoever, whether or not now customary or within the contemplation of the parties and regardless of whether the same shall be extraordinary or ordinary, general, or special, unforeseen or foreseen, or similar or dissimilar to any of the foregoing which, at any time during the Term, shall be or become due and payable and which:

6.1.1 Shall be levied, assessed, or imposed against the Premises or the Improvements or any interest of Landlord or Tenant under this Lease; or

6.1.2 Shall be or become liens against the Premises or the Improvements or any interest of Landlord or Tenant under this Lease; or

6.1.3 Shall be levied, assessed, or imposed on or against Landlord by reason of any actual or asserted engagement by Landlord or Tenant, directly or indirectly, in any business, occupation, or other activity in connection with the Premises or the Improvements; or

6.1.4 Shall be levied, assessed, or imposed on or in connection with the ownership, leasing, operation, management, maintenance, repair, rebuilding, use, or occupancy of the Premises or the Improvements;

under or by virtue of any present or future Legal Requirement, it being the intention of the parties that, insofar as the same may lawfully be done, Landlord shall be free from all such expenses and all such real estate taxes, personal property taxes, privilege taxes, excise taxes, business and occupation taxes, gross sales taxes, occupational license taxes, water charges, sewer

charges, assessments, and all other governmental impositions and charges of every kind and nature whatsoever (all of such taxes, water charges, sewer charges, assessments, and other governmental impositions and charges that Tenant is obligated to pay being collectively called "Tax" or "Taxes").

6.2 Tenant covenants to furnish to Landlord, within 30 days after the last date when any Tax must be paid by Tenant as provided in this section, official receipts, if such receipts are then available to Tenant, of the appropriate taxing authority, or other proof satisfactory to Landlord, evidencing payment.

SECTION 7 INSURANCE

7.1 During the Term, Tenant shall have no obligation whatsoever to maintain fire or casualty insurance of any kind on the Improvements or any personal property on the Premises.

7.2 Tenant, at its expense, shall maintain at all times during the Term of this Lease public liability insurance in respect of the Premises and the conduct or operation of its business, with Landlord as additional insured, with \$2,000,000 minimum combined single-limit coverage, or its equivalent. All casualty insurance policies shall include contractual liability, severability of interest, and cross-liability endorsements. Tenant shall deliver to Landlord and any additional named insured such fully paid-for policies or certificates of insurance, in a form satisfactory to Landlord, issued by the insurance company or its authorized agent, at least 10 days before the Commencement Date. Tenant shall procure and pay for renewals of such insurance from time to time before the expiration, and Tenant shall deliver to Landlord and any additional named insured such renewal policy or certificate at least 30 days before the expiration of any existing policy. All insurance policies shall contain provisions whereby (1) losses shall be payable despite the negligence of any person having an insurable interest in the Improvements; (2) the Proceeds will be paid in accordance with the terms of this Lease; and (3) the policies cannot be cancelled or modified unless Landlord and any additional named insured are given at least 20 days' prior written notice of such cancellation or modification.

7.3 All insurance policies shall be written as primary policies and shall not be contributing with or be in excess of the coverage that either Landlord or Tenant may carry. All such insurance policies shall be issued in the name of Tenant, with Landlord being included in the insurance policy definition of who is an additional insured, and shall be primary to any insurance available to Landlord.

7.4 All policies of insurance shall be issued by good, responsible companies, reasonably acceptable to Landlord and that are qualified to do business in the State of Oregon. Executed copies of such policies of insurance shall be delivered to any Permitted Leasehold Mortgagee and certificates shall be delivered to Landlord within 30 days after the Commencement Date. All policies of insurance must contain a provision that the company writing the policy will give Landlord 30 days' written notice in advance of any cancellation, substantial change of coverage, or the effective date of any reduction in amount of insurance.

7.5 Landlord may from time to time, but not more frequently than once every three years, require that the amount of public liability insurance to be maintained by Tenant under Section 7.2 be increased so that the amount adequately protects Landlord's interest.

SECTION 8

LESSOR'S RIGHT TO PERFORM LESSEE'S COVENANTS

8.1 If Tenant at any time fails to pay any Tax in accordance with the provisions of this Lease or fails to make any other payment or perform any other act on its part to be made or performed, then Landlord, after 10 days' notice to Tenant (or without notice in case of an emergency) and without waiving or releasing Tenant from any obligation of Tenant contained in this Lease or from any default by Tenant and without waiving Landlord's right to take such action as may be permissible under this Lease as a result of such default, may (but shall be under no obligation to):

8.1.1 Pay any Tax payable by Tenant pursuant to the provisions of this Lease; or

8.1.2 Make any other payment or perform any other act on Tenant's part to be made or performed as provided in this Lease, and may enter the Premises and the Improvements for any such purpose, and take all such action, as may be necessary.

8.2 All sums so paid by Landlord and all costs and expenses incurred by Landlord, including reasonable attorney fees, in connection with the performance of any such act, together with, if Tenant does not pay the same within the 30-day period after notice from Landlord, interest from the date of such payment or incurrence by Landlord of such cost and expense until paid, at the annual rate of 18%, shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

SECTION 9

COMPLIANCE WITH LEGAL REQUIREMENTS

9.1 Throughout the Term, Tenant shall promptly comply with all Legal Requirements that may apply to the Premises or to the use or manner of uses of the Premises or the Improvements or the owners or users of the Improvements, whether or not the Legal Requirements affect the interior or exterior of the Improvements, necessitate structural changes or improvements, or interfere with the use and enjoyment of the Premises or the Improvements, and whether or not compliance with the Legal Requirements is required by reason of any condition, event, or circumstance existing before or after the Term commences. Tenant shall pay all costs of compliance with Legal Requirements, but Tenant shall have the right to cease occupation or use of, or to demolish or remove, all or any part of the Premises or the Improvements in lieu of compliance with any Legal Requirement that may require expenditures on behalf of Tenant for continued use or occupation of the Premises.

9.2 Tenant shall have the right, after prior written notice to Landlord, to contest by appropriate legal proceedings, diligently conducted in good faith, in the name of Tenant or Landlord or both, without cost or expense to Landlord, the validity or application of any Legal Requirement subject to the following:

9.2.1 If, by the terms of any Legal Requirement, compliance may legally be delayed pending the prosecution of any such proceeding without the incurrence of any lien, charge, or liability of any kind against all or any part of the Premises or the Improvements and without subjecting Tenant or Landlord to any liability, civil or criminal, for failure to comply, Tenant may delay compliance until the final determination of such proceeding; or

9.2.2 If any lien, charge, or civil liability would be incurred by reason of any such delay, Tenant nevertheless may contest the matter and delay compliance, provided that such delay would not subject Landlord to criminal liability or fine, and Tenant

(a) Furnishes to Landlord security, reasonably satisfactory to Landlord, against any loss or injury by reason of such contest or delay, and

(b) Prosecutes the contest with due diligence.

9.3 Landlord shall execute and deliver any appropriate papers that may be necessary or proper to permit Tenant to contest the validity or application of any Legal Requirement, provided all the requirements of this section have been satisfied by Tenant and Landlord will incur no cost.

SECTION 10 REPAIRS AND MAINTENANCE

10.1 Except as provided in Section 10.3 below, throughout the Term, Tenant shall have no obligations to repair or maintain the Improvements, except to the extent necessary to comply with the Legal Requirements as set forth in Section 9 above.

10.2 Landlord shall not be required to furnish to Tenant any facilities or services of any kind whatsoever during the Term, such as, but not limited to, water, steam heat, gas, hot water, electricity, light, and power. Landlord shall in no event be required to make any alterations, rebuildings, replacements, changes, additions, improvements, or repairs during the Term.

10.3 Tenant shall maintain in good condition and repair, the Access Road and all other roads on Landlord's real property utilized by the Tenant and authorized by the Landlord. In addition, Tenant shall grade the Access Road from South Century Drive to the southern border of the real property owned by Landlord at least twice a year; once in March or April and again in August or September.

SECTION 11 INTENTIONALLY DELETED

SECTION 12 TITLE TO IMPROVEMENTS

Title to Improvements shall be and remain in Tenant until the expiration of the Term, unless this Lease is terminated sooner as provided.

SECTION 13 NO WASTE

Tenant shall not do or suffer any waste or damage, disfigurement, or injury to the Premises. Tenant's use of the Premises for a fire training facility shall not be deemed to be waste or damage.

