



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204  
PortlandGeneral.com

October 8, 2007

**Email / US Mail**

Commission Filing Center  
Public Utility Commission of Oregon  
550 Capitol St NE #215  
Salem OR 97301-2551

**Re: UP-\_\_\_ Application for Approval of the Sale of Property**

Enclosed is the original signed Application for approval to sell property in the City of Salem, County of Marion, Oregon, to Cascade Futbol Club.

We ask that this Application be placed on the docket for consideration at the Commission's November 23, 2007 public meeting, or as soon thereafter as possible.

PGE waives paper service of documents in this proceeding and has filed a copy on this date.

If you have any questions or require further information, please call me at (503) 464-7580 or Jay Tinker at (503) 464-7002. Please direct all formal correspondence, questions, or requests to the following e-mail address [pge.opuc.filings@pge.com](mailto:pge.opuc.filings@pge.com).

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick G. Hager".

Patrick G. Hager  
Manager, Regulatory Affairs

PGH/bmm

encls.

BEFORE THE PUBLIC UTILITY COMMISSION  
OF OREGON

**UP-\_\_\_**

In the Matter of the Application of	)	
PORTLAND GENERAL ELECTRIC COMPANY	)	Application for approval of the
in Regard to the sale of its property.	)	Sale of Property
	)	

Pursuant to ORS 757.480 and OAR 860-27-0025, Portland General Electric Company ("PGE") seeks approval from the Oregon Public Utility Commission ("Commission") to sell certain PGE property no longer useful or necessary for providing utility service to the public.

Background

PGE owns approximately 37.47 acres of property located at 5201 State Street in Salem, Oregon ("Property"), adjacent to PGE's Bethel substation property, that was originally purchased as buffer property for the Bethel generation plant. In 1998, two combustion turbines were removed from the Bethel generation plant, but the Bethel substation, fuel oil tanks and other miscellaneous systems still reside adjacent to the Property.

The Property consists of about 25 acres of mostly well-maintained level ground and the balance of the property consists of nature trails with the Fruitland creek running north to northeast on the property. The Property is currently being leased as a youth soccer complex that is in accordance with all applicable laws, statutes, and regulations to maintain a physical buffer for the adjoining property owned by PGE. Salem United Soccer Club, now known as Cascade Futbol Club, has leased the Property as a working soccer field for a number of years.

PGE seeks Commission approval to sell the Property to Cascade Futbol Club. The Option Agreement ("Option"), dated December 1, 2006, states the Property will be sold as is.

Additionally, since PGE has the option to construct and operate a generation facility or allow a third party to construct or operate a facility on the adjoining property, PGE wishes to ensure that the Property continues to be utilized as a buffer for its adjoining property. Therefore, if the sale is approved, PGE will execute a special warranty deed with restrictive covenants including one that limits the use of the property to be used solely as a youth-soccer complex, “open” or “green” space and/or public park. PGE also intends to maintain transmission and distribution lines over the Property, so it will retain an easement as a condition of the sale.

For valuation purposes, an independent MAI appraiser inspected these two PGE properties and researched general market conditions. The 2005 appraisal yielded the value of the leased Property at \$515,000, without any restrictive covenants. Because of the anticipated restrictions on the use of the property, a revised appraisal was completed in June 2007. According to that most recent appraisal, the total purchase price of \$275,160 is above market value. Payment is due and payable in cash to PGE upon closing.

For accounting purposes, PGE will defer the gain on the Property of approximately \$124,386. PGE has agreed to adhere to Staff’s desired treatment of gains/losses on the sale of land for purposes of this Property sale (See Exhibit J).

**I. Required Information Under OAR 860-027-0025(1)**

Pursuant to the requirements of OAR 860-027-0025, PGE represents as follows:

(a) *The exact name and address of the utility's principal business office:* Portland General Electric Company, 121 SW Salmon Street, Portland, Oregon 97204.

(b) *The state in which incorporated, the date of incorporation, and the other states in which authorized to transact utility operations:* PGE is a corporation organized and existing under and by the laws of the State of Oregon. The date of its incorporation is July 25, 1930.

PGE is authorized to transact business in the states of Oregon, Washington, California, Arizona and Montana, and in the District of Columbia, but conducts retail utility business only in the state of Oregon. As of February 21, 1995, PGE is also registered as an extra-provincial corporation in Alberta, Canada.

(c) *Name and address of the person on behalf of applicant authorized to receive notices and communications in respect to the applications:*

Randy Dahlgren Rates & Regulatory Affairs Portland General Electric Company 121 SW Salmon Street, 1WTC-0702 Portland, OR 97204 (503) 464-7857 (telephone) (503) 464-7651 (fax) <a href="mailto:pge.opuc.filings@pgn.com">pge.opuc.filings@pgn.com</a>	Cece Coleman Assistant General Counsel Portland General Electric Company 121 SW Salmon Street, 1WTC-1301 Portland, OR 97204 (503) 464-7831 (telephone) (503) 464-2200 (fax) <a href="mailto:cece.coleman@pgn.com">cece.coleman@pgn.com</a>
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In addition, the names and addresses to receive notices and communications via the e-mail service list are:

Patrick G. Hager, Manager, Regulatory Affairs  
E-Mail: [Patrick.Hager@pgn.com](mailto:Patrick.Hager@pgn.com), and

Bonnie Gariety, Analyst  
E-Mail: [Bonnie.Gariety@pgn.com](mailto:Bonnie.Gariety@pgn.com)

(d) *The names, titles, and addresses of the principal officers:*

As of August 10, 2007, the following are the principal officers of PGE, with primary business offices located at 121 SW Salmon Street, Portland, Oregon 97204:

<u>Name</u>	<u>Title</u>
Peggy Y. Fowler	Chief Executive Officer & President
James J. Piro	Executive Vice President Finance, CFO & Treasurer
Stephen R. Hawke	Senior Vice President, Customer Service and Delivery
Arleen N. Barnett	Vice President



<u>Name</u>	<u>Title</u>
Carol A. Dillin	Vice President
Jay J. Dudley	Vice President, General Counsel
Campbell A. Henderson	Vice President & Chief Information Officer
Pamela G. Lesh	Vice President
James F. Lobdell	Vice President
Joe A. McArthur	Vice President
William O. Nicholson	Vice President
Stephen M. Quennoz	Vice President, Nuclear & Power Supply / Generation
Kirk M. Stevens	Controller and Assistant Treasurer
Marc S. Bocci	Corporate Secretary
Kristin A. Stathis	Assistant Treasurer
Nora E. Arkonovich	Assistant Secretary
Cheryl A. Chevis	Assistant Secretary
Karen J. Lewis	Assistant Secretary

(e) *A description of the general character of the business done and to be done, and a designation of the territories served, by counties and states:* PGE is engaged in the generation, purchase, transmission, distribution, and sale of electric energy for public use in Clackamas, Columbia, Hood River, Jefferson, Marion, Morrow, Multnomah, Polk, Washington, and Yamhill counties, Oregon.

(f) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of capital stock: brief description; the amount authorized (face value and number of shares); the amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount owned by affiliated*

*interests; and amount held in any fund:* The following represents PGE's stock as of June 30, 2007, the date of PGE's (10-Q):

	<u>Outstanding Shares</u>	<u>Amount (\$000s)</u>
Cumulative Preferred Stock:		
None	0	\$0
Common Stock: *		
No Par Value	62,510,033	\$644,029
(80,000,000 shares authorized):		

\* Company Directors hold 10,033 shares. The following family of funds – Franklin Resources, Inc (9.6%), Shapiro Capital Management Co., Inc. (7.16%), and American Century Companies (6.08%) – hold PGE common stock. PGE does not have enough information to conclude whether or not these funds qualify as affiliates. We provide this information to assist staff in its analysis, if needed.

None of the capital stock is held as reacquired securities, pledged, held by affiliated corporations, or held in any fund, except as noted above.

(g) *A statement, as of the date of the balance sheet submitted with the application, showing for each class and series of long-term debt and notes: brief description (amount, interest rate and maturity); amount authorized; amount outstanding (exclusive of any amount held in the treasury); amount held as reacquired securities; amount pledged; amount held by affiliated interests; and amount in sinking and other funds:* The long-term debt as of June 30, 2007 is as follows:

Description	Authorized (\$000s)	Outstanding (\$000s)
First Mortgage Bonds:		
5.6675% series due 10-25-2012	100,000	100,000
5.279% series due 4/1/2013	50,000	50,000
6.26% series due 5-1-2031	100,000	100,000
6.31% series due 5-1-2036	175,000	175,000
5.625% series VI due 8-1-2013	50,000	50,000
MTN series due 8-11-2021 9.31%	20,000	20,000
6.75% series VI due 8-1-2023	50,000	50,000
6.875% series VI due 8-1-2033	50,000	50,000
5.80% series due 6-1-2039	<u>170,000</u>	<u>170,000</u>
Total First Mortgage Bonds	<b>765,000</b>	<b>765,000</b>
Pollution Control Bonds:		
City of Forsyth, MT		
5.45% series B 5-1-2033	21,000	21,000
5.20% series A 5-1-2033	97,800	97,800
Port of Morrow, OR		
5.20% series A 5-1-2033	23,600	23,600
Variable % due 12- 1-2031	5,800	5,800
Port of St Helens, OR		
4.80% series due 4-01-2010	20,200	20,200
4.80% series due 6-01-2010	16,700	16,700
5.25% series due 8-1-2014	<u>9,600</u>	<u>9,600</u>
Total Pollution Control Bonds	<b>194,700</b>	<b>194,700</b>
Other Long Term Debt:		
7.875% notes due March 15, 2010	150,000	149,250
Capital lease obligations	0	0
Long-Term Contracts	64	64
Unamortized Debt Discount and Other	<u>(1,424)</u>	<u>(1,424)</u>
Total Other Long-Term Debt	<b>148,640</b>	<b>147,890</b>
 Total Long-Term Debt	 <b>1,108,340</b>	 <b>1,107,590</b>

None of the long-term debt is pledged or held as reacquired securities, by affiliated corporations, or in any fund, except as noted above.

(h) *Whether the application is for disposition of facilities by sale, lease, or otherwise, a merger or consolidation of facilities, or for mortgaging or encumbering its property, or for the acquisition of stock, bonds, or property of another utility, also a description of the consideration, if any, and the method of arriving at the amount thereof:* This application requests approval for

PGE to sell property (37.47 acres) located at PGE's Bethel Substation in Salem, Oregon to Cascade Futbol Club. For valuation purposes, an independent MAI appraiser inspected the Property and researched general market conditions. The initial appraisal in 2005 yielded the value of the leased Property at \$515,000 without any restrictive covenants. However, in 2006, when the Option Agreement was being negotiated and the need for restrictive covenants became apparent, the leased Property was re-appraised taking into consideration the anticipated restrictive covenants to be placed on the Property at the time of the sale, and the valuation yielded a lower price of \$275,160. The primary purpose of the restrictive covenants is to preserve and protect in perpetuity the Property for use as a soccer complex, "open" or "green" space and/or public park and to maintain a physical buffer for the adjoining property. The book value of the leased Property was estimated using PGE's accounting records.

(i) *A statement and general description of facilities to be disposed of, consolidated, merged, or acquired from another utility, giving a description of their present use and of their proposed use after disposition, consolidation, merger, or acquisition. State whether the proposed disposition of facilities or plan for consolidation, merger, or acquisition includes all the operating facilities of the parties to the transaction:* PGE currently has distribution and transmission lines located over a portion of the Property. PGE will retain use of the corridor for both existing and future transmission and/or distribution lines and other uses. A description of the easement property is provided in Exhibit "I-4."

(j) *A statement by primary account of the cost of the facilities and applicable depreciation reserve involved in the sale, lease, or other disposition, merger or consolidation, or acquisition of property of another utility. If original cost is not known, an estimate of original cost based, to the extent possible, upon records or data of the applicant or its predecessors must*

*be furnished, a full explanation of the manner in which such estimate has been made, and a statement indicating where all existing data and records may be found:* A statement by primary account of the cost of the property is included in Exhibit “L”.

(k) *A statement as to whether or not any application with respect to the transaction or any part thereof, is required to be filed with any federal or other state regulatory body:* No application with respect to the transaction is currently required to be filed with any federal or other state regulatory agency.

(l) *The facts relied upon by applicants to show that the proposed sale, lease, assignment, or consolidation of facilities, mortgage or encumbrance of property, or acquisition of stock, bonds, or property of another utility will be consistent with the public interest:* The sale of the Property as a soccer field is consistent with the public interest because the rights given up are surplus to PGE’s needs and not necessary for serving PGE’s duty to the public. PGE will retain all other rights over the retained easement property for access, operation and maintenance purposes for a future transmission and/or distribution lines, if needed to meet future load.

(m) *The reasons, in detail, relied upon by each applicant, or party to the application, for entering into the proposed sale, lease, assignment, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, and the benefits, if any, to be derived by the customers of the applicants and the public:* See the Background Section and paragraphs h) and l) above.

(n) *The amount of stock, bonds, or other securities, now owned, held or controlled by applicant, of the utility from which stock or bonds are proposed to be acquired:* None.

(o) *A brief statement of franchises held, showing date of expiration if not perpetual, or, in case of transfer/sale, that transferee has the necessary franchises:* Not applicable.

## **II. Required Exhibits Under OAR 860-027-0025(2)**

The following exhibits are submitted and by reference made a part of this application:

***EXHIBIT A.*** *A copy of the charter or articles of incorporation with amendments to date:*

*Articles of Incorporation, as Amended and Restated, effective on April 3, 2006 (Amended and Restated Articles previously filed in Docket UP 234 and by reference made a part of this application).*

***EXHIBIT B.*** *A copy of the bylaws with amendments to date:* (Fourth Amended and Restated Bylaws previously filed in Docket UP 237 and by reference made a part of this application).

***EXHIBIT C.*** *Copies of all resolutions of directors authorizing the proposed disposition, merger, or consolidation of facilities, mortgage or encumbrance of property, acquisition of stock, bonds, or property of another utility, in respect to which the application is made and, if approval of stockholders has been obtained, copies of the resolutions of the stockholders should also be furnished:* Not applicable (no such resolutions are related to this application).

***EXHIBIT D.*** *Copies of all mortgages, trust, deeds, or indentures, securing any obligation of each party to the transaction:* None.

***EXHIBIT E.*** *Balance sheets showing booked amounts, adjustments to record the proposed transaction and pro forma, with supporting fixed capital or plant schedules in conformity with the forms in the annual report, which applicant(s) is required, or will be required, to file with the Commission:* Balance sheet showing booked amounts, adjustments to record the proposed transactions and pro forma Balance sheets as of June 30, 2007 are attached. [Electronic version]

**EXHIBIT F.** *A statement of all known contingent liabilities, except minor items such as damage claims and similar items involving relatively small amounts, as of the date of the application, as of June 30, 2007: Attached. [Electronic version]*

**EXHIBIT G.** *Comparative income statements showing recorded results of operations, adjustments to record the proposed transaction and pro forma, in conformity with the form in the annual report which applicant(s) is required, or will be required, to file with the Commission, as of June 30, 2007: Attached. [Electronic version]*

**EXHIBIT H.** *An analysis of surplus for the period covered by the income statements referred to in Exhibit G, as of June 30, 2007: Attached. [Electronic version]*

**EXHIBIT I.** *A copy of each contract in respect to the sale, lease or other proposed disposition, merger or consolidation of facilities, acquisition of stock, bonds, or property of another utility, as the case may be, with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction pertaining thereto: Attached [electronic version]*

**EXHIBIT J.** *A copy of each proposed journal entry to be used to record the transaction upon each applicant's books: Attached. [Electronic version]*

**EXHIBIT K.** *A copy of each supporting schedule showing the benefits, if any, which each applicant relies upon to support the facts as required by subsection (1)(l) of this rule and the reasons as required by subsection (1)(m) of this rule: See responses to paragraphs h), l) and m) above.*

**EXHIBIT L.** Statement by primary account of the Cost of the Property. Attached. [Electronic version]

Dated this \_\_\_\_ day of \_\_\_\_\_, 2007.