SECTION 14 INSPECTION AND ACCESS

14.1 Tenant shall permit Landlord or its authorized representative to enter the Premises and the Improvements at all reasonable times during usual business hours for the purposes of inspecting the same and making any repairs or performing any work that Tenant has neglected or refused to make in accordance with the terms, covenants, and conditions of this Lease. Nothing in this Lease shall imply any duty or obligation on the part of Landlord to do any such work or to make any Improvements of any kind whatsoever to the Premises (including, but not limited to, repairs and other restoration work made necessary due to any fire, other casualty, or partial condemnation, irrespective of the sufficiency or availability of any fire or other insurance proceeds, or any award in condemnation, which may be payable). The performance of any work by Landlord shall not constitute a waiver of Tenant's default in failing to perform the same.

14.2 Except in the event of emergency repairs, all entry to the Premises by Landlord shall require at least 24 hours' advance notice to Tenant. In the event of any emergency repairs, Landlord shall use reasonable efforts to give Tenant the earliest possible notice of the same.

SECTION 15 LESSOR'S EXCULPATION AND INDEMNITY

15.1 Tenant is and shall be in exclusive control of the Premises and of the Improvements, and Landlord shall not in any event whatsoever be liable for any injury or damage to any property or to any person happening on, in, or about the Premises or the Improvements or any injury or damage to the Premises or the Improvements or to any property, whether belonging to Tenant or to any other person, caused by any fire, breakage, leakage, defect, or bad condition in any part or portion of the Premises or of the Improvements, or from steam, gas, electricity, water, rain, or snow that may leak into, issue, or flow from any part of the Premises or the Improvements from the drains, pipes, or plumbing work of the same, or from the street, subsurface, or any place or quarter, or due to the use, misuse, or abuse of all or any of the Improvements or from any kind of injury that may arise from any other cause whatsoever on the Premises or in or on the Improvements, including defects in construction of the Improvements, latent or otherwise.

15.2 Tenant shall indemnify and hold Landlord harmless against and from all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees, that may be imposed on or incurred by or asserted against Landlord by reason of any of the following occurrences during the Term:

15.2.1 Any work or thing done in, on, or about all or any part of the Premises or the Improvements by Tenant or any party other than Landlord;

15.2.2 Any use, nonuse, possession, occupation, condition, operation, maintenance, or management of all or any part of the Premises or the Improvements or any adjacent alley, sidewalk, curb, vault, passageway, or space;

15.2.3 Any negligence on the part of Tenant or any of its agents, contractors, servants, employees, sublessees, licensees, or invitees;

15.2.4 Any accident, injury, or damage to any person or property occurring in, on, or about the Premises or the Improvements; or

15.2.5 Any failure on the part of Tenant to perform or comply with any of the covenants, agreements, terms, provisions, conditions, or limitations contained in this Lease on its part to be performed or complied with.

15.3 In case any action or proceeding is brought against Landlord by reason of any such claim, Tenant upon written notice from Landlord shall, at Tenant's expense, resist or defend such action or proceeding by counsel approved by Landlord in writing, which approval shall not be unreasonably withheld. Landlord shall not make any claim against Tenant with respect to any of such risks as to which Tenant has furnished Landlord with insurance policies or certificates of insurance evidencing coverage of such risks unless and until the insurer fails or refuses to defend and/or pay all or any part of a third-party claim.

SECTION 16 CONDEMNATION

16.1 If all the Premises and the Improvements are taken or condemned, by right of eminent domain or by purchase in lieu of condemnation, or if such portion of the Premises or the Improvements shall be so taken or condemned that the portion remaining is not sufficient and suitable, in Tenant's sole judgment, to permit the restoration of the Improvements following such taking or condemnation, then this Lease and the Term, at Tenant's option, shall cease and terminate as of the date on which the condemning authority takes possession (any taking or condemnation of the land described in this section being called a "Total Taking"), and the Minimum Rent and Additional Rent shall be apportioned and paid to the date of such total taking.

16.2 If this Lease expires and terminates as a result of a Total Taking, the rights and interests of the parties shall be determined as follows:

16.2.1 The total award or awards for the Total Taking shall be apportioned and paid in the following order of priority:

(a) Landlord shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award, which is defined and referred to as the "Land Award," and Tenant shall not be entitled to receive any part of the Land Award. The term Land Award shall mean that portion of the award in condemnation or change of grade proceedings that represents the fair market value of the Premises, considered as vacant, unimproved but encumbered by this Lease, the consequential damage to any part of the Premises that may not be taken, the diminution of the assemblage or plottage value of the Premises not so taken and all other elements and factors of damage to the Premises; but in all events such damage or valuation shall take into consideration that the Premises is encumbered by this Lease;

(b) Tenant shall have the right to and shall be entitled to receive directly from the condemning authority that portion of the award referred to as the "Leasehold Award." The term Leasehold Award shall mean that portion of the award in condemnation proceedings that represents the fair market value of Tenant's interest in the Improvements and the

fair market value of Tenant's leasehold estate as so taken and, provided this Lease is not terminated as a result of such condemnation or taking, the consequential damages to any part of the Improvements.

(c) It is the intent of the parties that the Land Award and Leasehold Award will equal the total amount of the awards respecting a total taking.

16.3 If, during the Term, there is a taking or condemnation of the Premises or the Improvements that is not a total taking, this Lease and the Term shall not cease or terminate but shall remain in full force and effect with respect to the portion of the Premises and of the Improvements not taken or condemned (any taking or condemnation or change of grade of the kind described in this Section being referred to as a "Partial Taking"), and in such event:

16.3.1 The total award or awards for the taking shall be apportioned and paid in the following order of priority:

(a) Landlord shall have the right to and shall be entitled to receive directly from the condemning authority, in its entirety and not subject to any trust, that portion of the award that equals the Land Award, and Tenant shall not be entitled to receive any part of the award; and

(b) Tenant, shall have the right to and shall be entitled to receive directly from the condemning authority the balance of the award, to be applied by the recipient as it shall deem appropriate.

16.4 In the event of a taking of all or a part of the Premises or the Improvements for temporary use, this Lease shall continue without change, as between Landlord and Tenant, and Tenant shall be entitled to the entire award made for such use; provided that Tenant shall be entitled to file and prosecute any claim against the condemnor for damages and to recover the same, for any negligent use, waste, or injury to the Premises or the Improvements throughout the balance of the then-current Term. The amount of damages so recovered shall belong to Tenant.

16.5 In the event of any dispute between Tenant and Landlord with respect to any issue of fact arising out of a taking mentioned in this section, such dispute shall be resolved by the same court in which the condemnation action is brought, in such proceedings as may be appropriate for the adjudicating the dispute.

SECTION 17 ASSIGNMENT AND SUBLETTING

Tenant shall not sell, assign, or in any other manner transfer this Lease or any interest in this Lease or the estate of Tenant under this Lease without the prior consent of Landlord, which consent shall be granted or withheld in Landlord's sole discretion.

SECTION 18 SUBORDINATION, NON-DISTURBANCE AND ATTORNMENT. This Lease shall automatically be subordinate to the lien of any mortgage, deed of trust, ground or master lease, sale-leaseback transaction or other security instrument (any one or more of the foregoing individually or collectively called an "Encumbrance") which shall hereafter be placed on the Property, provided that contemporaneously with the grant or execution of any such Encumbrance Landlord obtains from the holder of the Encumbrance a non-disturbance agreement in recordable form which provides that in the event of any foreclosure, sale under power of sale, ground or master lease termination or transfer in lieu of any of the foregoing or the exercise of any other remedy pursuant to any such Encumbrance (a) Tenant's use, possession and enjoyment of the Premises shall not be disturbed and this Agreement shall continue in full force and effect so long as Tenant is not in default hereunder, and (b) this Agreement shall automatically and unconditionally become a direct lease between any successor to Landlord's interest as landlord, and Tenant as if such successor were the Landlord originally hereunder. Tenant shall, within twenty (20) days of written request execute any and all documents reasonably required by any holder of an Encumbrance to effectuate the following provisions.

SECTION 19 DEFAULT; REMEDIES

19.1 The occurrence of any one or more of the following events of default constitutes a breach of this Lease by Tenant:

19.1.1 If Tenant defaults in the due date, or in the payment of Rent due and payable by Tenant, and such default continues for 10 days after such Rent is due.

19.1.2 If Tenant, whether by action or inaction, is in default of any of its obligations under this Lease (other than a default in the payment of Rent by Tenant) and such default continues and is not remedied within 30 days after Landlord has given Tenant a notice specifying the same, or, in the case of a default that can be cured but not within a period of 30 days, if Tenant has not (1) commenced curing such default within such 30-day period; (2) notified Landlord of Tenant's intention to cure the default; or (3) continuously and diligently completed the cure of the default.

19.2 Upon the occurrence of an event of default, Landlord may exercise any one or more of the remedies set forth in this section or any other remedy available under applicable law or contained in this Lease:

19.2.1 Landlord or Landlord's agents and employees may immediately or at any time thereafter reenter the Premises either by summary eviction proceedings or by any suitable action or proceeding at law, or by force or otherwise, without being liable to indictment, prosecution, or damages, and may repossess the same, and may remove any person from the Premises, to the end that Landlord may have, hold, and enjoy the Premises.

19.2.2 Landlord may relet the whole or any part of the Premises from time to time, either in the name of Landlord or otherwise, to such Tenants, for such terms ending before, on, or after the expiration date of the Lease Term, at such rentals and on such other conditions (including concessions and free rent) as Landlord may determine to be appropriate. To the extent allowed under Oregon law, Landlord shall have no obligation to relet all or any part of the Premises and shall not be liable for refusal to relet the Premises, or, in the event of such reletting,

for refusal or failure to collect any rent due on such reletting; and any action of Landlord shall not operate to relieve Tenant of any liability under this Lease or otherwise affect such liability. Landlord at its option may make such physical changes to the Premises as Landlord, in its sole discretion, considers advisable and necessary in connection with any such reletting or proposed reletting, without relieving Tenant of any liability under this Lease or otherwise affecting Tenant's liability.

19.2.3 Whether or not Landlord retakes possession or relets the Premises, Landlord has the right to recover its damages, including without limitation all lost rentals, all legal expenses, all costs incurred by Landlord in restoring the Premises or otherwise preparing the Premises for reletting, and all costs incurred by Landlord in reletting the Premises.

19.2.4 To the extent permitted under Oregon law, Landlord may sue periodically for damages as they accrue without barring a later action for further damages. Landlord may in one action recover accrued damages plus damages attributable to the remaining Lease Term equal to the difference between the Rent reserved in this Lease for the balance of the Lease Term after the time of award, and the fair rental value of the Premises for the same period, discounted at the time of award at a reasonable rate not to exceed 10% per annum. If Landlord has relet the Premises for the period that otherwise would have constituted all or part of the unexpired portion of the Term, the amount of rent reserved on such reletting shall be deemed, prima facie, to be the fair and reasonable rental value for the part or the whole of the Premises so relet during the term of the reletting.

19.3 No failure by Landlord to insist on the strict performance of any agreement, term, covenant, or condition of this Lease or to exercise any right or remedy consequent upon a breach, and no acceptance of full or partial Rent during the continuance of any such breach, constitutes a waiver of any such breach or of such agreement, term, covenant, or condition. No agreement, term, covenant, or condition to be performed or complied with by Tenant, and no breach by Tenant, shall be waived, altered, or modified except by a written instrument executed by Landlord. No waiver of any breach shall affect or alter this Lease, but each and every agreement, term, covenant, and condition of this Lease shall continue in full force and effect with respect to any other then-existing or subsequent breach.

19.4 Each right and remedy provided for in this Lease shall be cumulative and shall be in addition to every other right or remedy provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise, and the exercise or beginning of the exercise by Landlord or Tenant of any one or more of the rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise shall not preclude the simultaneous or later exercise by the party in question of any or all other rights or remedies provided for in this Lease or now or hereafter existing at law or in equity or by statute or otherwise.

SECTION 20 NO ABATEMENT OF RENT

Except as otherwise specifically provided in this Lease, no abatement, refund, diminution, or reduction of Rent or other compensation shall be claimed by or allowed to Tenant, or any person claiming under it, under any circumstances, whether for inconvenience, discomfort, interruption of business, or otherwise, arising from work on Improvements, by virtue or because of Legal Requirements, or the occurrence of any matters referred to in Sections 7 (casualty damage) and 16 (condemnation) of this Lease, or for any other reason, cause, or occurrence.

SECTION 21 TRANSFER OF INTEREST BY LESSOR

Landlord may sell, exchange, assign, transfer, convey, contribute, distribute, or otherwise dispose of all or any part of its interest (called "Landlord's Interest") in the Premises or this Lease.

SECTION 22 INTENTIONALLY DELETED

SECTION 23 INTENTIONALLY DELETED

SECTION 24 LESSOR'S RIGHT TO ENCUMBER

Landlord, during the Term, may encumber, mortgage, pledge, or otherwise hypothecate its fee simple interest in the Premises.

SECTION 25 NONMERGER

There shall be no merger of this Lease, or of the leasehold estate created by this Lease, with the fee estate in the Premises by reason of the fact that this Lease, the leasehold estate created by this Lease, or any interest in this Lease or in any such leasehold estate, may be held, directly or indirectly, by or for the account of any person who shall own the fee estate in the Premises or any interest in such fee estate, and no such merger shall occur unless and until all persons at the time having an interest in the fee estate in the Premises and all persons (including all Permitted Leasehold Mortgagees) having an interest in this Lease, or in the leasehold estate created by this Lease, shall join in a written instrument effecting such merger and shall duly record the same.

SECTION 26 QUIET ENJOYMENT

Tenant, on paying the Rent and observing and keeping all covenants, agreements, and conditions of this Lease on its part to be kept, shall quietly have and enjoy the Premises during the Term without hindrance or molestation by anyone claiming by, through, or under Landlord as such, subject, however, to the exceptions, reservations, and conditions of this Lease.

SECTION 27 SURRENDER

27.1 Except as otherwise provided, Tenant, on the last day of the Term, shall surrender and deliver up the Premises without fraud or delay, free and clear of all lettings and occupancies, all Improvements and personal property shall be removed from the Premises at the sole cost and expense of the Tenant, and the Premises shall be graded, and returned to the Landlord in a clean and neat condition.

27.2 Any personal property of Tenant or any sublessee that shall remain on the Premises after the termination of this Lease and the removal of Tenant or such sublessee from the Premises may, at the option of Landlord, be deemed to have been abandoned by Tenant or such sublessee and may either be retained by Landlord as its property or be disposed of, without accountability, in such manner as Landlord may see fit, or if Landlord gives written notice to Tenant to such effect, such property shall be removed by Tenant at Tenant's sole cost and expense. If this Lease terminates early for any reason other than the default of Tenant then, anything to the contrary notwithstanding, Tenant shall have a reasonable time thereafter to remove its personal property. Tenant shall be responsible for all costs associated with the removal of any personal property or the Improvements remaining on the Premises upon termination or expiration of this Lease.

27.3 Landlord shall not be responsible for any loss or damage occurring to any property owned by Tenant or any sublessee.

27.4 The provisions of this section shall survive any termination of this Lease.

SECTION 28 INVALIDITY OF PARTICULAR PROVISIONS

If any term or provision of this Lease or the application of the Lease to any person or circumstances is, to any extent, invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected, and each term and provision of this Lease shall be valid and be enforced to the fullest extent permitted by law.

SECTION 29 NO REPRESENTATIONS

Tenant acknowledges that it has examined the Premises and that no representations as to the condition of the Premises have been made by Landlord or any agent or person acting for Landlord (except as expressly provided in this Lease). Before any construction commences on the Premises, Tenant shall conduct tests of the subsurface and soil conditions to ascertain the suitability of the Premises for the contemplated Project and shall furnish such fill and take such other steps as may be required before the commencement of construction. Landlord shall have no liability because of, or as a result of, the existence of any subsurface or soil condition, either on the Premises or on adjacent land, that might affect Tenant's construction.

SECTION 30 ESTOPPEL CERTIFICATE

Either party, within 10 days after a request from time to time made by the other party and without charge, shall give a certification in writing to any person, firm, or corporation reasonably specified by the requesting party stating (1) that this Lease is then in full force and effect and unmodified, or if modified, stating the modifications; (2) that Tenant is not in default in the payment of Rent to Landlord, or if in default, stating such default; (3) that as far as the maker of the certificate knows, neither party is in default in the performance or observance of any other covenant or condition to be performed or observed under this Lease, or if either party is in default, stating such default; (4) that as far as the maker (if Landlord) of the certificate knows, no event has occurred that authorized, or with the lapse of time will authorize, Tenant to terminate this Lease, or if such event has occurred, stating such event; (5) that as far as the maker of the certificate knows, neither party has any offsets, counterclaims, or defenses, or, if so, stating them; (6) the dates to which Rent have been paid; and (7) any other matters that may be reasonably requested by the requesting party.