Respectfully Submitted,

**Patrick Hager**

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Patrick G. Hager, Manager, Regulatory Affairs  
On Behalf of Portland General Electric Company  
121 SW Salmon Street, 1WTC-0702  
Portland, Oregon 97204  
Phone: (503) 464-7580  
E-Mail: [Patrick.Hager@pgn.com](mailto:Patrick.Hager@pgn.com)  
Facsimile: (503) 464-7651

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**Exhibit "E"**  
**UP**

Portland General Electric Company and Subsidiaries  
Consolidated Balance Sheet  
June 30, 2007  
(Millions of Dollars)

	<u>June 30, 2007</u>	<u>Adjustments <sup>(1)</sup></u>	<u>Adjusted Total</u>
<b>Assets</b>			
<b>Electric Utility Plant - Original Cost</b>			
Utility plant (includes construction work in progress of \$255)	4,801	(0.15)	4,801
Accumulated depreciation	<u>(1,909)</u>		<u>(1,909)</u>
	<u>2,892</u>	<u>(0.15)</u>	<u>2,892</u>
<b>Other Property and Investments</b>			
Nuclear decommissioning trust, at market value	43		43
Non-qualified benefit plan trust	72		72
Miscellaneous	<u>31</u>		<u>31</u>
	<u>146</u>	<u>-</u>	<u>146</u>
<b>Current Assets</b>			
Cash and cash equivalents	42	0.27	42
Accounts and notes receivable (less allowance for uncollectible accounts of \$5)	163		163
Unbilled revenues	66		66
Assets from price risk management activities	78		78
Inventories, at average cost	65		65
Margin deposits	12		12
Prepayments and other	27		27
Deferred income taxes	<u>12</u>		<u>12</u>
	<u>465</u>	<u>0.27</u>	<u>465</u>
<b>Deferred Charges</b>			
Regulatory assets	357		357
Miscellaneous	<u>34</u>		<u>34</u>
	<u>391</u>		<u>391</u>
	<u>3,894</u>	<u>0.12</u>	<u>3,894</u>
<b>Capitalization and Liabilities</b>			
<b>Capitalization</b>			
Common stock, no par value, 80,000,000 shares authorized; 62,510,033 shares outstanding	644		644
Retained earnings	659		659
Accumulated other comprehensive income (loss):			
Pension and other postretirement plans	(6)		(6)
Long-term debt	<u>1,108</u>		<u>1,108</u>
	<u>2,405</u>	<u>-</u>	<u>2,405</u>
<b>Commitments and Contingencies (see Exhibit F)</b>			
<b>Current Liabilities</b>			
Long-term debt due within one year	-		-
Short-term borrowings	-		-
Accounts payable and other accruals	245		245
Liabilities from price risk management activities	113		113
Customer deposits	5		5
Accrued interest	16		16
Accrued taxes	19		19
Dividends payable	<u>15</u>		<u>15</u>
	<u>413</u>	<u>-</u>	<u>413</u>

**Exhibit "E"**  
**UP \_\_**

**Other**

Deferred income taxes	259		259
Deferred investment tax credits	5		5
Trojan asset retirement obligation	110		110
Accumulated asset retirement obligation	25		25
Regulatory liabilities:			
Accumulated asset retirement removal costs	434		434
Other	106	0.12	106
Non-qualified benefit plan liabilities	87		87
Miscellaneous	50		50
	<u>1,076</u>		<u>1,076</u>
	<u>3,894</u>	<u>0.12</u>	<u>3,894</u>

(1) Reflects journal entries in Exhibit "J"

**Exhibit "G"**  
**UP\_\_**

**Portland General Electric Company and Subsidiaries**  
**Consolidated Statement of Income**

**Six Months Ended**

**June 30, 2007**

**(In Millions)**

	Six Months Ended 6/30/2007	Adjustments	Adjusted Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating Revenues</b>	\$838		\$838
 <b>Operating Expenses</b>			
Purchased power and fuel	378		378
Production and distribution	73		73
Administrative and other	90		90
Depreciation and amortization	88		88
Taxes other than income taxes	40		40
Income taxes	49		49
	<u>718</u>		<u>718</u>
 <b>Net Operating Income</b>	<u>120</u>		<u>120</u>
 <b>Other Income (Deductions)</b>			
Allowance for equity funds used	9		9
Miscellaneous	8		8
Income taxes	(1)		(1)
	<u>16</u>		<u>16</u>
 <b>Interest Charges</b>			
Interest on long-term debt and other	35		35
	<u>35</u>		<u>35</u>
 <b>Net Income</b>	<u>\$101</u>		<u>\$101</u>
 <b>Common Stock</b>			
Weighted-average shares outstanding (thousands),			
Basic	<u>62,506</u>		<u>62,506</u>
Weighted-average shares outstanding (thousands),			
Diluted	<u>62,531</u>		<u>62,531</u>
 Earnings per share, Basic and Diluted	<u>\$1.61</u>		<u>\$1.61</u>
 Dividends declared per share	<u>\$0.46</u>		<u>\$0.46</u>

**Exhibit "H"**  
**UP\_\_**

**Portland General Electric Company and Subsidiaries**  
**Consolidated Statement of Retained Earnings**  
**Six Months Ended**  
**June 30, 2007**  
**(Millions of Dollars)**

	<u>June 30, 2007</u>	<u>Adjustments <sup>(1)</sup></u>	<u>Adjusted Total</u>
<b>Balance at Beginning of Period</b>	\$587		\$587
<b>Net Income</b>	101		\$101
	<u>\$688</u>		<u>\$688</u>
<b>Dividends Declared</b>			
Common stock	<u>29</u>		<u>\$29</u>
<b>Balance at End of Period</b>	<u><u>\$659</u></u>		<u><u>\$659</u></u>

(1) No preliminary adjusting entries to the Statement of Retained Earnings.

**Exhibit "J"**  
**UP\_\_**

**PORTLAND GENERAL ELECTRIC COMPANY**  
**PROPOSED JOURNAL ENTRIES**

The following entries are to record the sale of property located at PGE's Bethel Substation, 37.47 acres, C72-28.

	Land
	-----
Selling Price	275,160
Original Cost	148,274
Accum. Depreciation	0
Selling Expenses	<u>2,500</u>
Gain(Loss) Realized	<u><u>124,386</u></u>

Account	Description	Debit	Credit
	(1)		
131	Cash	275,160	
186	Misc Deferred Debits (Selling Expenses)	2,500	
186	Misc Deferred Debits (Land Sale Proceeds)		118,032
101	Electric Plant-in-Service		68,982
121	Non-utility Plant-in-Service		88,146
131	Cash - Estimated selling expenses		2,500
		277,660	277,660
	To record proceeds and retire property associated with the sale of property located at Bethel Substation		
	(2)		
186	Misc. Deferred Debits	124,386	
411.6	Gain on disposition of property		124,386
	To record the gain on the sale of property at Bethel Substation		
	(3)		
407.3	Regulatory Debits	124,386	
254	Deferred gain on property sale, UE-115		124,386
	To record the deferred gain per UE-115 associated with the sale of property at Bethel Substation		

**Exhibit "L"**  
**UP\_\_**

**Cost and Description of Property**

The accounting history for the Bethel property Plat C72-28, Tax Lot 1500, and the associated exhibit is as follows:

<u>Date</u>	<u>Acres</u>	<u>Event</u>	<u>Bookcost FERC 340</u>	<u>Bookcost FERC 360</u>	<u>Bookcost FERC 121</u>
1974	43.85	Purchased property per Audit 28558. Classified in Balance sheet account 101, Plant-In-Service, FERC account 340-00 Other Production Land and land rights	\$ 183,881.91		
1978	6.4	Sold property per Audit 32229.	\$ (26,754.08)		
1999	13.36	Reclassified property to Balance sheet account 101, Plant-In-Service, FERC account 360-00 Distribution Plant Land and land rights	\$ (56,027.12)	\$ 56,027.12	
1999	3.09	Reclassified property to Balance sheet account 101, Plant-In-Service, FERC account 360-00 Distribution Plant Land and land rights	\$ (12,954.81)	\$ 12,954.81	
1999	21.02	Reclassified property to Balance sheet account 121, Nonutility property	\$ (88,145.90)		\$ 88,145.90
Total by FERC Account			\$ -	\$ 68,981.93	\$ 88,145.90

**Exhibit "F"**  
**Statement of Contingent Liabilities**  
**As of June 30, 2007**

**Trojan Investment Recovery** - In 1993, following the closure of the Trojan Nuclear Plant as part of its least cost planning process, PGE sought full recovery of, and a rate of return on, its Trojan plant costs, including decommissioning, in a general rate case filing with the OPUC. In 1995, the OPUC issued a general rate order which granted the Company recovery of, and a rate of return on, 87% of its remaining investment in Trojan plant costs, and full recovery of its estimated decommissioning costs through 2011.

Numerous challenges, appeals and reviews were subsequently filed in the Marion County Circuit Court, the Oregon Court of Appeals, and the Oregon Supreme Court on the issue of the OPUC's authority under Oregon law to grant recovery of, and a return on, the Trojan investment. The primary plaintiffs in the litigation were the Citizens' Utility Board (CUB) and the Utility Reform Project (URP). The Oregon Court of Appeals issued an opinion in 1998, stating that the OPUC does not have the authority to allow PGE to recover a return on the Trojan investment, but upholding the OPUC's authorization of PGE's recovery of the Trojan investment and ordering remand of the case to the OPUC. PGE, the OPUC, and URP each requested the Oregon Supreme Court to conduct a review of the Court of Appeals decision. On November 19, 2002, the Oregon Supreme Court dismissed the petitions for review. As a result, the 1998 Oregon Court of Appeals opinion stands and the case has been remanded to the OPUC (1998 Remand).

In 2000, while the petitions for review of the 1998 Oregon Court of Appeals decision were pending at the Oregon Supreme Court, PGE, CUB, and the staff of the OPUC entered into agreements to settle the litigation related to PGE's recovery of, and return on, its investment in the Trojan plant. The URP did not participate in the settlement. The settlement, which was approved by the OPUC in September 2000, allowed PGE to remove from its balance sheet the remaining before-tax investment in Trojan of approximately \$180 million at September 30, 2000, along with several largely offsetting regulatory liabilities. The largest of such amounts consisted of before-tax credits of approximately \$79 million in customer benefits related to the previous settlement of power contracts with two other utilities and the approximately \$80 million remaining credit due customers under terms of the 1997 merger of the Company's parent corporation at the time (Portland General Corporation) with Enron. The settlement also allowed PGE recovery of approximately \$47 million in income tax benefits related to the Trojan investment which had been flowed through to customers in prior years; such amount was substantially recovered from PGE customers by the end of 2006. After offsetting the investment in Trojan with these credits and prior tax benefits, the remaining Trojan regulatory asset balance of approximately \$5 million (after tax) was expensed. As a result of the settlement, PGE's investment in Trojan is no longer included in rates charged to customers, either through a return of or a return on that investment. Authorized collection of Trojan decommissioning costs is unaffected by the settlement agreements or the OPUC orders.

URP filed a complaint with the OPUC challenging the settlement agreements and the OPUC's September 2000 order. In March 2002, the OPUC issued an order (2002 Order) denying all of URP's challenges, and approving the accounting and ratemaking elements of the 2000 settlement. URP appealed the 2002 Order to the Marion County Circuit Court. On November 7, 2003, the Marion County Circuit Court issued an opinion remanding the case to the OPUC for action to reduce rates or order refunds (2003 Remand). The opinion does not specify the amount or timeframe of any reductions or refunds. PGE and the OPUC have appealed the 2003 Remand to the Oregon Court of Appeals. On February 16, 2007, the Oregon Court of Appeals declined to reverse or abate the 2003 Remand and ordered the parties to file revised briefs with the Court.

The OPUC combined the 1998 Remand and the 2003 Remand into one proceeding and is considering the matter in phases. The first phase addresses what rates would have been if the OPUC had interpreted the law to prohibit a return on the Trojan investment.

In Order No. 07-157 (the Order) entered on April 19, 2007, the OPUC denied the motion PGE filed in November 2006 to consolidate phases and re-open the record. In addition, the Order abated the Phase I proceeding pending a decision by the Oregon Court of Appeals of the 2003 Remand, and ordered that a second phase of the joint remand proceedings be immediately commenced to investigate the OPUC's delegated authority to engage in retroactive ratemaking. The Order further stated that parties not now participating in the joint remand proceedings will be allowed to intervene and participate in the second phase. The parties have submitted final briefs and oral argument is scheduled for August 9, 2007.

In a separate legal proceeding, two class action suits were filed in Marion County Circuit Court against PGE on January 17, 2003 on behalf of two classes of electric service customers. One case seeks to represent current PGE customers that were customers during the period from April 1, 1995 to October 1, 2000 (Current Class) and the other case seeks to represent PGE customers that were customers during the period from April 1, 1995 to October 1, 2000, but who are no longer customers (Former Class, together with the Current Class, the Class Action Plaintiffs). The suits seek damages of \$190 million for the Current Class and \$70 million for the Former Class, as a result of the inclusion of a return on investment of Trojan in the rates PGE charges its customers. On December 14, 2004, the Judge granted the Class Action Plaintiffs' motion for Class Certification and Partial Summary Judgment and denied PGE's motion for Summary Judgment. On March 3, 2005 and March 29, 2005, PGE filed two Petitions for an Alternative Writ of Mandamus with the Oregon Supreme Court, asking the Court to take jurisdiction and command the trial Judge to dismiss the complaints or to show cause why they should not be dismissed and seeking to overturn the Class Certification. On August 31, 2006, the Oregon Supreme Court issued a ruling on PGE's Petitions for Alternative Writ of Mandamus, abating the class action proceedings until the OPUC responds to the 2003 Remand (described above). The Oregon Supreme Court concluded that the OPUC has primary jurisdiction to determine what, if any, remedy it can offer to PGE customers, through rate reductions or refunds, for any amount of return on the Trojan investment PGE collected in rates for the period from April 1995 through October 2000. The Supreme Court further stated that if the OPUC determines that it can provide a remedy to PGE's customers, then the class action proceedings may become moot in whole or in part, but if the OPUC determines that it cannot provide a remedy, and that decision becomes final, the court system may have a role to play. The Supreme Court also ruled that the plaintiffs retain the right to return to the Marion County Circuit Court for disposition of whatever issues remain unresolved from the remanded OPUC proceedings. On October 5, 2006, the Marion County Circuit Court issued an Order of Abatement in response to the ruling of the Oregon Supreme Court, abating the class actions for one year.

On February 14, 2005, PGE received a Notice of Potential Class Action Lawsuit for Damages and Demand to Rectify Damages from counsel representing Frank Gearhart, David Kafoury and Kafoury Brothers, LLC (Potential Plaintiffs), stating that Potential Plaintiffs intend to bring a class action lawsuit against the Company. Potential Plaintiffs allege that for the period from October 1, 2000 to the present, PGE's electricity rates have included unlawful charges for a return on investment in Trojan in an amount in excess of \$100 million. Under Oregon law, there is no requirement as to the time the lawsuit must be filed following the 30-day notice period. No action has been filed to date.

Management cannot predict the ultimate outcome of the above matters. However, it believes these matters will not have a material adverse impact on the financial condition of the Company, but may have a material impact on the results of operations and cash flows for a future reporting period. No reserves have been established by PGE for any amounts related to this issue.

**Colstrip Royalty Claim** - Western Energy Company (WECO) supplies coal from the Rosebud Mine in Montana under a Coal Supply Agreement and a Transportation Agreement with owners of Colstrip Units 3 and 4, in which PGE has a 20% ownership interest. In 2002 and 2003, WECO received two orders from the Office of Minerals Revenue Management of the U.S. Department of the Interior which asserted underpayment of royalties and taxes by WECO related to transportation of coal from the mine to Colstrip during the period October 1991 through December 2001. WECO subsequently appealed the two orders to the Minerals Management Service (MMS) of the U.S. Department of the Interior. On March 28, 2005, the appeal by WECO was substantially denied. On April 28, 2005, WECO appealed the decision of the MMS to the Interior Board of Land Appeals of the U.S. Department of the Interior. In late September 2006, WECO received an additional order from the Office of Minerals Revenue Management to report and pay additional royalties for the period January 2002 through December 2004.

In May 2005, WECO received a "Preliminary Assessment Notice" from the Montana Department of Revenue, asserting claims similar to those of the Office of Minerals Revenue Management.

WECO has indicated to the owners of Colstrip Units 3 and 4 that, if WECO is unsuccessful in the above appeal process, it will seek reimbursement of any royalty payments by passing these costs on to the owners. The owners of Colstrip Units 3 and 4 advised WECO that their position would be that these claims are not allowable costs under either the Coal Supply Agreement or the Transportation Agreement.

Management cannot predict the ultimate outcome of the above matters or estimate any potential loss. Based on information currently known to the Company's management, PGE does not expect that this issue will have a material adverse effect on its financial condition, results of operations or cash flows. If WECO is able to pass any of these costs on to the owners, the Company would most likely seek recovery through the ratemaking process.



**Harborton** - A 1997 investigation by the Environmental Protection Agency (EPA) of a 5.5 mile segment of the Willamette River known as the Portland Harbor revealed significant contamination of sediments within the harbor. The EPA subsequently included the Portland Harbor on the federal National Priority List pursuant to the federal Comprehensive Environmental Response, Compensation, and Liability Act (Superfund).

In December 2000, PGE received from the EPA a "Notice of Potential Liability" regarding the Harborton Substation facility. The notice listed sixty-eight other companies that the EPA believes may be Potentially Responsible Parties (PRPs) with respect to the Portland Harbor Superfund Site.

In February 2002, PGE provided a report on its remedial investigation of the Harborton site to the Oregon Department of Environmental Quality (DEQ). The report concluded that there is no likely present or past source or pathway for release of hazardous substances to surface water or sediments in the Portland Harbor Superfund Site at or from the site and that the site does not present a high priority threat to present and future public health, safety, welfare, or the environment. The DEQ submitted the report to the EPA and, in a May 18, 2004 letter, the EPA notified the DEQ that, based on the summary information from the DEQ and the stage of the process, the EPA, as of that time, agreed, the Harborton site does not appear to be a current source of contamination to the river.

In a December 6, 2005 letter, the DEQ notified PGE that the site is not likely a current source of contamination to the river and that the site is a low priority for further action. Management believes that the Company's contribution to the sediment contamination, if any, from the Harborton Substation site would qualify it as a de minimis PRP.

Sufficient information is currently not available to determine the total cost of investigation and remediation of the Portland Harbor or the liability of PRPs, including PGE. Management cannot predict the ultimate outcome of this matter or estimate any potential loss. However, it believes this matter will not have a material adverse impact on the Company's financial condition, results of operations or cash flows.