SECTION 31 FORCE MAJEURE

If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations) is delayed or prevented in whole or in part by any Legal Requirement (and not attributable to an act or omission of the party), or by any acts of God, fire or other casualty, floods, storms, explosions, accidents, epidemics, war, civil disorders, strikes or other labor difficulties, shortage or failure of supply of materials, labor, fuel, power, equipment, supplies or transportation, or by any other cause not reasonably within the party's control, whether or not specifically mentioned, the party shall be excused, discharged, and released of performance to the extent such performance or obligation (excluding any monetary obligation) is so limited or prevented by such occurrence without liability of any kind.

SECTION 32 NOTICES

Any notice required or permitted by the terms of this Lease shall be deemed given upon personal delivery or upon refusal of delivery if delivered to the party to be notified or sent by United States registered or certified mail, postage prepaid, return-receipt requested, and addressed as follows:

If to Landlord: Steven M. Runner
Sunriver Resort
Administration Building
One Center Drive
PO Box 3589
Sunriver, OR 97707

With a copy to: Steven P. Hultberg
Radler White Parks & Alexander LLP
PO Box 2007
Bend, OR 97709

If to Tenant:

With a copy to:

or such other addresses as may be designated by either party by written notice to the other. Except as otherwise provided in this Lease, every notice, demand, request, or other communication shall be deemed to have been given or served on actual receipt.

SECTION 33 INTENTIONALLY DELETED

SECTION 34 COSTS AND ATTORNEY FEES

If either party brings an action to recover any sum due or for any breach and obtains a judgment or decree in its favor, the court may award to such prevailing party its reasonable costs and reasonable attorney fees, specifically including reasonable attorney fees incurred in connection with any appeals (whether or not taxable as such by law).

SECTION 35 ENTIRE AGREEMENT

This Lease contains the entire agreement between the parties and, except as otherwise provided, can be changed, modified, amended, or terminated only by an instrument in writing executed by the parties. It is mutually acknowledged and agreed by Tenant and Landlord that there are no verbal agreements, representations, warranties, or other understandings affecting this Lease.

SECTION 36 APPLICABLE LAW

This Lease shall be governed by, and construed in accordance with, the laws of the state of Oregon.

SECTION 37 INTEREST ON RENT ARREARAGES

All arrearages in the payment of Rent that Tenant fails to pay within the 30-day period after notice from Landlord shall bear interest from the date due until paid, at the rate defined in Section 8.2 above.

SECTION 38 BROKERAGE

Landlord and Tenant represent to each other that they have not employed any brokers in negotiating and consummating the transaction set forth in this Lease, but have negotiated directly with each other.

SECTION 39 COVENANTS TO BIND AND BENEFIT PARTIES

The covenants and agreements contained in this Lease shall bind and inure to the benefit of Landlord, its successors and assigns, and Tenant, its successors and assigns.

SECTION 40 CAPTIONS AND TABLE OF CONTENTS

40.1 The captions of this Lease are for convenience and reference only, and in no way define, limit, or describe the scope or intent of this Lease or in any way affect this Lease.

40.2 The table of contents preceding this Lease but under the same cover is for the purpose of convenience and reference only, and is not to be deemed or construed in any way as part of this Lease, nor as supplemental or amendatory.

SECTION 41 DEFINITION OF LESSOR

The term Landlord as used in this Lease means only the owner for the time being of the Premises, so that in the event of a sale, transfer, conveyance, or other termination of Landlord's interest in the Premises, Landlord shall be and is entirely freed and relieved of all liability of Landlord thereafter accruing, and in such event Landlord shall remit any funds held by Landlord, in which Tenant has an interest, to the successor owner of the Premises. Landlord shall remain liable for any such money not so remitted. It shall be deemed and construed without further agreement between the parties or their successors in interest, or between the parties and such successor owner of the Premises, that such successor owner has assumed and agreed to carry out any and all agreements, covenants, and obligations of Landlord thereafter accruing.


SECTION 42 RECORDATION OF LEASE

Tenant may elect that a copy of this Lease or a memorandum, executed and acknowledged by both parties, be recorded in the public records of Deschutes County, Oregon. Tenant shall pay the recording costs.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Lease to be executed by their duly authorized officers.

Landlord:

SUNRIVER ENVIRONMENTAL, LLC

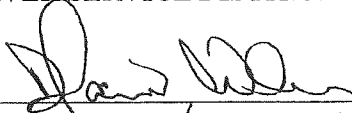
By: 

Name: TOM O'SHEA

Title: MANAGING DIRECTOR

Tenant:

SUNRIVER SERVICE DISTRICT

By: 

Name: J.D. JAMES WILSON

Title: CHAIRMAN

EXHIBIT A



0 375 750 1,500



1 IN = 750 FT



Market: Oregon
Cell Site Number: BD83
Cell Site Name: Sunriver
Fixed Asset Number: 10131314

LEASE AGREEMENT

THIS LEASE AGREEMENT ("**Agreement**"), dated as of the latter of the signature dates below ("**Effective Date**"), is entered into by Sunriver Environmental LLC, an Oregon Limited Liability Company, having a mailing address of PO Box 3609, Sunriver, OR 97707 (hereinafter referred to as "**Landlord**") and New Cingular Wireless PCS, LLC, a Delaware limited liability company, having a mailing address of 12555 Cingular Way, Suite 1300, Alpharetta, GA 30004 (hereinafter referred to as "**Tenant**").

BACKGROUND

Landlord owns or controls that certain plot, parcel or tract of land, together with all rights and privileges arising in connection therewith, located at 18305 Cottonwood Road in the County of Deschutes, State of Oregon (collectively, the "**Property**"). Tenant desires to use a portion of the Property in connection with its federally licensed communications business. Landlord desires to grant to Tenant the right to use a portion of the Property in accordance with this Agreement.

The parties agree as follows:

Option to Lease removed

1. **LEASE OF PREMISES.** Landlord leases to Tenant a certain portion of the Property containing approximately Two Thousand Five Hundred (2,500) square feet including the air space above such room/cabinet/ground space as described on attached **Exhibit 1**, together with access for Tenant's uses from the nearest public right-of-way along the Property to the Premises as described on the attached **Exhibit 1** (collectively, the "**Premises**").

2. **PERMITTED USE.** Tenant may use the Premises for the transmission and reception of communications signals and the installation, construction, maintenance, operation, repair, replacement and upgrade of its communications fixtures and related equipment, cables, accessories and improvements, which may include a suitable support structure, associated antennas, , equipment shelters or cabinets and fencing and any other items necessary to the successful and secure use of the Premises (collectively, the "**Communication Facility**"), as well as the right to test, survey and review title on the Property; Tenant further has the right but not the obligation to add, modify and/or replace equipment in order to be in compliance with any current or future federal, state or local mandated application, including, but not limited to, emergency 911 communication services, at no additional cost to Tenant or Landlord (collectively, the "**Permitted Use**"). Landlord and Tenant agree that any portion of the Communication Facility that may be conceptually described on **Exhibit 1** will not be deemed to limit Tenant's Permitted Use to the use or configuration depicted on Exhibit 1. If **Exhibit 1** includes drawings of the initial installation of the Communication Facility, Landlord's execution of this Agreement will signify Landlord's approval of **Exhibit 1**. For a period of ninety (90) days following the start of construction, Landlord grants Tenant, its subtenants, licensees and sublicensees, the right to use such portions of Landlord's contiguous, adjoining or surrounding property as described on **Exhibit 1** hereto (the "**Surrounding Property**"), as may reasonably be required during construction and installation of the Communications Facility. Tenant has the right to install and operate transmission cables from the equipment shelter or cabinet to the antennas, electric lines from the main feed to the equipment shelter or cabinet and communication lines from the main entry point to the equipment shelter or cabinet, and to make Property improvements, alterations, upgrades or additions appropriate for Tenant's use ("**Tenant Changes**"). Tenant Changes include the right to construct a fence

around the Premises and undertake any other appropriate means to secure the Premises, at Tenant's expense. Tenant agrees to comply with all applicable governmental laws, rules, statutes and regulations, including, without limitation any statute, rule or order relating to hazardous substances or environmental laws, relating to its use of the Communication Facility on the Property. Tenant has the right to modify, supplement, replace, upgrade, expand the equipment, increase the number of antennas or relocate the Communication Facility within the Premises at any time during the term of this Agreement provided, however, such modifications, upgrades or additions are for Tenant's use and not that of any subtenant which has not been approved by Landlord pursuant to Section 16 of this Agreement. Tenant will be allowed to make such alterations to the Property in order to accomplish Tenant's Changes or to insure that Tenant's Communication Facility complies with all applicable federal, state or local laws, rules or regulations. In the event Tenant desires to modify or upgrade the Communication Facility, and Tenant requires an additional portion of the Property (the "Additional Premises") for such modification or upgrade, and such portion of the Property is adjacent to the Premises, Landlord agrees to lease to Tenant the Additional Premises, in an area not to exceed 2500 square feet upon the same terms and conditions set forth herein, except that the Rent shall increase, in conjunction with the lease of the Additional Premises, by a reasonable amount consistent with rental rates then charged for comparable portions of real property being in the same area being used for communication facilities. Landlord agrees to take such actions and enter into and deliver to Tenant such documents as Tenant reasonably requests in order to effect and memorialize the lease of the Additional Premises to Tenant.

3. TERM.

(a) The initial lease term will be five (5) years ("**Initial Term**"), commencing on the Effective Date. The Initial Term will terminate on the fifth (5th) annual anniversary of the Effective Date.

(b) This Agreement will automatically renew for four (4) additional five (5) year term(s) (each five (5) year term shall be defined as the "**Extension Term**"), upon the same terms and conditions unless the Tenant notifies the Landlord in writing of Tenant's intention not to renew this Agreement at least sixty (60) days prior to the expiration of the existing Term.

(c) If, at least sixty (60) days prior to the end of the fourth (4th) extended term, either Landlord or Tenant has not given the other written notice of its desire that the term of this Agreement end at the expiration of the fourth (4th) extended term, then upon the expiration of the fourth (4th) extended term this Agreement shall continue in force upon the same covenants, terms and conditions for a further term of one (1) year, and for annual terms thereafter until terminated by either party by giving to the other written notice of its intention to so terminate at least six (6) months prior to the end of any such annual term. Monthly rental during such annual terms shall be equal to the rent paid for the last month of the fourth (4th) extended term. If Tenant remains in possession of the Premises after the termination of this Agreement then Tenant will be deemed to be occupying the Premises on a month to month basis (the "**Holdover Term**"), subject to the terms and conditions of this Agreement.

(d) The Initial Term, the Extension Term and the Holdover Term are collectively referred to as the Term ("**Term**").

4. RENT.

(a) Commencing on the first day of the month following the date that Tenant commences construction (the "Rent Commencement Date"), Tenant will pay the Landlord a monthly rental payment of One Thousand Four Hundred Dollars and No/100 Dollars (\$1,400.00) ("Rent"), at the address set forth above, on or before the fifth (5th) day of each calendar month in advance. In partial months occurring after the Rent Commencement Date, Rent will be prorated. The initial Rent payment will be forwarded by Tenant to Landlord within thirty (30) days after the Rent Commencement Date. In addition, Tenant will reimburse Landlord for its attorney fees in an amount not to exceed One Thousand Five Hundred Dollars (\$1,500) with in thirty days after Landlord presents to Tenant a copy of the invoice from its attorneys, including the description of services and the number of hours for each time entry.

(b) In year two (2) of the Initial Term, and each year thereafter, including throughout any Extension Terms exercised, the monthly Rent will increase by three percent (3%) over the Rent paid during the previous year.

(c) All charges payable under this Agreement such as utilities and taxes shall be billed by Landlord within one (1) year from the end of the calendar year in which the charges were incurred; any charges beyond such period shall not be billed by Landlord, and shall not be payable by Tenant. The foregoing shall not apply to monthly Rent which is due and payable without a requirement that it be billed by Landlord. The provisions of the foregoing sentence shall survive the termination or expiration of this Agreement.

5. APPROVALS.

(a) Landlord agrees that Tenant's ability to use the Premises is contingent upon the suitability of the Premises for Tenant's Permitted Use and Tenant's ability to obtain and maintain all governmental licenses, permits, approvals or other relief required of or deemed necessary or appropriate by Tenant for its use of the Premises, including without limitation applications for zoning variances, zoning ordinances, amendments, special use permits, and construction permits (collectively, the "Government Approvals"). Landlord authorizes Tenant to prepare, execute and file all required applications to obtain Governmental Approvals for Tenant's Permitted Use under this Agreement and agrees to reasonably assist Tenant with such applications and with obtaining and maintaining the Government Approvals. Tenant shall submit all such applications to Landlord for its review at least seven (7) days prior to filing with any local government. In addition, Tenant shall have the right to initiate the ordering and/or scheduling of necessary utilities.

(b) Tenant has the right to obtain a title report or commitment for a leasehold title policy from a title insurance company of its choice and to have the Property surveyed by a surveyor of Tenant's choice. In the event Tenant determines, in its reasonable discretion, due to the title report results or survey results, that the condition of the Premises is unsatisfactory, prior to the Rent Commitment Date Tenant will have the right to terminate this Agreement upon notice to Landlord.

(c) Tenant may also perform and obtain, at Tenant's sole cost and expense, soil borings, percolation tests, engineering procedures, environmental investigation or other tests or reports on, over, and under the Property, necessary to determine if the Tenant's use of the Premises will be compatible with Tenant's engineering specifications, system, design, operations or Governmental Approvals.

6. TERMINATION. This Agreement may be terminated, without penalty or further liability, as follows:

(a) by either party on thirty (30) days prior written notice, if the other party remains in default under Paragraph 15 of this Agreement after the applicable cure periods;

(b) by Tenant upon written notice to Landlord, if Tenant is unable to obtain, or maintain, any required approval(s) or the issuance of a license or permit by any agency, board, court or other governmental authority necessary for the construction or operation of the Communication Facility as now or hereafter intended by Tenant; or if the cost of obtaining or retaining the same is commercially unreasonable;

(c) By Tenant upon written notice to Landlord for any reason, at any time prior to the Rent Commencement Date by Tenant; or

(d) by Tenant upon sixty (60) days prior written notice to Landlord for any reason or no reason, so long as Tenant pays Landlord a termination fee equal to three (3) months Rent, at the then current rate, provided, however, that no such termination fee will be payable on account of the termination of this Agreement by Tenant under any one or more of Paragraphs 5(b), 6(a), 6(b), 6(c), 8, 11(d), 18, 19 or 23(j) of this Agreement.

7. INSURANCE.

(a) Tenant will carry during the Term, at its own cost and expense, the following insurance: (i) "All Risk" property insurance for its property's replacement cost; (ii) commercial general liability insurance with a minimum limit of liability of Two Million Five Hundred Thousand Dollars \$2,500,000 combined

single limit for bodily injury or death/property damage arising out of any one occurrence and in the aggregate and excess "umbrella" liability coverage of not less than \$5,000,000 per occurrence and in the aggregate; and (iii) Workers' Compensation Insurance as required by law. The coverage afforded by Tenant's commercial general liability insurance shall apply to Landlord as an additional insured, but only with respect to Landlord's liability arising out of its interest in the Property.

(b) Tenant's required insurance shall contain provisions providing that such insurance shall be primary insurance insofar as Landlord and Tenant are concerned, with any other insurance maintained by Landlord being excess and non-contributing with the insurance of Tenant required pursuant to this Section 7. Tenant shall deliver a certificate of Tenant's insurers to provide proof of such insurance to Landlord prior to commencement of any construction, which certificate shall require the insurer to endeavor to notify Landlord, in writing, of any cancellation or non-renewal. Tenant shall include Landlord and any additional parties that Landlord may reasonably designate by written notice as additional insureds to the policies.

(c) To the extent allowable under the laws and regulations governing the writing of insurance within the state in which the Property is located, Landlord and Tenant each release the other and their respective agents and employees from all liability to each other, or anyone claiming through or under them, by way of subrogation or otherwise, for any loss or damage to property caused by or resulting from risks insured under this Agreement, pursuant to insurance policies carried by the parties which are in force at the time of the loss or damage. Landlord and Tenant will each request its insurance carrier to include in policies provided pursuant to this Agreement an endorsement recognizing this waiver of subrogation. The provisions of this Section 7 shall survive termination of this Agreement.

8. INTERFERENCE.

(a) Where there are existing radio frequency user(s) on the Property, the Landlord will provide Tenant with a list of all existing radio frequency user(s) on the Property to allow Tenant to evaluate the potential for interference. Tenant warrants that its use of the Premises will not interfere with existing radio frequency user(s) on the Property so disclosed by Landlord, as long as the existing radio frequency user(s) operate and continue to operate within their respective frequencies and in accordance with all applicable laws and regulations.