**Harbor Oil** - Harbor Oil, Inc. (Harbor Oil), located in north Portland, was utilized by PGE to process used oil from the Company's power plants and electrical distribution system from at least 1990 until 2003. Harbor Oil is also utilized by other entities for the processing of used oil and other lubricants.

In 1974 and 1979, major oil spills occurred at the Harbor Oil site that impacted an approximate two acre area. Elevated levels of contaminants, including metals, pesticides, and polychlorinated biphenyls (PCBs), have been detected at the site. On September 29, 2003, Harbor Oil was included on the federal National Priority List as a federal Superfund site.

PGE received a Special Notice Letter for Remedial Investigation/Feasibility Study (RI/FS) from the EPA, dated June 27, 2005, in which the Company was named as one of fourteen PRPs with respect to the Harbor Oil site. The letter started a period for the PRPs to participate in negotiations with the EPA to reach a settlement to conduct or finance an RI/FS of the Harbor Oil site. On May 31, 2007, an Administrative Order on Compliance was signed by the EPA and six other parties, including PGE, to implement an RI/FS at the Harbor Oil site.

Sufficient information is currently not available to determine the total cost of investigation and remediation of the Harbor Oil Site or the liability of the PRPs, including PGE. Management cannot predict the ultimate outcome of this matter. However, it believes this matter will not have a material adverse impact on the Company's financial condition, results of operations or cash flows.

**Reivables and Refunds on Wholesale Market Transactions** - On May 17, 2007, the Federal Energy Regulatory Commission (FERC) approved a March 12, 2007 settlement (the May 17 Settlement) among PGE, the California Attorney General, the California Department of Water Resources, the California Electricity Oversight Board, the California Public Utilities Commission, Southern California Edison Company, Pacific Gas & Electric Company, and San Diego Gas & Electric Company that resolved all issues between the parties relating to wholesale energy transactions in the western markets during the January 1, 2000 through June 20, 2001 time period. The settlement resolved a number of proceedings and investigations before the FERC and the U.S. Ninth Circuit Court of Appeals relating to various issues and claims in the California refund case (Docket No. EL00-95), the issue of refunds for the summer 2000 period, investigations of anomalous bidding activities and market practices (Docket Nos. IN03-10-000 and EL03-165-000), claims for refunds related to sales in the Pacific Northwest (Docket No. EL01-10), and the complaint by the California Attorney General for refunds from market-based rates retroactively to May 1, 2000.

Certain other market participants have now joined the May 17 Settlement, but releases as to those parties do not cover transactions outside of the California organized markets, including potential claims in the Pacific Northwest. The rights

of parties electing not to join the settlement are unaffected and they will neither receive the benefits of the settlement nor be subject to its obligations. PGE believes that any amount that it may owe to non-settling parties related to transactions in the California organized market would not be material to the Company's financial condition, results of operations or cash flows.

Pursuant to the terms of the May 17 Settlement, PGE received a cash payment from the California Power Exchange (PX) of approximately \$28 million (including net interest on the Company's past due receivables) in June 2007 and adjusted the reserve related to this matter to zero at June 30, 2007. Based upon previously-recorded reserves and the terms of the May 17 Settlement, PGE recorded a pre-tax increase to income of approximately \$6 million in the first quarter of 2007 (reflected as a reduction to Purchased Power and Fuel expense).

**Challenge of the California Attorney General to Market-Based Rates** - On March 20, 2002, the California Attorney General filed a complaint with the FERC against various sellers in the wholesale power market, alleging that the FERC's authorization of market-based rates violated the Federal Power Act (FPA), and, even if market-based rates were valid under the FPA, that the quarterly transaction reports required to be filed by sellers, including PGE, did not contain the transaction-specific information mandated by the FPA and the FERC. The complaint argued that refunds for amounts charged between market-based rates and cost-based rates should be ordered. The FERC denied the challenge to market-based rates and refused to order refunds, but did require sellers, including PGE, to re-file their quarterly reports to include transaction-specific data. The California Attorney General appealed the FERC's decision to the Ninth Circuit. On September 8, 2004, the Court issued an opinion upholding the FERC's authority to approve market-based tariffs, but also holding that the FERC had the authority to order refunds, if quarterly filing of market-based sales transactions had not been properly made. The Court required the FERC, upon remand, to reconsider whether refunds should be ordered. Petitions for rehearing at the Ninth Circuit and for U.S. Supreme Court review have been denied.

In the refund case and in related dockets, including the above challenge to market-based rates, the California Attorney General and other parties have argued that refunds should be ordered retroactively to at least May 1, 2000. The May 17 Settlement in the California refund case described above resolves all claims as to market-based rates in western energy markets as between PGE and the named California parties and PGE and the opt-in participants during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such claims from market participants who do not opt-in to the settlement, nor does it settle such potential claims arising from transactions with other market participants outside of the California Independent System Operator and PX markets. Management cannot predict the outcome of these proceedings or whether the FERC will order refunds retroactively to May 1, 2000, and if so, how such refunds would be calculated. However, management believes that the outcome will not have a material adverse impact on the Company's financial condition, results of operations or cash flows.

**Pacific Northwest** - In the July 25, 2001 order, the FERC also called for a preliminary evidentiary hearing to explore whether there may have been unjust and unreasonable charges for spot market sales of electricity in the Pacific Northwest from December 25, 2000 through June 20, 2001. During that period, PGE both sold and purchased electricity in the Pacific Northwest. In September 2001, upon completion of hearings, the appointed administrative law judge issued a recommended order that the claims for refunds be dismissed. In December 2002, the FERC re-opened the case to allow parties to conduct further discovery. In June 2003, the FERC issued an order terminating the proceeding and denying the claims for refunds. In July 2003, numerous parties filed requests for rehearing of the June 2003 FERC order. In November 2003 and February 2004, the FERC issued orders that denied all pending requests for rehearing. Parties have appealed various aspects of these FERC orders. Briefing has been completed and oral argument was held on January 8, 2007. A decision in the case is pending.

The May 17 Settlement in the California refund case described above resolves all claims as between PGE and the named California parties as to transactions in the Pacific Northwest during the settlement period, January 1, 2000 through June 21, 2001; however, it does not settle such potential claims from other market participants.

Management cannot predict the ultimate outcome of the above matter related to wholesale transactions in the Pacific Northwest. However, it believes that the outcome will not have a material adverse impact on the financial condition of the Company, but may have a material impact on the results of operations and cash flows for future reporting periods.

## OPTION AGREEMENT

DATED: December 1, 2006

BETWEEN: *PORTLAND GENERAL ELECTRIC COMPANY*,  
an Oregon corporation  
121 SW Salmon Street  
Portland, Oregon 97204 ("PGE")

AND: *SALEM UNITED SOCCER CLUB*  
345 Washington Street S  
Salem, Oregon 97302 ("Salem FC")

### RECITALS

PGE owns the real property described on attached *Exhibit "A"* (the "Property"). The Property is adjacent to property owned by PGE upon which PGE's Bethel Substation is located and is the site for a potential generation facility ("PGE's Bethel Property") and constitutes a physical buffer between the PGE facilities and neighboring properties. The Property has been used by Salem FC for a number of years as a youth soccer complex commonly known as the "*Concerned Businesses Youth Soccer Complex*" (the "Soccer Complex") and is unique in its attributes as a logical and efficient site for continued use by the Salem FC which is a particular benefit to the community as a whole.

Salem FC desires to continue to operate the Soccer Complex on the Property and to obtain an option to purchase the Property, so as to have the time to conduct a feasibility analysis of its proposed acquisition of the Property and to secure the funds necessary to acquire the Property. PGE is willing to grant Salem FC an option to purchase the Property, on the terms and conditions of this Option Agreement (the "Agreement").

### AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, PGE and Salem FC agree as follows:

1. *GRANT OF OPTION.* In consideration of the payment by Salem FC to PGE of a non-refundable option payment in an amount equal to Thirty Thousand Sixty Four Dollars (\$30,064.00) (the "Option Consideration") and the provisions of this Agreement, PGE hereby grants to Salem FC an option to purchase the Property, and all improvements thereon except for those which are associated with PGE's business, on the terms and conditions set forth in this agreement (the "Option"). The Option may be exercised only with respect to the entirety of the Property, and nothing in this Agreement shall be construed as permitting Salem FC to purchase less than all of the Property pursuant to this Agreement. The Option Consideration is non-refundable regardless of whether or not the option is exercised and, if exercised but the transaction does not close, regardless of the reason the transaction does not close. The Option Consideration is in addition to the Purchase Price in the event the Option is exercised and the sale is closed. The Option Consideration shall be paid in cash in conjunction with the execution hereof.

1.1 *Salem FC's Acceptance.* Salem FC represents and acknowledges that it has occupied the Property for a number of years prior to entering into this Agreement and that it has entered into this Agreement on the basis of its own examination, personal knowledge, and opinion of the value of the Property. Salem FC has not relied on any information, representations or warranties made by PGE other than those specified in this Agreement or provided to Salem FC by PGE in writing. Salem FC further acknowledges that PGE has made no agreement or promise to repair or improve any of the leasehold improvements or any aspect or portion of the Property, and that Salem FC takes all such property in the "AS IS" condition existing on the Effective Date of this Agreement, except as otherwise provided in this Agreement.

## 2. TERM OF OPTION.

2.1 *Initial Term.* The term of the Option (the "Term") is a period of time commencing on the 1<sup>st</sup> day of December, 2006, and expiring at midnight on the 31<sup>st</sup> day of May, 2007. Within thirty (30) days after the Effective Date hereof, PGE shall deliver to Salem FC at Salem FC's address first set forth above the following documents: the Title Report described in Section 6.1 below.

2.2 *Extension of Term.* Salem FC may extend the Term of the Option for up to two (2) periods of six (6) calendar months each, by paying to PGE additional Option Consideration of One Thousand and No/100 Dollars (\$1,000.00) for each six (6) month extension prior to the end of the then expiring Term. The additional Option Consideration in each instance is non-refundable regardless of whether or not the option is exercised and, if exercised, regardless of the reason the transaction does not close. The additional Option Consideration is in addition to the Purchase Price in the event the Option is exercised and the sale is closed. In each instance where Salem FC so elects to extend the Term, then the Purchase Price referred to in Section 5.1 will be increased, but not decreased, if an appraisal of the Fair Market Value of the Property commissioned by and at the option of PGE (in either or both instances) establishes a Fair Market Value greater than the Purchase Price, as amended. Notwithstanding the foregoing, in the event PGE exercises its right to extend the Closing (pursuant to Section 8.2 hereof) PGE shall have the further right to cause the Property to be appraised in which event the Purchase Price referred to in Section 5.1 will be increased, but not decreased, if such appraisal of the Fair Market Value of the Property commissioned by PGE establishes a Fair Market Value greater than the Purchase Price, as amended. At PGE's option, the re-evaluation of the Purchase Price will be conducted by the appraisal firm that performed the prior appraisal(s) of the Property and, at PGE's option, shall be an update and not a full new appraisal. Fair Market Value shall be determined by an MAI Appraisal of the Property, with the appraiser's fee to be borne by PGE and the timing of the appraisal to be determined by PGE. Neither the existence of this Agreement nor of the Lease shall be considered in determining Fair Market Value. To the extent reasonably possible, the update shall be performed within one hundred twenty (120) days after the event triggering the appraisal right, however such time frame shall not act to waive, modify, or eliminate any rights of PGE pursuant to this Agreement, including without limitation this Section 2.2.

2.2.1 If PGE exercises the right to extend the Closing pursuant to Section 8.2, and PGE exercises the right to obtain a appraisal under Section 2.2, and as a result, the Purchase Price is increased as provided in Section 2.2, then Salem FC shall have the right to either pay the increased Purchase Price and close the transaction in accordance with the terms hereof, or to cancel the exercise of the option and the purchase transaction without liability. Salem FC shall, within ten days of Salem FC's receipt of written notice of the increased Purchase Price, deliver written notice to PGE of Salem FC's decision to either pay the increased Purchase Price and close the transaction, or to cancel the exercise of the option and the purchase transaction. In the event Salem FC elects to cancel the exercise of the option and the purchase transaction this Option shall automatically terminate.

3. *EXERCISE OF OPTION.* Provided Salem FC is not in default under the terms of this Option or the Lease described below, Salem FC may, at any time during the Term of the Option, exercise the Option by executing and delivering to PGE the Exercise Notice attached as *Exhibit "B"* hereto. In the event that Salem FC so exercises the option to purchase, then Salem FC shall be legally obligated to purchase, and PGE shall be legally obligated to sell, the Property on the terms and conditions set forth in this Agreement, including without limitation, those set forth in Section 7 hereof. The date on which PGE actually receives the fully completed and properly executed Exercise Notice from Salem FC is the "Exercise Date."

4. *FAILURE TO EXERCISE.* If Salem FC fails for any reason whatsoever to properly exercise the Option during the Term, then the Option shall automatically terminate and thereafter be of no further force or effect and any Option Consideration paid to PGE shall be retained by PGE. In that event, Salem FC shall have no further right to acquire the Property, and shall, promptly upon request by PGE, execute, acknowledge, and deliver to PGE a Quit Claim Deed or other appropriate instrument (in a form and content reasonably acceptable to legal counsel for PGE) which terminates any interest, legal and/or equitable, Salem FC may have in the Property by virtue of this Agreement and return to PGE all information provided by PGE and those documents referred to in Section 7.3. Salem FC also covenants and agrees that if, at any time, Salem FC determines that Salem FC will not exercise the Option, Salem FC will use its good faith efforts to notify PGE promptly of Salem FC's decision not to exercise the Option to purchase the Property and thereby terminate the Option.

5. *PURCHASE PRICE, PAYMENT.*

5.1 *Purchase Price.* The purchase price for the Property is the sum of Two Hundred Seventy Five Thousand One Hundred Sixty Dollars (\$275,160.00) (the "Purchase Price"), subject to adjustment pursuant to Section 2.2. The Purchase Price is in addition to any Option Consideration paid by or on behalf of Salem FC and in addition to any sums paid by or on behalf of Salem FC to PGE or any third party pursuant to or in connection with the Lease.

5.2 *Payment.* The Purchase Price (as adjusted pursuant to Section 2.2 hereof) shall be paid in cash on the Closing Date.

6. *PRE-EXERCISE MATTERS.*

6.1 *Title Matters.* PGE will cause Chicago Title Insurance Company ("Escrow Agent") to deliver to Salem FC a preliminary title report with respect to the Property (the "Title Report"), together with legible copies of all documents evidencing the exceptions to title. All exceptions to title set forth in the Title Report shall constitute "Permitted Exceptions," except all exceptions which require the payment of money (except for current year taxes which will be prorated at Closing), and such unacceptable exceptions will be removed by PGE by or through Closing. If for any reason PGE is unwilling or unable to remove any of the unacceptable exceptions before Closing then Salem FC may elect to either accept title to the Property subject to such exceptions, or refuse to accept the Property and terminate this Agreement.

6.2 *Use/Lease of the Property.* During the Term of the Option Salem FC shall lease the Property from PGE solely for use as a youth soccer complex subject to the terms and conditions set forth in that certain Lease Agreement of even date herewith attached as *Exhibit "C"* hereto and incorporated by this reference herein (the "Lease"). The rent due pursuant to said Lease through the 31<sup>st</sup> day of May, 2007; is included in the Option Consideration noted above and is nonrefundable. In the event Salem FC exercises its option to extend the Term of this Option in accordance with Section 2.2 hereof, the term of the Lease shall be correspondingly extended on the same terms and conditions as set forth in the Lease, save and except the Rent which shall be the then fair market rental value as established based upon the most current PGE appraisal of the Property; that is fair market rental value shall be equal to that amount which is equal to Ten Percent [10%] of the Fair Market Value of the Property on an annualized basis). The term of said Lease shall be coterminous with the Term hereof. Any default on the part of Salem FC under the terms of the Lease shall constitute a default under this Option and so too shall any default on the part of Salem FC under the terms of this Option constitute a default under the Lease.

6.3 *Inspections.* During the Term of this Agreement Salem FC and its representatives and consultants shall have access to the Property for purposes of inspecting and testing the Property or any part thereof, provided; however, such inspections and testing shall be subject to at least five (5) business days prior written notice of the type, nature and extent of such testing, and the prior written consent of PGE. If Salem FC fails to exercise the Option and purchase the Property, Salem FC shall fully

compensate PGE for any physical damage to the Property or any lien, encumbrance, or charge on it attributable to Salem FC's activities pursuant to this paragraph. To the fullest extent allowable by law, Salem FC shall indemnify, defend and hold PGE harmless in connection with any damage to the Property and/or costs and expenses of PGE arising from Salem FC's activities on the Property and/or the activities of Salem FC's employees, agents, representatives and invitees. Salem FC will provide PGE with copies of all reports, studies and analyses resulting from Salem FC's investigation of the Property promptly upon receipt of such materials by Salem FC.