(b) Landlord will not grant, after the date of this Agreement, a lease, license or any other right to any third party for the use of the Property, if such use may in any way adversely affect or interfere with the operation of the Communication Facility, the operations of Tenant or the rights of Tenant under this Agreement. Landlord will notify Tenant in writing prior to granting any third party the right to install and operate communications equipment on the Property.

(c) Landlord will not use, nor will Landlord permit its employees, tenants, licensees, invitees or agents to use, any portion of the Property in any way which interferes with the operation of the Communication Facility, the operations of Tenant or the rights of Tenant under this Agreement. Landlord will cause such interference to cease within twenty-four (24) hours after receipt of notice of interference from Tenant. In the event any such interference does not cease within the aforementioned cure period then Tenant will have the right, in addition to any other rights that it may have at law or in equity, for Landlord's breach of this Agreement, to elect to enjoin such interference.

9. INDEMNIFICATION.

(a) Tenant shall exercise due care and avoid any action that may cause damage to the Premises or Property. Tenant shall indemnify, defend and hold Landlord harmless from and against any and all injury, loss, damage or liability (or any claims in respect of the foregoing), costs or expenses (including reasonable attorneys' fees and court costs) arising directly from the installation, use, maintenance, repair or removal of the Communication Facility, Tenant's breach of any provision of this Agreement, Tenant's use of the Property or Premises except to the extent attributable to the negligent or intentional act or omission of Landlord, its employees, agents or independent contractors.

(b) Landlord agrees to indemnify, defend and hold Tenant harmless from and against any and all

injury, loss, damage or liability (or any claims in respect of the foregoing), costs or expenses (including reasonable attorneys' fees and court costs) arising directly from Landlord's or Landlord's employees or agents negligent use or activities on the Property or Premises.

(c) Notwithstanding anything to the contrary in this Agreement, Tenant and Landlord each waives any claims that each may have against the other with respect to consequential, incidental or special damages.

10. WARRANTIES.

(a) Tenant and Landlord each acknowledge and represent that it is duly organized, validly existing and in good standing and has the right, power and authority to enter into this Agreement and bind itself hereto through the party set forth as signatory for the party below.

(b) Landlord represents and warrants that: (i) Landlord solely owns the Property as a legal lot in fee simple, or controls the Property by lease or license; (ii) to the Landlord's knowledge the Property is not encumbered by any liens, restrictions, mortgages, covenants, conditions, easements, leases, or any other agreements of record or not of record, which would adversely affect Tenant's Permitted Use and enjoyment of the Premises under this Agreement; (iii) as long as Tenant is not in default then Landlord grants to Tenant sole, actual, quiet and peaceful use, enjoyment and possession of the Premises; and (iv) to Landlord's knowledge Landlord's execution and performance of this Agreement will not violate any laws, ordinances, covenants or the provisions of any mortgage, lease or other agreement binding on the Landlord; and (v) if the Property is or becomes encumbered by a deed to secure a debt, mortgage or other security interest, Landlord will use commercially reasonable efforts to provide promptly to Tenant a mutually agreeable Subordination, Non-Disturbance and Attornment Agreement but a failure to obtain such an agreement will not be a default hereunder.

11. ENVIRONMENTAL.

(a) Landlord represents and warrants that to Landlord's knowledge the Property is free of hazardous substances as of the date of this Agreement, and, to Landlord's knowledge, the Property has never been subject to any contamination or hazardous conditions resulting in any environmental investigation, inquiry or remediation. Tenant will be responsible for compliance with any and all environmental and industrial hygiene laws, including any regulations, guidelines, standards, or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene condition or other matters as may now or at any time hereafter be in effect, that are now or were related to Tenant's activity conducted in or on the Property.

(b) Landlord and Tenant shall hold harmless and indemnify the other from, and to assume all duties, responsibilities and liabilities at the sole cost and expense of the indemnifying party for, payment of penalties, sanctions, forfeitures, losses, costs or damages, and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding which is related to (i) the indemnifying party's failure to comply with any environmental or industrial hygiene law, including without limitation any regulations, guidelines, standards or policies of any governmental authorities regulating or imposing standards of liability or standards of conduct with regard to any environmental or industrial hygiene conditions or matters as may now or hereafter be in effect, or (ii) any environmental or industrial hygiene conditions that arise out of or are in any way related to the condition of the Property and activities conducted by the party thereon, unless the environmental conditions are caused by the other party.

(c) The indemnifications of this Paragraph 11 specifically include reasonable costs, expenses and fees incurred in connection with any investigation of Property conditions or any clean-up, remediation, removal or restoration work required by any governmental authority. The provisions of this Paragraph 11 will survive the expiration or termination of this Agreement.

(d) In the event Tenant becomes aware of any hazardous materials on the Property not caused by Tenant, or any environmental or industrial hygiene condition or matter relating to the Property that, in Tenant's reasonable determination, renders the condition of the Premises or Property unsuitable for Tenant's use, or if Tenant believes that the leasing or continued leasing of the Premises would expose Tenant to undue

risks of government action, intervention or third-party liability, Tenant will have the right, in addition to any other rights it may have at law or in equity, to terminate the Agreement upon notice to Landlord.

12. ACCESS. At all times throughout the Term of this Agreement, and at no additional charge to Tenant, Tenant and its employees, agents, and subcontractors, will have twenty-four (24) hour per day, seven (7) day per week pedestrian and vehicular access to and over the Property to the Premises, for the installation, maintenance and operation of the Communication Facility and any utilities serving the Premises. Landlord grants to Tenant a license for such access during the term of this Agreement and Landlord agrees to provide to Tenant such codes, keys and other instruments necessary for such access at no additional cost to Tenant. Landlord acknowledges that in the event Tenant cannot access the Premises, Tenant shall incur significant damage. If Landlord actively prevents the access granted by this Paragraph 12, such failure shall be a default under this Lease. Upon Tenant's request, Landlord will execute a license agreement evidencing this right. In the event any public utility is unable to use the access or license provided to Tenant then the Landlord agrees to grant additional access or an easement either to Tenant or to the public utility, for the benefit of Tenant, at no cost to Tenant. Upon 90 days notice to Tenant, Landlord shall have the right to relocate any access roads on the Property provided that any such relocation is at Landlord's sole cost and expense. Landlord shall also have the right to relocate the Premises elsewhere on the Property at Landlord's sole cost and expense; provided, however, that any such relocation shall not cause any material disruption to Tenant's services and that the new location provides equal or better service for Tenant's Permitted Use.

13. REMOVAL/RESTORATION. All portions of the Communication Facility brought onto the Property by Tenant will be and remains Tenant's personal property and, at Tenant's option, may be removed by Tenant at any time during the Term. Landlord covenants and agrees that no part of the Communication Facility constructed, erected or placed on the Premises by Tenant will become, or be considered as being affixed to or a part of, the Property, it being the specific intention of the Landlord that all improvements of every kind and nature constructed, erected or placed by Tenant on the Premises will be and remain the property of the Tenant, provided Tenant is not in default beyond any applicable cure period, and may be removed by Tenant at any time during the Term. Within one hundred twenty (120) days of the termination of this Agreement, Tenant will remove all of Tenant's above-ground improvements and all concrete pads, foundations and footings to a depth of at least two feet below grade, and Tenant will, to the extent reasonable, restore the Premises to its condition at the commencement of the Agreement, reasonable wear and tear and loss by casualty or other causes beyond Tenant's control excepted. Notwithstanding the foregoing, Tenant will not be responsible for the replacement of any trees, shrubs or other vegetation, nor will Tenant be required to remove from the Premises or the Property any underground utilities.

14. MAINTENANCE/UTILITIES.

(a) Tenant will keep and maintain the Premises in good condition, reasonable wear and tear and damage from the elements excepted. Landlord will maintain and repair the Property and access thereto, in good and tenantable condition, subject to reasonable wear and tear and damage from the elements. Tenant shall repair the Property and access thereto for any damage caused by Tenant's use of the Property and access thereto. Notwithstanding anything to the contrary in this Agreement, Landlord will not be responsible to maintain the access road (including snow removal) to the Premises.

(b) Tenant will be responsible for paying on a monthly or quarterly basis all utilities charges for electricity, telephone service or any other utility used or consumed by Tenant on the Premises. In the event Tenant cannot secure its own metered electrical supply, Tenant will have the right, at its own cost and expense, to submeter from the Landlord. When submetering is required under this Agreement, Landlord will read the meter and provide Tenant with an invoice and usage data on a monthly basis. Landlord agrees that it will not include a markup on the utility charges. Landlord further agrees to provide the usage data and invoice on forms provided by Tenant and to send such forms to such address and/or agent designated by Tenant. Tenant will remit payment within thirty days of receipt of the usage data and required forms. Failure by Landlord to perform this function will limit utility fee recovery by Landlord to a 12-month period.

If Tenant submeters electricity from Landlord, Landlord agrees to give Tenant at least 24 hours advanced notice of any planned interruptions of said electricity. Landlord acknowledges that Tenant provides a communication service which requires electrical power to operate and must operate twenty-four (24) hour per day, seven (7) day per week. If the interruption is for an extended period of time, in Tenant's reasonable determination, the Landlord agrees to allow Tenant the right to bring in a temporary source of power for the duration of the interruption. Landlord will fully cooperate with any utility company requesting an easement over, under and across the Property in order for the utility company to provide service to the Tenant. Landlord will not be responsible for interference with, interruption of or failure, beyond the reasonable control of Landlord, of such services to be furnished or supplied by Landlord.

15. DEFAULT AND RIGHT TO CURE.

(a) The following will be deemed a default by Tenant and a breach of this Agreement: (i) non-payment of Rent if such Rent remains unpaid for more than fifteen (15) days after receipt of written notice from Landlord of such failure to pay; or (ii) Tenant's failure to perform any other term or condition under this Agreement within forty-five (45) days after receipt of written notice from Landlord specifying the failure. No such failure, however, will be deemed to exist if Tenant has commenced to cure such default within such period and provided that such efforts are prosecuted to completion with reasonable diligence. Delay in curing a default, other than the paying of money, will be excused if due to causes beyond the reasonable control of Tenant. If Tenant remains in default beyond any applicable cure period, Landlord will have the right terminate this Agreement upon notice to Tenant and to exercise any and all rights and remedies available to it under law and equity.

(b) The following will be deemed a default by Landlord and a breach of this Agreement: (i) failure to provide access to the Premises or to cure an interference problem within twenty-four (24) hours after receipt of written notice of such default; or (ii) Landlord's failure to perform any term, condition or breach of any warranty or covenant under this Agreement within forty-five (45) days after receipt of written notice from Tenant specifying the failure. No such failure, however, will be deemed to exist if Landlord has commenced to cure the default within such period and provided such efforts are prosecuted to completion with reasonable diligence. Delay in curing a default will be excused if due to causes beyond the reasonable control of Landlord. If Landlord remains in default beyond any applicable cure period, Tenant will have the right to exercise any and all rights available to it under law and equity.

16. ASSIGNMENT/SUBLEASE. Tenant will have the right to assign, sell or transfer its interest under this Agreement without the approval or consent of Landlord, to Tenant's parent or member company or any affiliate or subsidiary of, or partner in, Tenant or its parent or member company or to any entity which acquires all or substantially all of the Tenant's assets in the market defined by the Federal Communications Commission in which the Property is located by reason of a merger, acquisition, or other business reorganization provided such assignee has a net worth of equal or greater value than Tenant. Upon notification to Landlord of such assignment, transfer or sale, Tenant will be relieved of all future performance, liabilities and obligations under this Agreement. Tenant shall have the right to sublease the Premises subject to Landlord's prior consent, which consent will not be unreasonably withheld, conditioned or delayed and provided such use falls within Tenant's Permitted Use. Landlord shall be entitled to an increase in Rent in the amount of Four Hundred Dollars (\$400.00) per month beginning on the first day of the month following the installation of equipment of any subtenant. Such amount shall be increased annually as provided in Section 4(b) hereof, commencing on the first anniversary of the Rent Commencement Date after the installation of such subtenant's equipment. Tenant may not otherwise assign this Agreement without Landlord's consent, Landlord's consent not to be unreasonably withheld, conditioned or delayed.

17. NOTICES. All notices, requests, demands and communications hereunder will be given by first class certified or registered mail, return receipt requested, or by a nationally recognized overnight courier, postage prepaid, to be effective when properly sent and received, refused or returned undelivered. Notices will be addressed to the parties as follows:

If to Tenant:

New Cingular Wireless PCS, LLC
Attn: AT&T Network Real Estate Administration
Re: Cell Site #: BD83; Cell Site Name: Sunriver
Fixed Asset No: 10131314
12555 Cingular Way
Alpharetta, GA 30004

With a copy to: (For Certified Mail)

(For Overnight Mail)

New Cingular Wireless PCS, LLC
Attn.: Legal Department
Re: Cell Site #: BD83; Cell Site Name:
Sunriver
Fixed Asset No: 10131314
PO Box 97061
Redmond, WA 98073-9761

New Cingular Wireless PCS, LLC
Attn.: Legal Department
Re: Cell Site #: BD83; Cell Site Name:
Sunriver
Fixed Asset No: 10131314
16331 NE 72nd Way
Redmond, WA 98052

If to Landlord:

(For Overnight Mail)

Sunriver Environmental LLC
PO Box 3609
Sunriver, OR 97707

Sunriver Environmental LLC
17728 Abbot Drive
Sunriver, OR 97707

Either party hereto may change the place for the giving of notice to it by thirty (30) days prior written notice to the other as provided herein. In the event of a change in ownership, transfer or sale of the Property, within ten (10) days of such transfer, Landlord will send the following documents to Tenant:

- a. Old deed to Property
- b. New deed to Property
- c. Bill of Sale or Transfer
- d. Copy of current Tax Bill
- e. New W-9
- f. New Payment Direction Form
- g. Full contact information for new Landlord including all phone numbers

In the event Tenant does not receive such documents, Tenant shall not be responsible for any failure to pay the current landlord.

18. CONDEMNATION. In the event Landlord receives notification of any condemnation proceedings affecting the Property, Landlord will provide notice of the proceeding to Tenant within forty-eight (48) hours. If a condemning authority takes all of the Property, or a portion sufficient, in Tenant's reasonable determination, to render the Premises unsuitable for Tenant, this Agreement will terminate as of the date the title vests in the condemning authority. The parties will each be entitled to pursue their own separate awards in the condemnation proceeds, which for Tenant will include, where applicable, the value of its Communication Facility, moving expenses, prepaid Rent, and business dislocation expenses, provided that any award to Tenant will not diminish Landlord's recovery. Tenant will be entitled to reimbursement for any prepaid Rent on a prorata basis.

19. **CASUALTY.** Landlord will provide notice to Tenant of any casualty affecting the Property within forty-eight (48) hours of the casualty. If any part of the Communication Facility or Property is damaged by fire or other casualty so as to render the Premises unsuitable, in Tenant's reasonable determination, then Tenant may terminate this Agreement by providing written notice to the Landlord, which termination will be effective as of the date of such damage or destruction. Upon such termination, Tenant will be entitled to collect all insurance proceeds payable to Tenant on account thereof and to be reimbursed for any prepaid Rent on a prorata basis. If notice of termination is given, or if Landlord or Tenant undertake to rebuild the Communications Facility, Landlord agrees to use its reasonable efforts to permit Tenant to place temporary transmission and reception facilities on the Property at no additional Rent until such time as Tenant is able to activate a replacement transmission facility at another location or the reconstruction of the Communication Facility is completed.

20. **WAIVER OF LANDLORD'S LIENS.** Landlord waives any and all lien rights it may have, statutory or otherwise, concerning the Communication Facility or any portion thereof. The Communication Facility shall be deemed personal property for purposes of this Agreement, regardless of whether any portion is deemed real or personal property under applicable law and Landlord consents to Tenant's right to remove all or any portion of the Communication Facility from time to time in Tenant's sole discretion and without Landlord's consent.

21. **TAXES.** Landlord shall be responsible for payment of all ad valorem taxes levied upon the lands, improvements and other property of Landlord. Tenant shall be responsible for all taxes levied upon Tenant's leasehold improvements (including Tenant's equipment building and tower) on the Premises. Landlord shall provide Tenant with copies of all assessment notices on or including the Premises immediately upon receipt, but in no event later than sixty (60) days after receipt by Landlord. If Landlord fails to provide such notice within such time frame, Landlord shall be responsible for all increases in taxes for the year covered by the assessment. Tenant shall have the right to contest, in good faith, the validity or the amount of any tax or assessment levied against the Premises by such appellate or other proceedings as may be appropriate in the jurisdiction, and pay same under protest. This right shall include the ability to institute any legal, regulatory or informal action in the name of Landlord, Tenant, or both, with respect to the valuation of the Premises. Landlord shall cooperate in the institution and prosecution of any such proceedings and will execute any documents required therefore. The expense of any such proceedings shall be borne by Tenant and any refunds or rebates secured as a result of Tenant's action and related to Tenant's share of ad valorem taxes shall belong to Tenant.