6.4 *Condition of Property.* Salem FC acknowledges and agrees that Salem FC will be concluding the purchase of the Property based upon Salem FC's inspection and investigation of the Property, and is purchasing the Property "AS IS," without any representations and warranties except as may be specifically set forth in this Option Agreement. Salem FC specifically acknowledges that PGE makes no representations or warranties regarding environmental matters. PGE MAKES NO REPRESENTATION AS TO THE CONDITION OF THE PROPERTY. THE PROPERTY IS BEING SOLD "AS IS," WHERE IS, AND WITH ALL FAULTS AS OF CLOSING, WITHOUT ANY REPRESENTATION OR WARRANTY WHATSOEVER AS TO ITS CONDITION, FITNESS FOR ANY PARTICULAR PURPOSE, MERCHANTABILITY, OR ANY OTHER WARRANTY, EXPRESS OR IMPLIED. PGE SPECIFICALLY DISCLAIMS ANY WARRANTY, GUARANTY, OR REPRESENTATION, ORAL OR WRITEN, PAST OR PRESENT, EXPRESS OR IMPLIED, CONCERNING THE PROPERTY. SALEM FC IS EXPERIENCED IN THE ACQUISITION AND EVALUATION OF REAL PROPERTY FOR ITS USES AND WILL PURCHASE THE PROPERTY BASED SOLELY ON SALEM FC'S OWN INDEPENDENT INVESTIGATIONS AND FINDINGS AND NOT IN RELIANCE UPON ANY INFORMATION PROVIDED BY PGE OR PGE'S AGENTS OR CONTRACTORS. SALEM FC RELEASES PGE FROM ANY AND ALL CLAIMS, WHETHER KNOWN OR UNKNOWN AND WHETHER CONTINGENT OR LIQUIDATED, ARISING FROM OR RELATING TO ANY DEFECTS, ERRORS, OR OMISSIONS IN THE DESIGN OR CONSTRUCTION OF THE PROPERTY, WHETHER THE SAME ARE A RESULT OF NEGLIGENCE OR OTHERWISE, OR ARISING FROM OTHER CONDITIONS, INCLUDING ENVIRONMENTAL CONDITIONS AFFECTING THE PROPERTY, WHETHER THE SAME ARE A RESULT OF NEGLIGENCE OR OTHERWISE. THE RELEASE SET FORTH IN THIS SECTION SPECIFICALLY INCLUDES, BUT IS NOT LIMITED TO, ANY CLAIMS UNDER ANY ENVIRONMENTAL LAWS OR UNDER *THE AMERICANS WITH DISABILITIES ACT OF 1990* (42 USC SECTIONS 12101, *ET SEQ.*). "ENVIRONMENTAL LAWS" INCLUDES, BUT IS NOT LIMITED TO, *THE SOLID WASTE DISPOSAL ACT*, AS AMENDED BY *THE RESOURCE CONSERVATION AND RECOVERY ACT* (42 USC SECTIONS 6901, *ET. SEQ.*), *THE COMPREHENSIVE ENVIRONMENTAL RESPONSE, COMPENSATION AND LIABILITY ACT OF 1980* (42 USC SECTIONS 9601, *ET. SEQ.*), *THE CLEAN AIR ACT* (42 USC SECTIONS 7401, *ET. SEQ.*), *THE CLEAN WATER ACT* (33 USC SECTIONS 1251, *ET. SEQ.*), *THE TOXIC SUBSTANCES CONTROL ACT* (15 USC SECTIONS 2601, *ET. SEQ.*), *THE HAZARDOUS MATERIALS TRANSPORTATION ACT* (49 USC SECTIONS 1801, *ET. SEQ.*), *THE OCCUPATIONAL SAFETY AND HEALTH ACT* (29 USC SECTIONS 651, *ET. SEQ.*), *THE FEDERAL INSECTICIDE, FUNGICIDE AND RODENTICIDE ACT* (7 USC SECTIONS 136, *ET. SEQ.*), AND *THE SAFE DRINKING WATER ACT* (42 USC SECTIONS 300(F), *ET. SEQ.*), AS ANY OF THE SAME MAY BE AMENDED FROM TIME TO TIME, AND ANY STATE OR LOCAL LAW DEALING WITH ENVIRONMENTAL MATTERS, AND ANY REGULATIONS, ORDERS, RULES, PROCEDURES, GUIDELINES, AND THE LIKE PROMULGATED IN CONNECTION THEREWITH, REGARDLESS OF WHETHER THE SAME ARE IN EXISTENCE ON THE DATE OF THIS AGREEMENT. SALEM FC, AT SALEM FC'S EXPENSE, SHALL BE RESPONSIBLE FOR OBTAINING ANY ZONING CHANGES OR OTHER GOVERNMENTAL OR THIRD PARTY APPROVALS DEEMED NECESSARY BY SALEM FC. SALEM FC SPECIFICALLY ACKNOWLEDGES THAT PGE MAKES NO REPRESENTATIONS OR WARRANTIES REGARDING SALEM FC'S INTENDED USE OF THE PROPERTY. SALEM FC ACKNOWLEDGES AND AGREES THAT PGE IS IN THE PROCESS OF LOCATING AN ELECTRICAL SUBSTATION AND/OR A GENERATION FACILITY AND ELECTRICAL TRANSMISSION AND/OR DISTRIBUTION LINES ADJACENT TO A PORTION OF THE PROPERTY. This Section shall survive Closing and the delivery and recording of a deed.

6.5 *PGE Option.* PGE shall have the right and option at all times during the Term hereof and any time prior to Closing to adjust (increase or reduce) the acreage constituting the Property and/or adjust the boundaries of the Property as deemed necessary or appropriate by PGE. In such event PGE shall adjust the Purchase Price for the Property proportionately on a square foot basis.

6.6 *Cooperation/Signage.* Salem FC acknowledges that PGE currently operates an electrical substation and may construct and operate a generation facility on PGE's Bethel Property adjoining a portion of the Property. Salem FC shall not oppose any use or operation on the Bethel Property and shall reasonably cooperate with PGE in applying for and obtaining all approvals and designations deemed necessary or appropriate by PGE with respect to the Bethel Property. PGE reserves the right at all times during the Term hereof to post such signage on or about the Property as PGE deems necessary or appropriate advising the public of PGE's disclaimer of liability with respect to the Property and/or PGE's intent to construct and operate a substation and/or generation facility on or about the Bethel Property. Such signage shall be in a form, content and location reasonably acceptable to PGE.

6.7 *Risk of Loss.* Salem FC shall bear the risk of all loss or damage to the Property, the Premises, Improvements, and any of Salem FC's personal property from all causes, through the Closing Date as provided in the Lease. If, before the Closing Date, and regardless of whether the Exercise Notice has yet been given or is subsequently given, all or part of the Property is damaged by fire or by any other natural cause or if all or any portion of the Property is taken by condemnation, or if any such condemnation is threatened, PGE shall give Salem FC written notice of such event. In such event Salem FC may terminate this Agreement by giving written notice to PGE within fifteen (15) days following receipt by Salem FC of written notice from PGE of such casualty or condemnation however Salem FC will not be entitled to a refund of any of the Option Consideration previously paid. If Salem FC does not elect to terminate this Agreement within such fifteen (15) period, then this Agreement shall continue in force and, if Salem FC exercises the Option and the Property is conveyed to Salem FC, then all interest of PGE in and to any insurance proceeds or condemnation awards that may be payable to PGE on account of such casualty or condemnation following Closing, less reasonable expenses (including attorney fees) incurred by PGE with respect to such casualty or condemnation, shall be assigned to Salem FC at Closing.

6.8 *Proximity to Substation.* Salem FC acknowledges that metallic structures which come into contact with any forms of electrolytically conducting environments (i.e., environments containing enough ions to conduct electricity such as soils, seawater and basically all natural waters) will corrode and deteriorate at an accelerated pace. Salem FC is and shall remain responsible for determining, implementing, monitoring, and maintaining all means of cathodic protection with respect to any of Salem FC's properties in or along the Easement being retained by PGE and Salem FC hereby releases PGE and shall forever indemnify and hold PGE harmless from any damage, claims or liability incurred or associated therewith, including without limitation, those of PGE. This Section shall survive Closing and the delivery and recording of a deed.

## 7. Closing Conditions

7.1 *Salem FC's Closing Conditions.* Salem FC's obligation to acquire the Property is subject to the following conditions for Salem FC's benefit, any of which may be waived by Salem FC in writing:

7.1.1 Escrow Agent is prepared to issue the owner's policy of title insurance as required under Section 8.6 of this Agreement.

7.1.2 Salem FC, in its sole discretion, shall have given its Exercise Notice. PGE acknowledges that Salem FC may elect not to purchase the Property for any reason whatsoever.

7.2 *PGE's Closing Conditions.* PGE's obligations to sell the Property and proceed with the Closing are subject to and conditioned upon the performance by Salem FC of all of the covenants to be performed by Salem FC at Closing, any of which may be waived by PGE in writing, and the conditions set forth in Section 2 and Section 3 of this Agreement and upon Salem FC's representations and warranties contained in this Agreement being true and correct on the Closing Date. In addition to the foregoing, PGE's obligation to sell the Property is subject to and contingent upon the satisfaction or waiver by PGE of the conditions set forth in Sections 7.2.1 through and including Section 7.2.6. All of such conditions are solely for the benefit of PGE.

7.2.1 *Lease.* Salem FC strictly performing each of its obligations pursuant to the Lease through and including the Closing Date.

7.2.2 *Easement.* Salem FC executing and delivering to the Title Company for recording at Closing the perpetual Transmission, Distribution and Access Easement in favor of PGE attached as *Exhibit "E"* hereto and incorporated by this reference herein.

7.2.3 *Public Utility Commission.* PGE receiving the written approval of the sale of the Property contemplated in this Agreement from the Oregon Public Utility Commission ("OPUC") upon terms and conditions acceptable to PGE within one hundred and eighty (180) days of the receipt by PGE of the properly completed and executed Exercise Notice (*Exhibit "B"* hereto) from Salem FC.

7.2.4 *Mortgage Indenture.* PGE receiving the written approval of the transaction contemplated in this Agreement from HSBC Bank USA (fka Midland Bank, N.A.) as Trustee, and/or its successors and assigns, upon terms and conditions acceptable to PGE within one hundred and eighty (180) days of the Effective Date of this Agreement.

7.2.5 *Governmental Approval.* PGE receiving the written approval of all applicable governmental entities and agencies of PGE's intended use of PGE's property and facilities on or about PGE's Bethel Property as PGE deems necessary or appropriate prior to Closing, each upon terms and conditions reasonably acceptable by PGE.

7.2.6 *Release.* Salem FC executing and delivering to PGE a release (in a form and content acceptable to PGE) of any and all claims that Salem FC may have or claim to have against PGE through and including the Closing and delivery and recording of the Special Warranty Deed.

7.2.7 *Corporate Approval.* PGE receiving the written approval of PGE's senior management and/or Board of Directors (as shall be determined by PGE) within one hundred twenty (120) days of the effective date of the Sale Agreement, or within ten (10) business days following the satisfaction of all of the foregoing conditions, whichever is earlier.

7.3 *Professional Reports and Environmental Reviews.* Not less than ten (10) days prior to Closing or in conjunction with the termination of this Agreement (as the case may be), Salem FC will deliver to PGE a copy of any and all professional reports, surveys, environmental reviews or assessments completed by or on the behalf of Salem FC with respect to the Property or any portion thereof.

7.4 *Failure to Close.* IF SALEM FC FAILS FOR ANY REASON WHATSOEVER TO PROPERLY EXERCISE THE OPTION DURING THE TERM, THEN THE OPTION SHALL AUTOMATICALLY TERMINATE AND THEREAFTER BE OF NO FURTHER FORCE OR EFFECT AND ANY OPTION CONSIDERATION PAID TO PGE SHALL BE RETAINED BY PGE. IN THAT EVENT, SALEM FC SHALL HAVE NO FURTHER RIGHT TO ACQUIRE THE PROPERTY, AND SHALL, PROMPTLY UPON REQUEST BY PGE, EXECUTE, ACKNOWLEDGE, AND DELIVER TO PGE A QUIT CLAIM DEED OR OTHER APPROPRIATE INSTRUMENT (IN A FORM AND CONTENT REASONABLY ACCEPTABLE TO LEGAL COUNSEL FOR PGE) WHICH TERMINATES ANY INTEREST, LEGAL AND/OR EQUITABLE, SALEM FC MAY HAVE IN THE PROPERTY BY VIRTUE OF THIS AGREEMENT AND RETURN TO PGE ALL INFORMATION PROVIDED BY PGE AND THOSE DOCUMENTS REFERRED TO IN SECTION 7.3. SALEM FC ALSO COVENANTS AND AGREES THAT IF, AT ANY TIME, SALEM FC DETERMINES THAT SALEM FC WILL NOT EXERCISE THE OPTION, SALEM FC WILL USE ITS GOOD FAITH EFFORTS TO NOTIFY PGE PROMPTLY OF SALEM FC'S DECISION NOT TO EXERCISE THE OPTION TO PURCHASE THE PROPERTY AND THEREBY TERMINATE THE OPTION.

The Option Consideration is non-refundable regardless of whether or not the option is exercised and, if exercised but the transaction does not close, regardless of the reason the transaction does not close.



## 8. CLOSING

8.1 *Escrow.* If Salem FC exercises the Option, then the purchase and sale of the Property shall be closed, subject to the terms and conditions contained herein, in escrow (the "Closing") at the offices of Escrow Agent in Salem, Oregon, or at such other location as the parties may mutually agree.

8.2 *Time of Closing:* The Closing shall occur on a date mutually acceptable to the parties not later than the later of that day which is one hundred eighty (180) days after receipt of the Exercise Notice by PGE (or, if such day is not a business day, then on the next following business day) or that day which is twenty (20) days after receipt by PGE of approval of the sale transaction by the OPUC, upon terms and conditions acceptable to PGE (or, if such day is not a business day, then on the next following business day) (the "Closing Date"). However, PGE, in its sole discretion, may elect, by written notice to Salem FC given before the Closing, to extend the Closing by up to one hundred and eighty (180) days.

8.3 *Events of Closing.* At the Closing, the following shall occur:

8.3.1 Salem FC shall pay the balance of the Purchase Price by delivery of immediately available funds to Escrow Agent, together with such additional funds as shall be necessary for Salem FC to pay its share of prorated items and closing costs.

8.3.2 PGE shall execute, acknowledge, and deliver to Escrow Agent for recordation a Special Warranty Deed conveying the Property to Salem FC Exhibit "D", indicating that the conveyance of the Property is "AS IS", subject only to the Permitted Exceptions and the deed restrictions set forth in Section 10 below.

8.3.3 PGE and Salem FC shall each execute and deliver to each other a certificate in the form required by applicable regulations under Section 1445 of the Internal Revenue Code of 1986, as amended (the "Code"), affirming that neither PGE nor Salem FC is a foreign person (as that term is defined therein) and containing such other information as may be required thereunder.

8.3.4 The parties shall take such other actions as may be necessary to complete the Closing in accordance with this Agreement.

8.4 *Prorations.* Currently payable real property taxes and governmental assessments payable with respect to the Property shall be prorated between Salem FC and PGE as of the Closing Date.

8.5 *Closing Costs.* The costs associated with the Closing shall be allocated as follows:

8.5.1 PGE shall pay one-half of any escrow fee or similar charge of the Escrow Agent, the entire cost of the title insurance policy to be provided pursuant to Section 8.6, and all recording fees with respect to any instruments necessary to remove from title liens and encumbrances not included in the Permitted Exceptions.

8.5.2 Salem FC shall pay one-half of any escrow fee or similar charge of the Escrow Agent and all recording fees with respect to the Special Warranty Deed and the Easement.

8.5.3 Except as expressly provided in this Agreement, each party shall bear all other costs and expenses incurred by such party in connection with the transaction contemplated by this Agreement.

8.6 *Title Insurance Policy.* Within ten (10) business days after the Closing Date, PGE shall cause the Escrow Agent to deliver to Salem FC an ALTA standard coverage owner's policy of title insurance with coverage in the amount of the Purchase Price, insuring that fee simple title to the Property is vested in Salem FC, subject only to the Permitted Exceptions, the deed restrictions set forth in Section 10 below suffered or created by Salem FC and the Escrow Agent's standard printed exceptions.

8.7 *Possession.* Salem FC shall be entitled to possession of the Property on the day following the Closing Date. Prior to the transfer of possession, PGE shall remove all of its equipment, machinery, power poles and other personal property from the Property, save and except that which is allowed pursuant to the Easement described in Section 8.8.

8.8 *Easement.* PGE shall be entitled to reserve perpetual easement rights in the Property by recording the Easement set forth in attached *Exhibit "E"* at or in conjunction with Closing.

## 9. PGE ADVERTISING/SPONSORSHIP/NAMING RIGHTS.

9.1 As part consideration for this Agreement, PGE reserves at all times during the Term of this Agreement, and for an additional period of twenty five years (25) from and after Closing, the following advertising, sponsorship, and naming rights:

9.1.1 PGE shall have the right and option to be named as a primary sponsor of each event or activity which takes place at the Soccer Complex and to have the PGE name and logo included in all communications, advertising (including radio and television), brochures, souvenirs, and the like associated with such event/activity.

9.1.2 PGE shall have the right and option to be named as a primary sponsor of each team sponsored by Salem FC and to have the PGE name and logo included on all team uniforms as well as in all communications, advertising (including radio and television), brochures, souvenirs, and the like associated with such team. Notwithstanding the foregoing, Salem FC shall not be required to include the PGE logo on any uniforms or jerseys nor will Salem FC be required to include the PGE logo in any form of advertising medium where the actual out of pocket cost incurred by Salem FC directly related to inclusion of the PGE logo in any given instance would exceed Five Hundred Dollars (\$500.00).

9.1.3 PGE shall have the right and option to be named as a primary sponsor of the Soccer Complex and to have the PGE name and logo included on the primary "Concerned Businesses Youth Soccer Complex" sign at the entrance to the Soccer Complex, and none or more additional signs prominently located in locations acceptable to PGE, including without limitation a sign near the Award Presentation structure, and the concession area, as well as in all communications, advertising (including radio and television), brochures, souvenirs, and the like, associated with the Property.

9.1.4 PGE will receive recognition as a primary sponsor of Salem FC and the Soccer Complex operated by Salem FC in any television and/or radio coverage, spots, and commercials.

9.2 No other public or private electrical utility will be granted any advertising, sponsorship, or naming rights with respect to the Property or any activity or event thereon without the prior written consent of PGE in each instance. PGE shall have the right to designate the location of all signs containing the PGE name/logo. Such signage will remain visible during all activities and Events. No advertising or structures shall be permitted to unreasonably obstruct the view of the Signage during Salem FC Events and no one, including the media, shall be permitted to drape or otherwise obscure the view of the PGE signage at any time or for any reason during any activities or events.

9.3 *Right of First Refusal.* PGE shall have the right of first refusal to purchase the rights granted under this Section 9 for an additional period of ten (10) years from and after the expiration of the initial twenty five (25) year term. Salem FC shall propose to PGE, in writing, Salem FC's proposed terms and conditions for such rights at least ninety (90) days but not more than one hundred eighty days (180) days prior to the expiration of the initial twenty five (25) year term. PGE shall have thirty (30) days after receiving Salem FC's written proposal within which to exercise its right of first refusal. If PGE does not exercise its right of first refusal within such time, Salem FC may contract with any third party with respect to any or all of such rights, but not on terms and conditions materially more favorable from those offered to PGE without again giving PGE a thirty (30) day right of first refusal concerning the same in writing.

9.4 *Use of PGE's Trademarks.* Salem FC shall not, by this Agreement, obtain any right, title or interest in the trademarks or intellectual property rights of PGE. This Agreement shall not give Salem FC the right to use, refer to, or incorporate in marketing or other materials the name, logos, trademarks or copyrights of PGE in any manner except as authorized by PGE for incorporation into the advertising copy; *provided, however,* that Salem FC may use the indicia of PGE's identity, including PGE's name and logo, in all Salem FC marketing materials and media. Salem FC may not transfer or assign its right to use such intellectual property of PGE under this Section 9 separate from this Agreement. Salem FC's right under this Section 9 to use such intellectual property of PGE shall be only for the term of PGE's rights pursuant to this Section 9 and any extension or renewal thereof. PGE acknowledges that Salem FC and parties conducting activities and events within the Soccer Complex may televise, videotape, or take still photographs of such activities and events occurring in the complex, and in doing so PGE's signage may incidentally be visible. PGE hereby consents to the commercial exploitation of such television broadcasts, videotapes and still photographs, notwithstanding the fact that PGE's signage may incidentally be visible in such television broadcasts, videotapes and still photographs.

9.5 *Consideration.* No additional consideration or compensation shall be required of PGE with respect to any of the foregoing advertising, sponsorship, and naming rights. This Section shall survive Closing and the delivery and recording of a deed.

#### 10. *POST-CLOSING RESTRICTIONS.*

10.1 As part consideration for this Agreement, the Special Warranty Deed by which PGE conveys the Property to Salem FC (a copy of which is attached as "*Exhibit D*" hereto) shall contain the following Deed Restrictions (all in a form and content reasonably acceptable to legal counsel for PGE):

10.1.1 "*AS IS*". The Property and all aspects thereof is conveyed by PGE and accepted by Salem FC in its present condition, *AS IS WHERE IS*, with all faults, latent and patent, know or unknown. PGE reserves all mineral, gas and oil rights.

10.1.2 *Use Restriction.* The Property shall be used solely as a youth soccer complex, "open" or "green" space, and/or a public park, and for no other purpose; *provided, however,* that in no event shall the Property be developed for commercial or residential purposes.

10.1.3 *Transfer of Beneficial Interest.* Neither the Property, nor any part thereof, nor any beneficial interest therein shall be sold, agreed to be sold, conveyed, assigned, leased or encumbered or alienated by any fashion, voluntarily or by operation of law, without first having obtained the written consent and approval of PGE.

10.1.4 *Cooperation/Signage.* The rights granted PGE pursuant to Section 6.6 hereof shall be reflected in the Special Warranty Deed in a form and content acceptable to PGE.

10.1.5 *Advertising, Sponsorship, and Naming Rights.* The rights granted PGE pursuant to Section 9 hereof shall be reflected in the Special Warranty Deed in a form and content acceptable to PGE.

10.2 *Default and Remedies.* The conveyance from PGE to Salem FC will be expressly subject to and conditioned upon compliance with the Restrictive Covenants set forth in the Special Warranty Deed. Upon the failure by Salem FC to observe and perform any material covenant, condition or agreement on its part to be observed or performed pursuant to the Restrictive Covenants as provided in the Special Warranty Deed, PGE shall have the right to exercise any or all of the remedies available to it at law and in equity, including without limitation, the right to enjoin any activity on, or use of, the Property which is prohibited by or inconsistent with the Restrictive Covenants and to require the restoration of the Property to its condition at the time of the conveyance of the Property to Salem FC, as well as the purchase right and option set forth in the Special Warranty Deed. This Section 10 shall survive Closing and the delivery and recording of the deed.

11. *RELEASE.* As part consideration for this Agreement, Salem FC hereby represents covenants and warrants that upon due inquiry and to the best cumulative knowledge of Salem FC and it's Board of Directors and Officers Salem FC is not aware of any actual or potential claim against or liability of PGE and Salem FC hereby waives and releases any and all claims that Salem FC may have or claim to have against PGE through and including the Effective Date of this Agreement. Salem FC shall deliver the identical warranty and grant the identical release to PGE in conjunction with the closing. This Section shall survive Closing and the delivery and recording of a deed.

12. *GENERAL PROVISIONS.*

12.1 *Time of Essence.* Time is of the essence of the parties' obligations under this Agreement.

12.2 *Survival.* The release and indemnity covenants of Salem FC, the limitations of liability, the right of PGE to enforce its remedies hereunder, the attorneys' fees provisions hereof, the provisions of Section 6, Section 7, Section 8, Section 9, Section 11, and Section 12 hereof, and each of the provisions contained in this Section 11, as well as all provisions of this Agreement which contemplate performance after the expiration or termination hereof or the termination of Salem FC's right to possession hereunder, shall survive any such expiration or termination.

12.3 *Binding Effect.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties and their respective heirs, successors, and assigns.

12.4 *Assignment.* Salem FC shall not, either voluntarily or by operation of law, assign, transfer, encumber, or pledge all or any part of Salem FC's rights or obligations under this Agreement, without PGE's express prior written consent in each and every instance, which consent may be withheld or issued subject to conditions, in PGE's sole discretion. Any assignment, encumbrance, pledge, or transfer of any nature without PGE's prior written consent shall be void and shall constitute a default hereunder. This provision shall apply to all mergers, dissolutions, and changes in control of Salem FC of any type or nature, each of which shall be deemed assignments for the purposes of this Section. No such transfer or assignment shall release Salem FC from liability under this Agreement.

12.5 *Notices.* Notices under this Agreement shall be in writing and shall be effective when actually delivered by personal delivery or facsimile or one (1) business day after being deposited in the United States Mails, certified, return receipt requested, directed to the other party at the address set forth below, or to such other address as the party may indicate by written notice to the other party:

If to PGE: Portland General Electric Company.  
121 SW Salmon Street; 1WTC0401  
Portland, OR 97204  
Attn: Mike Livingston  
Facsimile: (503) 464-2863

With a copy to: Mark R. Lindley, Esq.  
121 SW Salmon Street, 1WTC1301  
Portland, OR 97204  
Facsimile: (503) 464-2200

If to Salem FC: Salem United Soccer Club  
345 Washington Street S  
Salem, Oregon 97302  
Attn: Eric Johansen, President  
Facsimile: (503) 566-2119

12.6 *Waiver.* Failure of either party at any time to require performance of any provision of this Agreement shall not limit such party's right to enforce such provision, nor shall any waiver of any breach of any provision of this Agreement constitute a waiver of any succeeding breach of such provision or a waiver of such provision itself. Any waiver of any provision of this Agreement shall be effective only if set forth in writing and signed by the party to be bound.

12.7 *Amendment.* This Agreement may not be modified or amended except by the written agreement of the parties.

12.8 *Attorneys' Fees.* In the event suit, action, arbitration or mediation is instituted in connection with this Option, including but not limited to litigation or proceedings in Bankruptcy Court whether or not regarding issues which are unique to bankruptcy law, the losing party shall pay the prevailing party's reasonable attorneys' and paralegals' fees and court costs at and in preparation for any proceeding, whether at trial, appeal therefrom, on any petition for review, or in any arbitration or mediation. If PGE prevails, to the extent that PGE has been represented by PGE's in-house legal counsel, PGE's attorney fees shall be computed on the basis of those of a private attorney in downtown Portland, Oregon, who practices in a firm having at least as many attorneys as are employed by PGE's in-house legal department, and who have experience comparable or greater to PGE's in-house associate general counsel. If, upon the occurrence of a default by Salem FC, PGE consults with an attorney (in house or otherwise) regarding the enforcement of its rights under this Option or at law, Salem FC shall pay all reasonable attorneys' fees and other related costs incurred by PGE in connection therewith.

12.9 *Severability.* If any term or provision of this Agreement or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remainder of this Agreement and 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 thereby, and each term or provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

12.10 *Brokerage Commissions.* PGE and Salem FC represent to each other that they have not employed any brokers in negotiating and consummating the transaction set forth in this Option, but have negotiated directly with each other.

12.11 *Integration.* This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof and supersedes all prior and contemporaneous agreements between them with respect to the same subject matter.

12.12 *Governing Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Oregon. The exclusive venue for any action to interpret or enforce any term of this Agreement shall be Marion County, Oregon, and each party hereby unconditionally and irrevocably consents to the jurisdiction of the Oregon state courts.

12.13 *Construction and Interpretation.* Time is of the essence of this Agreement, it being understood that the time for performance of each obligation, including, without limitation, payment of any sums due to PGE, have been the subject of specific negotiation by the parties. The headings or titles of the sections of this Agreement are intended for ease of reference only and shall have no effect whatsoever on the construction or interpretation of any provision of this Agreement. The use in this Agreement of the words "including," "such as," and words of similar import following any general statement, term, or matter shall not be construed to limit such statement, term, or matter in any manner, whether or not the language of non-limitation (such as "without limitation" or "but not limited to") is used in connection therewith, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the scope of the general statement, term, or matter. All provisions of this Agreement have been negotiated at arm's length and this Agreement shall not be construed for or against any party by reason of the authorship or alleged authorship of any provision hereof.

12.14 *Counterparts.* This Agreement may be executed in any number of counterparts, all of which together shall constitute one and the same agreement.

12.15 *Exhibits.* Exhibits attached to this Agreement are an integral part of this Agreement and are incorporated where referenced.

12.16 *Recording.* The parties agree to join in executing a Memorandum of this Agreement, in a form and content acceptable to PGE, to be filed for record in the Official Records of Marion County, Oregon, to give notice to the public of the rights of PGE and Salem FC under this Agreement. Salem FC

shall pay the cost of recording the Memorandum. The Memorandum shall note the date this Agreement expires and, upon the expiration or earlier termination of this Agreement Salem FC shall, promptly upon request by PGE, execute, acknowledge, and deliver to PGE a Quit Claim Deed or other appropriate instrument (in a form and content reasonably acceptable to legal counsel for PGE) which terminates any interest, legal and/or equitable, Salem FC may have in the Property by virtue of this Agreement.

12.17 *Limitation of Damages.* NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, THE FOREGOING, IN NO EVENT SHALL PGE BE LIABLE TO SALEM FC OR ANY OTHER PERSON OR ENTITY FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS AGREEMENT OR FOR ANY FAILURE OF PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM PGE'S SOLE, JOINT OR CONCURRENT NEGLIGENCE. TO THE EXTENT THE PARTIES AGREE THAT ANY PAYMENT REQUIRED TO BE MADE UNDER THE SALE AGREEMENT CONSTITUTES LIQUIDATED DAMAGES, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE AND THAT SUCH PAYMENT CONSTITUTES A REASONABLE APPROXIMATION OF SUCH DAMAGES AND NOT A PENALTY. This Section shall survive the expiration or termination of this Agreement as well as closing and the recording of a deed.

12.18 *Confidentiality.* PGE and Salem FC and their agents, accountants, attorneys, and consultants shall treat this Agreement and all information obtained or exchanged in connection with it as confidential and, except as shall be otherwise agreed by PGE and Salem FC, shall not disclose the terms of this Agreement or any information relating to it to any person other than the consultants and the entities engaged to assist in the consummation of this Agreement, such as the Title Company. If the Option is not exercised, then Salem FC shall return to PGE all documents and information delivered to Salem FC by PGE. Nothing contained herein shall operate to prevent or limit the right of PGE or Salem FC to disclose the terms of this Agreement or any other information relating to it in conjunction with any OPUC proceeding, any litigation, land use proceeding, or other proceeding instituted with respect to this Agreement or the Property.

12.19 *Consent.* Wherever in this Agreement Salem FC is required to obtain PGE's consent, Salem FC shall reimburse PGE for all reasonable costs and expenses associated with processing any request for approval, regardless of whether such proposal is approved or denied, including, but not limited to, attorneys' fees for legal counsel. No consent required by PGE under this Agreement shall be granted unless in writing. Unless otherwise specifically set forth herein, consent by PGE may be withheld or conditioned in the sole discretion of PGE. Specifically, without limitation, PGE's consent may be denied or conditioned upon PGE's determination of the environmental aspects of the use by Salem FC and/or by the proposed assignee or Salem FC. and/or the impact upon PGE's neighboring facilities As a condition to any consent, PGE may require that any other party or parties with a right of consent issue such consent on terms acceptable to PGE. The consent or approval of PGE to or of any act by Salem FC requiring PGE's consent or approval shall not be deemed to waive or render unnecessary PGE's consent to or approval of any subsequent similar acts by Salem FC. In no event shall PGE be liable for monetary damages, based on a claim that consent has been unreasonably withheld or conditioned or otherwise arising from the withholding or conditioning of consent.

12.20 *Third Parties.* Nothing contained herein nor the transactions contemplated hereby, express or implied, shall be deemed to inure to the benefit of any person or entity not a party to this Agreement, this Agreement being intended solely for the benefit of PGE and Salem FC, nor shall it confer upon any such party or entity any right or remedy of any nature whatsoever.

12.21 *Accommodating a 1031 Exchange.* If PGE desires to transfer the Property through an exchange transaction under Section 1031 of the Internal Revenue Code, or similar regulation/provision, Salem FC agrees to cooperate with such transaction so long as (i) such cooperation is at the sole expense of PGE, (ii) Salem FC assumes no additional risk or liability, (iii) the exchange will not result in any impairment or restriction of any remedies or rights of Salem FC, and (iv) Salem FC is not obligated to hold title to any exchange property.


12.22 *Statutory Disclaimer.*

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 197.352. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 197.352.

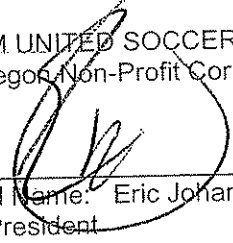
12.23 *Effective Date.* The Effective Date of this Agreement shall be the 1<sup>st</sup> day of December, 2006.

IN WITNESS WHEREOF, the parties have executed this Agreement.

PGE: PORTLAND GENERAL ELECTRIC COMPANY,  
an Oregon corporation

By: \_\_\_\_\_  
Printed Name: Stephen Quennoz   
Title: Vice President

Salem FC: SALEM UNITED SOCCER CLUB,  
an Oregon Non-Profit Corporation

By:   
Printed Name: Eric Johansen  
Title: President

- Exhibit "A" ~ Property Description
- Exhibit "B" ~ Option Exercise Notice
- Exhibit "C" ~ Lease
- Exhibit "D" ~ Special Warranty Deed with Deed Restrictions
- Exhibit "E" ~ PGE Easement

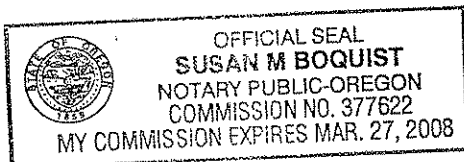
STATE OF OREGON            )  
  ) ss.  
County of \_\_\_\_\_ )

This instrument was acknowledged before me on the \_\_\_\_ day of December, 2007, by STEPHEN QUENNOZ, who is the authorized representative of PORTLAND GENERAL ELECTRIC COMPANY, an Oregon Corporation ("PGE").

\_\_\_\_\_  
Notary Public for OREGON  
My commission expires: \_\_\_\_\_

STATE OF OREGON            )  
  ) ss.  
County of Mason )

This instrument was acknowledged before me on the 20th day of December, 2006, by ERIC JOHANSEN, who is the President and authorized representative of SALEM UNITED SOCCER CLUB, an Oregon Non-Profit Corporation ("Salem FC").



Susan M Boquist  
Notary Public for OREGON  
My commission expires: 3-27-08



**EXHIBIT A**  
**LEGAL DESCRIPTION OF THE PROPERTY**

A parcel of land being situated in the Southeast  $\frac{1}{4}$  of Section 29, Township 7 South, Range 2 West, Willamette Meridian, Marion County, Oregon, the said parcel being a portion of that certain tract conveyed to PGE Company by Betty M. Wilson and J. Hobart Wilson by that certain Warranty Deed dated July 19, 1974 and recorded on July 31, 1974 in Volume 784, Page 55 of Deed Records of said county. The said parcel is more particularly described as follows, to-wit:

Beginning at a point which is the Southeast corner of a tract of land conveyed for use as a part of a County Road, by deed recorded in Volume 133, Page 149, Deed Records for Marion County, Oregon, which point is .30 chains North and 1.00 chain West from the most Northerly Northwest corner of the J. C. Caplinger Donation Land Claim No. 75, in Township 7 South, Range 2 West of the Willamette Meridian, in Marion County, Oregon; thence North along the East line of said County Road 20.302 chains, more or less, to the South line of the Southern Pacific Railroad right-of-way; thence East along the South line of said railroad right-of-way 2,002.94 feet, more or less, to the Northwest corner of the tract of land described in the deed recorded in Volume 498, Page 194, Deed Records for Marion County, Oregon; thence South along the West line of said tract and the West line of a tract of land described in the deed recorded in Volume 498, Page 353, Deed Records for Marion County, Oregon 1,273.75 feet, more or less, to the South line of the Ann Woodside Donation Land Claim No. 74; thence West along the South line of said Claim and the North line of said Caplinger Claim 1,936.31 feet, more or less, to the point of beginning.

SAVE AND EXCEPT that parcel of land contained in deed, recorded March 27, 1969 in Book 661, Page 842, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded July 10, 1969 in Book 668, Page 1, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded March 15, 1972 in Book 722, Page 556, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded April 28, 1978 in Reel 121, Page 1729, Deed Records.

ALSO SAVE AND EXCEPT rights of the public in and to that portion of the herein described property lying within the boundaries of public roads and roadways.

**EXHIBIT B  
EXERCISE NOTICE**

DATE: \_\_\_\_\_, 200\_\_

TO: Portland General Electric Company  
Attn: Mike Livingston, Property Services  
121 SW Salmon Street  
Portland, Oregon 97204

Pursuant to that certain Option Agreement dated as of December 1, 2006 (the "Agreement") between PORTLAND GENERAL ELECTRIC COMPANY and SALEM UNITED SOCCER CLUB, the undersigned hereby exercises its option thereunder to acquire the Property.

SALEM UNITED SOCCER CLUB,  
an Oregon Non-Profit Corporation

By: \_\_\_\_\_

Printed Name: \_\_\_\_\_

Its: \_\_\_\_\_

EXHIBIT C  
LEASE

(SEE ATTACHED)

**EXHIBIT D  
SPECIAL WARRANTY DEED**

**(SEE ATTACHED)**

EXHIBIT E  
EASEMENT

(SEE ATTACHED)

# **LEASE AGREEMENT**

**Between**

**Portland General Electric Company  
("Landlord")**

**and**


**SALEM UNITED SOCCER CLUB  
("Tenant")**

**December 1, 2006**

**LEASE AGREEMENT**

Date: December 1, 2006

Landlord: *Portland General Electric Company* ("Landlord")  
121 S.W. Salmon Street  
Portland, Oregon 97204

Tenant: *Salem United Soccer Club* ("Tenant")  
345 Washington Street   
Salem, Oregon 97302

IN CONSIDERATION of the mutual entry into this Lease by the parties hereto, and for other good and valuable consideration, the current receipt, reasonable equivalence, sufficiency of which are hereby acknowledged by each party hereto, Landlord hereby leases the Premises (as defined below) to the Tenant and the Tenant hereby leases the Premises from Landlord, upon the following terms and conditions:

1. *Lease.* Landlord leases to Tenant, and Tenant leases from Landlord, the real property (the "Premises"), "AS IS", situated in the County of Marion, and State of Oregon, consisting of approximately Thirty Five (35) acres, more or less, described in *Exhibit "A"* hereto. In addition to the terms and conditions set forth herein, Tenant further agrees to observe and to be bound by the terms of the following regulatory authority and agreement: the Oregon Public Utility Commission, and that certain Indenture of Mortgage and Deed of Trust dated July 1, 1945, as supplemented, modified and/or replaced in whole or in part, and in effect from time to time from Portland General Electric Company to HSBC Bank USA (f/k/a) Midland Bank, N.A. (the "Lender"), and/or its successor or assigns. Except as may be otherwise provided herein, Landlord shall be entitled to each of the rights and remedies specified in the foregoing the agreement and any regulations and mandates adopted by such regulatory authority. This Lease is executed in conjunction with that certain Option Agreement of even date herewith by and between Landlord and Tenant (the "Option Agreement").

2. *Term.* The Premises are leased for a term (the "Term") commencing on the 1<sup>st</sup> day of December, 2006, and ending at midnight on the 31<sup>st</sup> day of May, 2007. In the event Tenant exercises Tenant's option to extend the Term the Option Agreement in accordance with the terms thereof, the term of this Lease shall be correspondingly expended on the same terms and conditions as set forth in the Lease, save and except the Rent which shall be increased as provided below. Notwithstanding anything to the contrary contained herein, the Term of this Lease shall be coterminous with the term of the Option Agreement. Any default on the part of Tenant under the terms of this Lease shall constitute a default under the Option and so too shall any default on the part of Tenant under the terms of the Option constitute a default under this Lease.

3. *Rent.* The base rent due through the 31<sup>st</sup> day of May, 2007, is hereby acknowledged by Landlord as paid in full. In the event that the Term of this Lease is extended beyond the 31<sup>st</sup> day of May, 2007, Tenant covenants and agrees to pay to Landlord, in advance, promptly when due, without notice or demand and without deduction or setoff of any amount whatsoever, the monthly Rent during such extended term which shall be equal to the then fair market rental value of the Property as established based upon the most current PGE appraisal of the Premises; that is the fair market rental value shall be equal to that amount which is equal to Ten Percent [10%] of the Fair Market Value of the Premises on an annualized basis (e.g., if the Fair Market Value of the Premises is Three Hundred Thousand Dollars [\$300,000.00], the Rent on an annualized basis would be Thirty Thousand Dollars [\$30,000.00], and the Rent on a monthly basis would be Two Thousand Five Hundred Dollars [\$2,500.00]).

3.1 All amounts payable under this Section, 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 26, or at such other place as Landlord shall from time to time designate by notice to Tenant, in lawful money of the United States which shall be legal tender in payment of all debts and dues, public and private, at the time of payment.

3.2 It is intended that the sums provided for in this section shall be an absolutely net return to Landlord throughout the Term, free of any expense, charge, or other deduction whatsoever, including all claims, demands, or setoffs of any nature whatsoever. 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 Rent.

#### 4. Use.

4.1 Tenant shall use the Premises solely for the purpose of operating a youth soccer complex, including soccer fields, and for no other purpose whatsoever without Landlord's prior written consent, which may be withheld at Landlord's sole discretion. Tenant shall not do or suffer any waste or damage, disfigurement, or injury to the Premises. Tenant shall not dump, dispose of, or burn garbage or refuse on the Premises. Tenant acknowledges that neither Landlord nor any agent of Landlord has made any representations concerning the suitability of the Premises for the conduct of Tenant's business.

4.1.1 Landlord shall not be obligated to improve the Premises in any fashion or to provide any utilities to the Premises; however, Landlord may do so, at Tenant's expense, at Landlord's sole discretion. Landlord reserves the right to use the Premises generally for any purpose not inconsistent with Tenant's permitted use set forth above, as reasonably determined by Landlord. Tenant shall have the use of the existing maintenance facility, administrative structure and snack shack, and parking area, but shall not construct any new improvements without the prior written consent of Landlord, which may be withheld in Landlord's sole discretion. Landlord and Landlord's agents and invitees (including prospective Tenants and/or purchasers) shall have unlimited access to the Premises.

4.1.2 Landlord is currently using a portion of the Premises and further reserves the right to use additional portions of the Premises for electrical transmission and/or distribution lines and related facilities and to restrict the right of Tenant to construct or maintain any fences, structures, or the like in the vicinity of such electrical lines. Landlord further reserves the right and option at all times during the Term hereof to adjust (increase or reduce) the acreage constituting the Premises and/or adjust the boundaries of the Premises as deemed necessary or appropriate by PGE. In such event PGE shall adjust the Rent for the Premises proportionately on a square foot basis.

4.2 Tenant shall not use or occupy, or permit or suffer all or any part of the Premises to be used or occupied (1) for any unlawful or illegal business, use, or purpose, (2) in any such manner to constitute a nuisance of any kind, or (3) for any purpose or in any way in violation of any certificate of occupancy, permit, or license applicable to the Property or the Premises, or of any Legal Requirements, including but not limited to Legal Requirements respecting Hazardous Substances, or (4) for any business, use, activity, or purpose deemed disreputable by Landlord, or (5) in any manner or for any purpose deemed a threat to national or homeland security by Landlord or by the Oregon Office of Safety and Security or the US Department of Homeland Security. The term Hazardous Substance means any hazardous, toxic, or dangerous substance, waste, or material that is the subject of environmental protection Legal Requirements, including but not limited to the items listed in the United States Department of Transportation Hazardous Materials Table (49 CFR §172.101) or designated as hazardous substances by the United States Environmental Protection Agency (40 CFR pt 302). Tenant acknowledges that the term Legal Requirements includes but is not limited to all environmental protection laws such as the *Comprehensive Environmental Response, Compensation and Liability Act* (42 USC §6901 *et seq.*), the *Federal Water Pollution Control Act* (33 USC §6901 *et seq.*), the *Federal Water Pollution Control Act* (33 USC §1257 *et seq.*), and the *Clean Air Act* (42 USC §2001 *et seq.*).

4.3 Tenant shall observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including but not limited to zoning variances, special exceptions, and nonconforming uses), privileges, franchises, and concessions that now apply to the Premises or that have been granted to or contracted for by Landlord or Tenant in connection with any existing or presently contemplated use of the Premises.

4.4 Tenant shall not suffer or permit the Premises or any portion to be used by the public, as such, without restriction or in such manner as might reasonably tend to impair Landlord's title to the Premises or Improvements or any portion, or in such manner as might reasonably make possible a claim or claims of adverse usage, adverse possession, or prescription by the public, as such, or of implied



dedication, of the Premises or Improvements or any portion. Tenant acknowledges that Landlord does not consent, expressly or by implication, to the unrestricted use or possession of the whole or any portion of the Premises or Improvements by the public or any third party, as such.

4.5 Landlord and Tenant agree that if and when any governmental or any other public authority or the Lender requires the execution and delivery of any instrument to evidence or consummate the dedication of any street adjoining the Premises and/or if and when any governmental or any other public authority or any public utility company (including Landlord) requires the execution and delivery of any rights of way, easements, and grants in, over, and along any such streets or in, over, under, or through the Premises for the purpose of providing water, gas, steam, electricity, telephone, storm and sanitary sewer, or any other necessary or desirable service or facility for the benefit of the Premises, then both parties, without cost to either party, will execute, acknowledge, and deliver any such instrument or document as may be required.

4.6 No representation, express or implied, respecting any matter or thing relating to the Premises or this Lease, including, without limitation, the condition of the Premises, has been made to Tenant by Landlord other than as may be contained herein. ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, ARE HEREBY DISCLAIMED, INCLUDING WITHOUT LIMITATION, ANY WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, HABITABILITY, OR THAT THE PREMISES ARE SUITABLE FOR TENANT'S INTENDED PURPOSES, COMMERCIAL OR OTHERWISE.

4.7 Tenant acknowledges that metallic structures which come into contact with any forms of electrolytically conducting environments (i.e., environments containing enough ions to conduct electricity such as soils, seawater and basically all natural waters) will corrode and deteriorate at an accelerated pace. Tenant is and shall remain responsible for determining, implementing, monitoring, and maintaining all means of cathodic protection with respect to any of Tenant's properties in or along the Easement and Tenant hereby releases Landlord and shall indemnify and hold Landlord harmless from any damage, claims or liability incurred or associated therewith, including without limitation, those of Landlord.

5. *Tenant's Duties.* In addition to the obligations set forth herein, Tenant, at Tenant's sole risk and expense, shall provide all necessary labor and take all action necessary to accomplish the following in compliance with all applicable laws, codes, and regulations:

5.1 *Utilities.* Tenant shall furnish and promptly satisfy all utility related obligations, including but not limited to, water and sewer, telephone, electricity, garbage service, and the like.

5.2 *Water Management.* Maintain contouring and level the ground to be a slope necessary for efficient run off and minimal topsoil erosion.

5.3 *Weed/Debris Control.* Maintain weed and debris free boundaries of the Premises, roadways, driveways, and drainage ditches.

5.4 *Roads, Fences, and Miscellaneous.* Repair and maintain the existing access points, parking lot, and fencing, if any.

5.5 *Leasehold Improvements.* Tenant shall at all times repair and maintain the Premises and all Leasehold Improvements.

5.6 *Environmental Concerns.* Tenant shall use only the amount of appropriate and types of fertilizer reasonably necessary and appropriate to maintain the soccer fields.

5.7 *Indemnification.* Tenant shall forever indemnify, defend, and hold Landlord harmless from and against any liability associated in any way with Tenant's failure to comply with the foregoing obligations.

6. *Liens.* 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 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 thirty (30) days after the date of filing the same, by either payment, deposit, or bond. 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 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. Tenant is not intended to be an agent of Landlord for the construction of

Improvements on the Premises or any other purpose. Landlord shall have the right to post and keep posted at all reasonable times on the Premises any notices that Landlord shall be required to post for the protection of Landlord and of the Premises from any such lien.

#### 7. Taxes and Other Charges

7.1 Tenant acknowledges that the Premises are a part of a larger parcel of property which is centrally assessed for tax purposes. Landlord shall pay the real estate taxes due with respect to the Premises. Notwithstanding the foregoing, in the event the Term of this Lease is extended beyond the 31<sup>st</sup> day of May, 2008, Landlord reserves the right to require Tenant to pay all or some portion of the real estate taxes due with respect to the Premises. In such event Landlord shall determine a reasonable allocation of the real estate taxes due with respect to the Premises on an annual basis and shall advise Tenant of such allocation and Tenant shall pay Landlord Tenant's share of the real estate taxes within thirty (30) days of being invoiced by Landlord. Said amount shall include Landlord's reasonable determination of any portion of the taxes related to Improvements and/or the use of the property by Tenant. Tenant shall also pay and discharge, or cause to be paid and discharged, before any fine, penalty, interest, or cost may be added for nonpayment, all 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:

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

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

7.1.3 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

7.1.4 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; 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").

7.2 Nothing contained in this Lease requires Tenant to pay any franchise, estate, inheritance, succession, capital levy, or transfer tax of Landlord, or any income, excess profits, or revenue tax, or any other tax, assessment, charge, or levy on the Rent payable by Tenant under this Lease; provided, however, that if at any time during the Term the methods of taxation prevailing at the commencement of the Term are altered so that in lieu of any Tax under this section there is levied, assessed, or imposed (1) a tax, assessment, levy, imposition, or charge, wholly or partially as a capital license fee measured by the Rent payable by Tenant under this Lease, then all such taxes, assessments, levies, impositions, or charges or the part so measured or based, shall be deemed to be included within the term Tax for the purposes of this Lease, to the extent that such Tax would be payable if the Premises were the only property of Landlord subject to such Tax, and Tenant shall pay and discharge the same as provided in respect to the payment of Taxes.

7.3 If by law any Tax is payable, or may at the option of the taxpayer be paid, in installments, Tenant may, whether or not interest shall accrue on the unpaid balance, pay the same, and any accrued interest on any unpaid balance, in installments as each installment becomes due and payable, but in any event before any fine, penalty, interest, or cost may be added for nonpayment of any installment or interest.

7.4 Any Tax relating to a fiscal period of the taxing authority, a part of which is within the Term and a part of which is before or after the Term, whether or not such Tax shall be assessed, levied,

imposed, or become a lien on the Premises, or shall become payable, during the Term, shall be apportioned and adjusted between Landlord and Tenant so that Tenant shall pay only the portions that correspond with the portion of such fiscal periods included within the Term. With respect to any Tax for public improvements or benefits that by law is payable, or at the option of the taxpayer may be paid, in installments, Landlord shall pay the installments that become due and payable after the Term expires, and Tenant shall pay all such installments which become due and payable at any time during the Term.

7.5 Except for reimbursements of amounts due Landlord pursuant hereto, Tenant covenants to furnish to Landlord, within thirty (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.

7.6 Tenant shall have the right at Tenant's expense to contest or review the amount or validity of any Tax or to seek a reduction in the assessed valuation on which any Tax is based, by appropriate legal proceedings except for real property taxes. Tenant may defer payment of such contested Tax on condition, however, that if such contested Tax is not paid beforehand and if such legal proceedings shall not operate to prevent the enforcement of the collection of the Tax so contested and shall not prevent the sale of the Premises to satisfy the same, then before instituting any such proceedings Tenant shall furnish to Landlord, if so required by the terms of Landlord's mortgage or the Lender, a surety company bond, cash deposit, or other security reasonably satisfactory to Landlord, as security for the payment of such Tax, in an amount sufficient to pay such Tax, together with all interest and penalties in connection with such Tax and all charges that might be assessed against the Premises in the legal proceedings. Upon termination of such legal proceedings or at any time when Landlord shall determine the security to be insufficient for the purpose, Tenant shall forthwith, on demand, deliver to Landlord additional security as is sufficient and necessary for the purpose, and on failure of Tenant so to do, the security originally deposited shall be applied to the payment, removal, and discharge of the Tax and the interest and penalties in connection with the Tax and the charges and costs accruing in such legal proceedings and the balance, if any, shall be paid to Tenant provided that there is then no uncured default under this Lease. In the event that such security shall be insufficient for this purpose, Tenant shall forthwith pay over to Landlord an amount sufficient, together with the security originally deposited, to pay the same. Tenant shall not be entitled to interest on any money deposited pursuant to this section.

7.7 Any contest as to the validity or amount of any Tax, or assessed valuation on which such Tax was computed or based, whether before or after payment, may be made by Tenant in the name of Landlord or of Tenant, or both, as Tenant shall determine, and Landlord agrees that it will, at Tenant's expense, cooperate with Tenant in any such contest to such extent as Tenant may reasonably request, it being understood, however, that Landlord shall not be subject to any liability for the payment of any costs or expenses in connection with any proceeding brought by Tenant, and Tenant covenants to indemnify and save Landlord harmless from any such costs or expenses. Tenant shall be entitled to any refund of any such Tax and penalties or interest that have been paid by Tenant or by Landlord and reimbursed to Landlord by Tenant.

7.8 The parties shall use reasonable efforts to see that all communications from the governmental authorities respecting Taxes are sent directly by such authorities to Landlord. Landlord shall forward any and all communications to Tenant within forty eight (48) hours of Landlord's receipt. Tenant shall assist Landlord in obtaining any benefits or deferrals Landlord decides to obtain. The certificate, advice, receipt, or bill of the appropriate official designated by law to make or issue the same or to receive payment of any Tax or nonpayment of such Tax shall be prima facie evidence that such Tax is due and unpaid or has been paid at the time of the making or issuance of such certificate, advice, receipt, or bill. Tenant shall cooperate with and assist Landlord in Landlord's efforts to qualify the Premises for any reductions and/or deferrals that Landlord deems appropriate.

## 8. Insurance

8.1 During the Term, Tenant shall have no obligation to maintain fire or casualty insurance of any kind or any personal property of Tenant on the Premises. However, if Tenant does insure Tenant's personal property, Landlord shall be named an additional insured in accordance with Section 8.3 hereof.

8.2 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 Two Million Dollars (\$2,000,000.00) minimum combined single-limit coverage, or its equivalent. All casualty insurance policies shall include contractual liability, severability of interest, and

cross-liability endorsements. When Tenant conducts demolition or excavation work, the exclusions now customarily referred to as the X, C, and U exclusions shall be deleted from Tenant's liability insurance. 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 ten (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 thirty (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 Premises; (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 thirty (30) days' prior written notice of such cancellation or modification.

8.3 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.

8.4 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 and certificates shall be delivered to Landlord within thirty (30) days after the Premises is completed and thereafter within thirty (30) days before the expiration of the term of each such policy. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance must contain a provision that the company writing the policy will give Landlord thirty (30) days' written notice in advance of any cancellation, substantial change of coverage, or the effective date of any reduction in amount of insurance.

8.5 The obligations of Tenant to carry the insurance provided for may be brought within the coverage of a so-called blanket policy or policies of insurance; provided, however:

8.5.1 That the coverage afforded will not be reduced or diminished by reason of the use of such blanket policy of insurance;

8.5.2 That the requirements set forth are otherwise satisfied; and

8.5.3 That, as to all insurance, Landlord shall be named as additional insured.

8.6 Tenant acknowledges and agrees that Landlord shall have the right, at Landlord's sole election, to self-insure with respect to the Premises, this Lease, and/or any aspect of Landlord's business. Landlord will not insure Tenant nor will it maintain insurance of any kind for the benefit of Tenant on any improvements paid for by Tenant or on Tenant's furniture or furnishings or on any fixtures, equipment, improvements or appurtenances of Tenant under this Lease and Landlord shall not be obligated to repair any damage thereto or replace the same.

8.7 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 pursuant hereto be increased so that the amount adequately protects Landlord's interest based on amounts of coverage required of comparable Tenants in comparable Premises.

## 9. *Landlord's Right to Perform Tenant's Covenants*

9.1 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 ten (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):

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

9.1.2 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 for any such purpose, and take all such action, as may be necessary.

9.2 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 thirty (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 twelve percent (12%), shall constitute Additional Rent payable by Tenant under this Lease and shall be paid by Tenant to Landlord on demand.

#### 10. *Compliance with Legal Requirements*

10.1 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, whether or not the Legal Requirements or interfere with the use and enjoyment of the Premises, 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 Tenant's personal property, all or any part of the Premises in lieu of compliance with any Legal Requirement that may require expenditures on behalf of Tenant for continued use or occupation of the Premises.

10.2 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:

10.2.1 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 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

10.2.2 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

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

10.2.2.2 Prosecutes the contest with due diligence.

10.3 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.

#### 11. *Repairs and Maintenance*

11.1 Throughout the Term, Landlord shall have no obligations to repair or maintain the Premises. Tenant shall maintain the Premises and the Improvements in good repair and in accordance with all applicable laws and ordinances.

11.2 Landlord shall not be required to furnish to Tenant any facilities, utilities, 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, and the like, nor does Landlord make any warranty or representation in any way associated with the ability of Tenant to obtain such utilities or services from third parties.

#### 12. *Inspection and Access*

12.1 Tenant shall permit Landlord, or the authorized representative of any of them to enter the Premises at all reasonable times during Landlord's 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.

12.2 Landlord shall have the right to enter on the Premises at all reasonable times during Landlord's usual business hours for the purpose of showing the same to prospective purchasers of Landlord's interest and/or representatives of the Lender and any regulatory agency, and, at any time within the two months before the Term expires, for the purpose of showing the same to prospective purchasers

or Tenants. Tenant shall provide Landlord with advance notice of any spraying or activity which may be harmful to Landlord to enable Landlord to coordinate its access with Tenant.

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

12.4 Notwithstanding anything to the contrary contained herein, Landlord reserves at all times the right to enter upon the Premises and the Improvements at any time upon the request of by the Oregon Office of Safety and Security or the US Department of Homeland Security and to allow access to representatives of such agencies at all times. Landlord shall not be liable to Tenant, or any Subtenant, or to any third party for any action taken by any governmental authority, public safety personnel, or any third party, nor shall Landlord be liable for any act or omission of Landlord that Landlord deems reasonable or appropriate to protect life or property under such circumstances.

### 13. *Landlord's Exculpation and Indemnity*

13.1 Tenant shall bear all risk of loss with respect to all personal property of Tenant and Tenant's use and/or possession of the Premises and/or Improvements, including without limitation that which occurred during Tenant's occupancy of the Premises prior to the effective date hereof. Tenant is and shall be in exclusive control of the Premises, 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 any injury or damage to the Premises 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 from steam, gas, electricity, water, rain, or snow that may leak into, issue, or flow from any part of the Premises.

13.2 To the fullest extent permitted by law, Tenant shall indemnify, defend, and hold Landlord harmless against and from all liabilities, obligations, damages, penalties, claims, costs, charges, and expenses, including reasonable architect and attorney fees, which may be imposed on or incurred by or asserted against Landlord by reason of any of the following occurrences during the Term and during Tenant's occupancy of the Premises prior to the effective date hereof :

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

13.2.2 Any use, nonuse, possession, occupation, condition, operation, maintenance, or management of all or any part of the Premises;

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

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

13.2.5 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, and/or the Option Agreement on its part to be performed or complied with.

13.3 This indemnity and the provisions of this Section shall survive the expiration or termination of this Lease or of Tenant's right of possession with respect to any claim, loss, damage, liability or cause of action accruing or occurring prior to such expiration termination, and shall remain fully enforceable thereafter. For all purposes under this Lease any deliberate action on the part of Landlord taken in good faith in the exercise of such persons' assigned duties and responsibilities shall not constitute negligence or willful misconduct.

13.4 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.

### 14. *Condemnation*

14.1 If all the Premises are taken or condemned, by right of eminent domain or by purchase in lieu of condemnation, or if such portion of the Premises shall be so taken or condemned that the portion

remaining is not sufficient and suitable, in Landlord's sole judgment, to permit the restoration of the Premises following such taking or condemnation, then this Lease and the Term, at Landlord'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.

14.2 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:

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

14.2.1.1 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;

14.2.1.2 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 Tenant's leasehold estate as so taken and, provided this Lease is not terminated as a result of such condemnation or taking.

14.2.1.3 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.

14.2.2 If the court or such other lawful authority as may be authorized to fix and determine the awards fails to fix and determine, separately and apart, the Land Award and the Leasehold Award, such awards shall be determined and fixed by written agreement mutually entered into by and among Landlord, Tenant, and if an agreement is not reached within twenty (20) days after the judgment or decree is entered in the proceedings, the controversy shall be resolved in the same court as the condemnation action is brought, in such proceedings as may be appropriate for adjudicating the controversy; and

14.2.3 If the condemning authority refuses or otherwise fails to deduct from the Leasehold Award any Rent or other money due from Tenant to Landlord and to pay same directly to Landlord, then Tenant, shall execute and deliver to Landlord a written and acknowledged assignment of such amount payable out of such Leasehold Award, and if, nevertheless, the full amount of the Leasehold Award is paid to Tenant, the recipient shall hold in trust for Landlord and pay over to Landlord forthwith on the receipt of the award the amount or amounts so due.

14.3 If, during the Term, there is a taking or condemnation of the Premises that is not a total taking and not a temporary taking of the kind described below, or in the event of the change in the grade of the streets or avenues on which the Premises abuts, 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 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:

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

14.3.1.1 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 neither Tenant shall be entitled to receive any part of the award; and

14.3.1.2 If at the time of such taking there is a mortgage held by a Lending Institution, then such Lending Institution, or, if there is no such mortgage, then 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.

14.4 In the event of a taking of all or a part of the Premises 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 condemner for damages and to recover the same, for any negligent use, waste, or injury to the Premises throughout the balance of the then-current Term. The amount of damages so recovered shall belong to Tenant.

14.5 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.

#### 15. *Assignment and Subletting*

15.1 *Assignment and Subletting Prohibited.* Tenant shall not, either voluntarily or by operation of law, assign all or any part of Tenant's leasehold estate hereunder or any beneficial interest therein, permit the Premises to be occupied by anyone other than Tenant or Tenant's employees, sublet the Premises or any portion thereof, or encumber or pledge all or any portion of this Lease or Tenant's leasehold estate hereunder, without Landlord's express prior written consent in each and every instance, which consent may be withheld or issued subject to conditions, in Landlord's sole discretion. Any assignment, encumbrance, pledge, or Lease without Landlord's prior written consent shall be void and shall constitute a default hereunder. This provision shall apply to all mergers, dissolutions, and changes in control of Tenant of any type or nature, each of which shall be deemed assignments for the purposes of this Section.

15.2 *No Release of Liability.* Regardless of Landlord's consent, no subletting or assignment shall release Tenant's obligation or alter the primary liability of Tenant to pay the rent and to perform all other obligations to be performed by Tenant hereunder. The acceptance of rent by Landlord from any other person shall not be deemed to be a waiver by Landlord of any provision hereof. Consent to one assignment, encumbrance, pledge, or subletting shall not be deemed consent to any subsequent assignment, encumbrance, pledge, or subletting. If any assignee of Tenant or any successor of Tenant defaults in the performance of any of the terms hereof, Landlord may proceed directly against Tenant without the necessity of exhausting remedies against such assignee or successor. Landlord may consent to subsequent assignments, encumbrances, pledges, or subletting of this Lease or amendments or modifications to this Lease with assignees of Tenant, without notifying Tenant, or any successor of Tenant, and without obtaining its or their consent thereto, and such action shall not relieve Tenant of its liability under this Lease. If Tenant assigns this Lease, encumbers, pledges, or sublets all or a portion of the Premises, or requests the consent of Landlord to any assignment, encumbrance, pledge, or subletting, or if Tenant requests the consent of Landlord for any act that Tenant proposes to do, then Tenant shall pay Landlord's costs and reasonable attorneys' fees incurred in connection therewith.

#### 16. *Default; Remedies*

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

16.1.1 If Tenant defaults in the payment of Rent due and payable by Tenant, and such default continues for twenty (20) days after Landlord has given Tenant a notice specifying the same; or

16.1.2 If Tenant dies or becomes disabled to the extent that Tenant is unable to fulfill the purpose of this Lease;

16.1.3 If Tenant (or, if more than one person or entity constitutes Tenant, then by or against any such person or entity) shall: (i) make a general assignment for the benefit of creditors; (ii) admit in writing its inability to pay its debts as they become due; (iii) file a petition in bankruptcy; (iv) be adjudicated as bankrupt or insolvent; (v) file a petition seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation; (vi) fail to timely contest the material allegations of petition filed against it in any bankruptcy proceeding; (vii) seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Tenant or any material part of its properties; or (viii) is dissolved or Tenant's existence as a going business is terminated; or

16.1.4 If Tenant shall file a petition in bankruptcy or be the subject of involuntary proceedings in bankruptcy not vacated within thirty (30) calendar days, or if a receiver or trustee shall be appointed of Tenant's property, or if Tenant shall make an assignment for the benefit of creditors, or if this Lease shall, by operation of law or otherwise, pass to any person or persons other than Tenant. For purposes of this Subsection, "Tenant" shall mean and include the Tenant named herein (or, if more than



one person or entity constitutes Tenant, then by or against any such person or entity), any assignee or subtenant, and any partner, co-tenant, or guarantor in or of such Tenant or any assignee or subtenant; or

16.1.5 If this Lease or any estate of Tenant hereunder shall be levied upon under any attachment or execution and such attachment or execution is not vacated within ten (10) calendar days of the issuance of such attachment or execution; or

16.1.6 If Tenant fails to comply with any term or condition of any certificate of occupancy, permit or license applicable to the Property or the Premises; or

16.1.7 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 thirty (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 thirty (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.

16.2 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:

16.2.1 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.

16.2.2 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.

16.2.3 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.

16.2.4 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 ten percent (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.

16.3 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.

16.4 Landlord shall only be deemed to be in default under the terms of this Lease in the event Landlord shall fail to observe, keep or perform any covenant or agreement that is not observed, kept or performed by Landlord within forty five (45) calendar days after the receipt by Landlord of written notice

from Tenant of such failure, which notice shall specifically set out the failure. Landlord shall not be considered in default so long as Landlord commences to cure the failure in a diligent manner and Landlord shall thereafter be allowed such additional time as reasonably necessary to correct the failure. Tenant specifically agrees to look solely to Landlord's interest in the Premises for the recovery of any personal judgment from Landlord, it being agreed that Landlord (including the Protected Parties) shall not be personally liable for any such judgment. Tenant agrees that Landlord shall in no event and under no circumstances be responsible for any consequential damages or any amount in excess of the Rent actually received by Landlord pursuant to Section 3 of this Agreement.

16.5 IN NO EVENT SHALL LANDLORD BE LIABLE TO TENANT OR ANY THIRD PARTY FOR ANY LOST OR PROSPECTIVE PROFITS OR ANY OTHER SPECIAL, PUNITIVE, EXEMPLARY, CONSEQUENTIAL, INCIDENTAL OR INDIRECT LOSSES OR DAMAGES (IN TORT, CONTRACT OR OTHERWISE) UNDER OR IN RESPECT OF THIS LEASE OR FOR ANY FAILURE OR PERFORMANCE RELATED HERETO HOWSOEVER CAUSED, WHETHER OR NOT ARISING FROM LANDLORD'S SOLE, JOINT OR CONCURRENT NEGLIGENCE. TO THE EXTENT ANY PAYMENT REQUIRED TO BE MADE UNDER THIS LEASE IS AGREED BY THE PARTIES TO CONSTITUTE LIQUIDATED DAMAGES, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE AND THAT SUCH PAYMENT CONSTITUTES A REASONABLE APPROXIMATION OF SUCH DAMAGES, AND NOT A PENALTY. The obligations of Landlord under this Lease shall not be personally binding on, nor shall any resort be had to the private properties of, any of Landlord's trustees or board of directors and officers, as the case may be, the general partners thereof, or any beneficiaries, stockholders, employees, or agents of Landlord, or its property managers. It is expressly understood and agreed that any money judgment against Landlord resulting from any default of other claim arising under this Lease shall be satisfied only out of the rents, issues, profits, and other income actually received from the operation of the Premises from and after the date Landlord is adjudicated to be in default and a judgment is entered against Landlord with respect thereto. No other real, personal or mixed property of Landlord, wherever situated, shall be subject to levy on any such judgment obtained against Landlord. If such income is insufficient for the payment of such judgment, Tenant shall not institute any further action, suit, claim, or demand, in law or in equity, against Landlord for or on account of such deficiency. Tenant hereby waives, to the fullest extent waivable under law, any right to satisfy said money judgment against Landlord except from income received by Landlord from the Premises during the Term hereof.

16.6 Each right and remedy of Landlord 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.

#### 17. *No Abatement of Rent*

17.1 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 this Lease regarding casualty damage and/or condemnation, or for any other reason, cause, or occurrence.

17.2 Unless caused by Landlord, if any adjoining Premises or structure encroaches on the Premises, no claim, demand, or objection of any kind shall be made by Tenant against Landlord by reason of such encroachments; no claim for abatement of Rent due under this Lease shall be made by reason of such encroachments or acts of, or in connection with, removal of the encroachments. The rights, liabilities, and obligations of the parties shall be the same as if there were no encroachments. In any related legal proceedings, the Premises may properly and without prejudice be described according to the description previously used without reference to any such encroachments. Landlord agrees to cooperate with Tenant in any proceedings sought by Tenant to remove such encroachments, provided such cooperation does not cause Landlord to incur any expense.

18. *Transfer of Interest by Landlord.* 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 (including but not limited to Landlord's reversion).

19. *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 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.

20. *Quiet Enjoyment.* Subject to acts of government, third parties, and the provisions of this Lease, Tenant may peacefully have, hold and enjoy the Premises, subject to the other provisions hereof, provided that Tenant pays the Rent and performs all of Tenant's covenants and agreements herein contained, subject to any mortgage, master lease or other recorded documents having priority over this Lease and the documents, parties, and agencies set forth in Section 1 above. Notwithstanding the foregoing, Landlord shall not be responsible or liable for the interference, disturbance, acts, or omissions of any third party, including without limitation, occupants of the Premises or invitees on or about the Premises, nor shall Tenant be released from any of the obligations of this Lease because of such interference, disturbance, acts or omissions. It is understood and agreed that this covenant and any and all other covenants of Landlord contained in this Lease shall be binding upon Landlord and its successors only with respect to breaches occurring during their respective ownership of Landlord's interest hereunder.

#### 21. *Surrender*

21.1 Except as otherwise provided, Tenant, on the last day of the Term, shall surrender and deliver up the Premises and all Improvements to the possession and use of Landlord without fraud or delay, free and clear of all lettings and occupancies other than Leases then terminable at the option of Landlord or Leases to which Landlord shall have specifically consented, and free and clear of all liens and encumbrances other than those, if any, presently existing or created or suffered by Landlord, without any payment or allowance whatever by Landlord on account of any Improvements on the Premises.

21.2 Any Improvements located upon the Premises (e.g., buildings, structures, signs, fences, and the like) personal property of Tenant or any subtenant shall, at the option of Landlord, be promptly removed by Tenant at Tenant's expense. When furnished by or at the expense of Tenant or any subtenant, furniture, fixtures, and equipment may be removed by Tenant at or before this Lease terminates, provided, however, that the removal will not injure the Premises or necessitate changes in or repairs to the same. Tenant shall pay or cause to be paid to Landlord the cost of repairing any damage arising from such removal and restoration of the Premises to the condition before such removal.

21.3 Any improvements located upon the Premises (e.g., buildings, structures, signs, fences, and the like) personal property of Tenant or any subtenant that shall remain on the Premises after the termination of this Lease and the removal of Tenant or such subtenant from the Premises may, at the option of Landlord, be deemed to have been abandoned by Tenant or such subtenant 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 or any subtenant shall have a reasonable time thereafter to remove its personal property.

21.4 Landlord shall not be responsible for any loss or damage occurring to any property owned by Tenant or any subtenant during the Term or thereafter.

21.5 The provisions of this section shall survive expiration as well as any earlier termination of this Lease.

22. *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.

23. *No Representations.* Tenant acknowledges and agrees that Tenant has made its determination to lease the Premises based upon Tenant's inspection and investigation of the Premises, and is leasing the Premises "AS IS," without any representations and warranties by Landlord. Tenant specifically acknowledges that Tenant has continuously occupied the Premises for a number of years prior to the execution of this Lease Tenant has erected or constructed the Improvements and that Landlord makes no representations or warranties regarding environmental matters. 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). Tenant has, prior to the execution hereof, had the opportunity to conduct all tests and inspections deemed necessary or appropriate by Tenant with respect to the Premises and the suitability of the Premises for Tenant's intended use. Landlord shall have no liability because of, or as a result of, the existence of any law, regulation, or condition, either on the Premises or on adjacent land, which might affect Tenant's intended use of the Premises.

24. *Estoppel Certificate.* Either party, within ten (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.

25. *Force Majeure.* If the performance by either of the parties of their respective obligations under this Lease (excluding monetary obligations and the duty to insure, maintain, and surrender the Premises and/or to indemnify Landlord) 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.

26. *Notices.* Any notice required or permitted by the terms of this Lease shall be deemed given if delivered personally to an officer of 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:

Portland General Electric Company  
Attn: Mike Livingston  
1WTC0401, 121 SW Salmon Street  
Portland, Oregon 97204

with copy to:

Portland General Electric Company  
Attn: Mark R. Lindley  
1WTC1301, 121 SW Salmon Street  
Portland, Oregon 97204

If to Tenant:

Eric Johansen, President  
Salem United Soccer Club  
345 Washington Street



Salem, Oregon 97302

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.

26.1 Tenant shall immediately send to Landlord, in the manner prescribed above for giving notice, copies of all notices given by it to any mortgagee or received by it from such mortgagee, and copies of all notices that it receives with respect to the Premises or Improvements from any government authorities, fire regulatory agencies, and similarly constituted bodies, and copies of its responses to such notices.

26.2 Notwithstanding anything in this section to the contrary, any notice mailed to the last designated address of any person or party to which a notice may be or is required to be delivered pursuant to this Lease or this section shall not be deemed ineffective if actual delivery cannot be made due to a change of address of the person or party to which the notice is directed or the failure or refusal of such person or party to accept delivery of the notice.

#### 27. *Miscellaneous Provisions.*

27.1 *Costs and Attorney Fees.* In the event suit, action, arbitration or mediation is instituted in connection with this Lease, including but not limited to litigation or proceedings in Bankruptcy Court whether or not regarding issues which are unique to bankruptcy law, the losing party shall pay the prevailing party's reasonable attorneys' and paralegals' fees and court costs at and in preparation for any proceeding, whether at trial, appeal therefrom, on any petition for review, or in any arbitration or mediation. If Landlord prevails, to the extent that Landlord has been represented by Landlord's in-house legal counsel, Landlord's attorney fees shall be computed on the basis of those of a private attorney in downtown Portland, Oregon, who practices in a firm having at least as many attorneys as are employed by Landlord's in-house legal department, and who have experience comparable or greater to Landlord's in-house associate general counsel. If, upon the occurrence of a default by Tenant, Landlord consults with an attorney (in house or otherwise) regarding the enforcement of its rights under this Lease or at law, Tenant shall pay all reasonable attorneys' fees and other related costs incurred by Landlord in connection therewith.

27.2 *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.

27.3 *Applicable Law.* This Lease shall be governed by, and construed in accordance with, the laws of the Oregon. In the event any action is brought to enforce or interpret any term of this Agreement exclusive venue shall be in Marion County, Oregon, and each party hereby unconditionally and irrevocably consents to the jurisdiction of the Oregon state courts.

27.4 *Interest on Rent Arrearages.* All arrearages in the payment of Rent that Tenant fails to pay within the ten (10) day period after notice from Landlord shall bear interest from the date due until paid, at the rate defined in Section 27.8 hereof.

27.5 *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.

27.6 *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 (Subject to Landlord's approval in accordance with Section 15).

27.7 *Captions and Table of Contents.* 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. Any 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.

27.8 *Performance by Landlord.* All covenants to be performed by Tenant under this Lease shall be performed by Tenant at Tenant's sole cost and expense and without any abatement of rent. If Tenant shall fail to pay any sum of money owed to any party other than Landlord for which it is liable hereunder, or if Tenant shall fail to perform any other act on its part to be performed hereunder, Landlord, without

waiving such default or any other right or remedy, may but shall not be obligated to, make any such payment or perform any such other act to be made or performed by Tenant. All sums so paid by Landlord and all necessary incidental costs, together with interest thereon at a per annum rate equal to the rate of twelve percent (12%) per annum from and after the date on which such payment was due until paid in full and shall be payable to Landlord on demand; provided, however, that in no event shall such charge be greater than that permitted by applicable state law.

27.9 *Definition of Landlord.* As used herein, the term "Landlord" means the person hereinabove named as such, and its successors and assigns (each of whom shall have the same rights, remedies, powers, authorities and privileges as it would have had, had it originally signed this Lease as the Landlord). No person holding Landlord's interest hereunder (whether or not such person is named as "Landlord" herein) shall have any liability hereunder after such person ceases to hold such interest.

27.10 *Definition of "Tenant".* As used herein, the term "Tenant" means each person hereinabove named as such and such person's heirs, personal representatives, successors and assigns, each of whom shall have the same obligations, liabilities, rights and privileges as it would have possessed had it originally executed this Lease as Tenant; provided, that no such right or privilege shall inure to the benefit of any assignee of Tenant, immediate or remote, unless the assignment to such assignee is made in accordance with the provisions herein. Whenever two or more persons constitute Tenant, all such persons shall be jointly and severally liable for performing Tenant's obligations hereunder and each irrevocably waives, disclaims and relinquishes all claims against one another which each such party has or would otherwise have by virtue of payment of any sums to Landlord, specifically including but not limited to all rights of indemnity, subrogation, contribution or exoneration. To the extent the context of any provisions of this Lease makes it appropriate, including without limitation any representation, warranty or covenant, the word "Tenant" as used herein shall include all subsidiaries and affiliates of the Tenant. Notwithstanding the foregoing however, under no circumstances shall this Lease be construed to require Landlord to formally recognize or make any accommodation to any subsidiary or affiliate of Tenant.

27.11 *Consent.* Wherever in this Lease Tenant is required to obtain Landlord's consent, Tenant shall reimburse Landlord for all reasonable costs and expenses associated with processing any request for approval, regardless of whether such proposal is approved or denied, including, but not limited to, attorneys' fees for outside counsel. No consent required by Landlord under this Lease shall be granted unless in writing. Unless otherwise specifically set forth herein, consent by Landlord may be withheld or conditioned in the sole discretion of Landlord. Specifically, without limitation, Landlord's consent may be denied or conditioned upon Landlord's determination of the environmental aspects of the use of the property by Tenant and/or by the proposed assignee or subtenant. As a condition to any consent, Landlord may require that any other party or parties with a right of consent issue such consent on terms acceptable to Landlord. The consent or approval of Landlord to or of any act by Tenant requiring Landlord's consent or approval shall not be deemed to waive or render unnecessary Landlord's consent to or approval of any subsequent similar acts by Tenant. In no event shall Tenant have the right to terminate this Lease, and in no event shall Landlord be liable for monetary damages, based on a claim that consent has been unreasonably withheld or conditioned or otherwise arising from the withholding or conditioning of consent.

27.12 *Third Parties.* Nothing contained herein nor the transactions contemplated hereby, express or implied, shall be deemed to inure to the benefit of any person or entity not a party to this Lease, this Lease being intended solely for the benefit of Landlord and Tenant, nor shall it confer upon any such party or entity any right or remedy of any nature whatsoever.

27.13 *Survival.* The release and indemnity covenants of Tenant, the limitations of liability, the right of Landlord to enforce its remedies hereunder, the attorneys' fees provisions hereof, the provisions of Section 8 and Section 12, 13, 15 and this Section 13 hereof, as well as all provisions of this Lease which contemplate performance after the expiration or termination hereof or the termination of Tenant's right to possession hereunder, shall survive any such expiration or termination.

27.14 *Recording.* Tenant shall not record this Lease or any memoranda hereof without the prior written consent of Landlord, and if such consent is forthcoming, Tenant shall pay all charges and taxes incident to such recording.

27.15 *Necessary Documents.* Each party at the request of any other party shall provide any information and execute, acknowledge and deliver any and all documents and instruments reasonably necessary to complete the protection contemplated by this Lease and to give full effect to this Lease.

27.16 *Authorization.* The execution, delivery, and performance of this Lease by Tenant, to the extent to be executed, delivered or performed by Tenant, have been duly authorized by all necessary action by Tenant; do not require the consent or approval of any other person, regulatory authority or governmental body; and do not conflict with, result in a violation of; or constitute a default under (a) any provision of its articles of incorporation or organization, or bylaws, or any agreement or other instrument binding upon Tenant or (b) any law, governmental regulation, court decree, or order applicable to Tenant. Tenant agrees to furnish Landlord promptly upon request a corporate resolution, proof of due authorization by partners, or other appropriate documentation evidencing the due authorization of Tenant to enter into this Lease.

27.17 *Good Faith.* The parties agree that the phrase "good faith" will mean honesty in fact and the observance of reasonable commercial standards of the trade as used in or applied by any mediator, arbitrator, or judge to the performance or enforcement of this Lease, including the rights and obligations of the parties hereunder.

27.18 *English Language.* This Agreement may be translated into one or more languages for the convenience of the parties or to comply with any law, however, in any controversy between the parties, the English language version of the Agreement shall be controlling.

27.18 *Rider.* If a Rider is attached to this Lease, the additional provisions contained therein shall constitute a part of this Lease. In the event there is a conflict between the body of the Lease and the Rider, the language of the Rider shall control.

27.19 *Statutory Warning*

"THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES."

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 197.352. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 197.352.

**"NO OPTION OR OFFER"**

The submission of this Lease by Landlord, its broker, agent or representative, for examination or execution by Tenant, does not constitute an option or offer to lease the Premises upon the terms and conditions contained herein or a reservation of the Premises in favor of Tenant; it being intended hereby that notwithstanding the preparation of space plans and/or tenant improvements plans, etc., and/or the expenditure by Tenant of time and/or money while engaged in negotiations in anticipation of it becoming the Tenant under this Lease, or Tenant's forbearing pursuit of other leasing opportunities, or even Tenant's execution of this Lease and submission of same to Landlord, that this Lease shall become effective and binding upon Landlord only upon the execution hereof by Landlord and its delivery of a fully executed counterpart hereof to Tenant. No exception to the foregoing disclaimer is intended, nor shall any be implied, from expressions of Landlord's willingness to negotiate in good faith with respect to any of the terms and conditions contained herein.

IN WITNESS WHEREOF, Tenant and Landlord have caused this Lease to be executed by their duly authorized officers as of the day and year first above written.

**LANDLORD:**

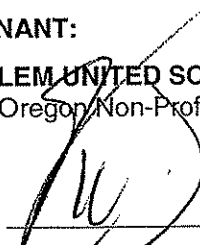
**PORTLAND GENERAL ELECTRIC COMPANY,**  
an Oregon Corporation

By: \_\_\_\_\_ 

Printed Name: Stephen Quennoz  
Title: Vice President

**TENANT:**

**SALEM UNITED SOCCER CLUB,**  
an Oregon Non-Profit Corporation

By: \_\_\_\_\_ 

Printed Name: Eric Johansen  
Title: President



**EXHIBIT "A"**

**Description of Premises**

A parcel of land being situated in the Southeast ¼ of Section 29, Township 7 South, Range 2 West, Willamette Meridian, Marion County, Oregon, the said parcel being a portion of that certain tract conveyed to PGE Company by Betty M. Wilson and J. Hobart Wilson by that certain Warranty Deed dated July 19, 1974 and recorded on July 31, 1974 in Volume 784, Page 55 of Deed Records of said county. The said parcel is more particularly described as follows, to-wit:

Beginning at a point which is the Southeast corner of a tract of land conveyed for use as a part of a County Road, by deed recorded in Volume 133, Page 149, Deed Records for Marion County, Oregon, which point is .30 chains North and 1.00 chain West from the most Northerly Northwest corner of the J. C. Caplinger Donation Land Claim No. 75, in Township 7 South, Range 2 West of the Willamette Meridian, in Marion County, Oregon; thence North along the East line of said County Road 20.302 chains, more or less, to the South line of the Southern Pacific Railroad right-of-way; thence East along the South line of said railroad right-of-way 2,002.94 feet, more or less, to the Northwest corner of the tract of land described in the deed recorded in Volume 498, Page 194, Deed Records for Marion County, Oregon; thence South along the West line of said tract and the West line of a tract of land described in the deed recorded in Volume 498, Page 353, Deed Records for Marion County, Oregon 1,273.75 feet, more or less, to the South line of the Ann Woodside Donation Land Claim No. 74; thence West along the South line of said Claim and the North line of said Caplinger Claim 1,936.31 feet, more or less, to the point of beginning.

SAVE AND EXCEPT that parcel of land contained in deed, recorded March 27, 1969 in Book 661, Page 842, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded July 10, 1969 in Book 668, Page 1, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded March 15, 1972 in Book 722, Page 556, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded April 28, 1978 in Reel 121, Page 1729, Deed Records.

ALSO SAVE AND EXCEPT rights of the public in and to that portion of the herein described property lying within the boundaries of public roads and roadways.

**LANDLORD:**

**PORTLAND GENERAL ELECTRIC COMPANY,**  
an Oregon Corporation

By: \_\_\_\_\_

Printed Name: Stephen Quennoz  
Title: Vice President

**TENANT:**

**SALEM UNITED SOCCER CLUB,**  
an Oregon Non-Profit Corporation

By: \_\_\_\_\_

Printed Name: Eric Johansen  
Title: President

*After Recording, Return To:*

Cascade Futbol Club  
Attn: Eric R. Johansen, President  
345 Washington Street  
Salem, Oregon 97302

*Send Tax Statements to:*

Cascade Futbol Club  
Attn: Eric R. Johansen, President  
345 Washington Street  
Salem, Oregon 97302

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**SPECIAL WARRANTY DEED  
WITH RESTRICTIVE COVENANTS**

**