22. **LIENS.** Tenant shall be responsible for the satisfaction or payment of any liens for any provider of work, labor, material or services claiming by, through or under Tenant. Tenant shall also indemnify, hold harmless and defend Landlord against any such liens, including the reasonable fees of Landlord's attorneys. Such lines shall be discharged by Tenant within thirty (30) days after notice of filing thereof by bonding, payment or otherwise, provided that Tenant may contest, in good faith and by appropriate proceedings, any such liens. The provisions of this Section 22 shall survive termination of this Agreement.

23. **MISCELLANEOUS.**

(a) **Amendment/Waiver.** This Agreement cannot be amended, modified or revised unless done in writing and signed by an authorized agent of the Landlord and an authorized agent of the Tenant. No provision may be waived except in a writing signed by both parties.

(b) **Memorandum/Short Form Lease.** Either party will, at any time upon fifteen (15) business days prior written notice from the other, execute, acknowledge and deliver to the other a recordable Memorandum or Short Form of Lease. Either party may record this Memorandum or Short Form of Lease at any time, in its absolute discretion.

(c) **Bind and Benefit.** The terms and conditions contained in this Agreement will run with the Property and bind and inure to the benefit of the parties, their respective heirs, executors, administrators, successors and assigns.

(d) **Entire Agreement.** This Agreement and the exhibits attached hereto, all being a part hereof, constitute the entire agreement of the parties hereto and will supersede all prior offers, negotiations and agreements with respect to the subject matter of this Agreement.

(e) **Governing Law.** This Agreement will be governed by the laws of the state in which the Premises are located, without regard to conflicts of law.

(f) **Interpretation.** Unless otherwise specified, the following rules of construction and interpretation apply: (i) captions are for convenience and reference only and in no way define or limit the construction of the terms and conditions hereof; (ii) use of the term "including" will be interpreted to mean "including but not limited to"; (iii) whenever a party's consent is required under this Agreement, except as otherwise stated in the Agreement or as same may be duplicative, such consent will not be unreasonably withheld, conditioned or delayed; (iv) exhibits are an integral part of the Agreement and are incorporated by reference into this Agreement; (v) use of the terms "termination" or "expiration" are interchangeable; and (vi) reference to a default will take into consideration any applicable notice, grace and cure periods; and (vii) to the extent there is any issue with respect to any alleged, perceived or actual ambiguity in this Agreement, the ambiguity shall not be resolved on the basis of who drafted the Agreement.

(g) **Estoppel.** Either party will, at any time upon twenty (20) business days prior written notice from the other, execute, acknowledge and deliver to the other a statement in writing (i) certifying that this Agreement is unmodified and in full force and effect (or, if modified, stating the nature of such modification and certifying this Agreement, as so modified, is in full force and effect) and the date to which the Rent and other charges are paid in advance, if any, and (ii) acknowledging that there are not, to such party's knowledge, any uncured defaults on the part of the other party hereunder, or specifying such defaults if any are claimed. Any such statement may be conclusively relied upon by any prospective purchaser or encumbrance of the Premises. The requested party's failure to deliver such a statement within such time will be conclusively relied upon by the requesting party that (i) this Agreement is in full force and effect, without modification except as may be properly represented by the requesting party, (ii) there are no uncured defaults in either party's performance, and (iii) no more than one month's Rent has been paid in advance.

(h) **W-9.** Landlord agrees to provide Tenant with a completed IRS Form W-9, or its equivalent, upon execution of this Agreement and at such other times as may be reasonably requested by Tenant.

(i) **No Electronic Signature/No Option.** The submission of this Agreement to any party for examination or consideration does not constitute an offer, reservation of or option for the Premises based on the terms set forth herein. This Agreement will become effective as a binding Agreement only upon the handwritten legal execution, acknowledgment and delivery hereof by Landlord and Tenant.

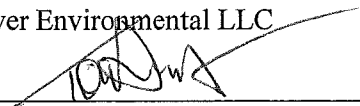
(j) **Severability.** If any term or condition of this Agreement is found unenforceable, the remaining terms and conditions will remain binding upon the parties as though said unenforceable provision were not contained herein. However, if the invalid, illegal or unenforceable provision materially affects this Agreement then the Agreement may be terminated by either party on ten (10) business days prior written notice to the other party hereto.

(k) **Counterparts.** This Agreement may be executed in two (2) or more counterparts, all of which shall be considered on and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties. It being understood that all parties need not sign the same counterpart.

IN WITNESS WHEREOF, the parties have caused this Agreement to be effective as of the last date written below.

"LANDLORD"

Sunriver Environmental LLC

By: 

Print Name: Thomas O'Shea

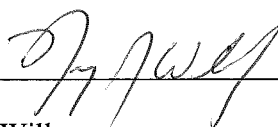
Its: SunVice President

Date: 8 Oct 09

"TENANT"

New Cingular Wireless PCS, LLC,
a Delaware limited liability company

By: AT&T Mobility Corporation
Its: Manager

By: 
Roy Willy

Project Manager

Date: 10-13-09


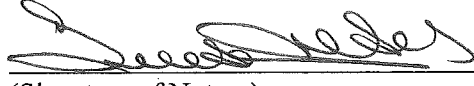
LANDLORD ACKNOWLEDGMENT

REPRESENTATIVE CAPACITY

STATE OF OREGON)
)
COUNTY OF Deschutes) SS.

This instrument was acknowledged before me on Oct. 8, 2009 by
Thomas O'Shea as Senior V.P. of _____

DATED: 10/8/09

<p>Notary Seal</p>  <p>OFFICIAL SEAL TERESA M IVES NOTARY PUBLIC-OREGON COMMISSION NO. 400138 MY COMMISSION EXPIRES DEC. 5, 2009</p>	<p> _____ (Signature of Notary) <u>Teresa M. Ives</u> _____ (Legibly Print or Stamp Name of Notary) Notary Public in and for the State of Oregon My appointment expires: <u>12/5/09</u></p>
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TENANT ACKNOWLEDGEMENT

REPRESENTATIVE CAPACITY

STATE OF OREGON)
) SS.
COUNTY OF _DESCHUTES)

This instrument was acknowledged before me on Oct. 13, 2009 by Roy Willy, as Project Manager of AT&T Mobility Corporation.

DATED: October 13, 2009.

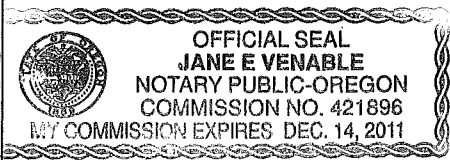
<p>Notary Seal</p> 	<p><u>Jane E Venable</u> (Signature of Notary)</p> <p>(Legibly Print or Stamp Name of Notary) Notary Public in and for the State of Oregon My appointment expires: <u>12/14/2011</u></p>
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EXHIBIT 1
DESCRIPTION OF PREMISES

Page 1 of 2

to the Lease dated Oct. 13, 2009, by and between Sunriver Environmental LLC an Oregon limited liability company, as Landlord, and New Cingular Wireless PCS, LLC, a Delaware limited liability company, as Tenant.

Landlord owns certain property with an address of 18305 Cottonwood Road, Sunriver, OR hereinafter identified as the "Property."

Township Nineteen (19), Range Eleven (11) East, Section Twenty-eight (28), That portion of the E1/2W1/2SW1/4SE1/4, SE1/4SW1/4SE1/4, S1/2SW1/4SE1/4SE1/4, lying south of the right of way granted to Deschutes County for Cottonwood Road, and east of the Burlington Northern Santa Fe Railroad right of way.

Section Thirty-three (33), That portion of the W1/2NE1/4NE1/4, lying south of the right of way granted to Deschutes County for Cottonwood Road;

That portion of the W1/2NE1/4, lying east of the Burlington Northern Santa Fe Railroad right of way;

E1/2NE1/4SE1/4NW1/4, SE1/4SW1/4SE1/4NW1/4, SE1/4SE1/4NW1/4, NE1/4SW1/4, SE1/4NE1/4NW1/4SW1/4, SE1/4NW1/4, SW1/4, NE1/4SW1/4SW1/4, E1/2NW1/4SW1/4SW1/4, S1/2SW1/4SW1/4, SE1/4SW1/4, W1/2SE1/4.

**EXHIBIT 1
DESCRIPTION OF PREMISES**

Page 1 of 2

Tenant leases a portion of the Property identified as the "Premises." The Premises are described and depicted as follows:

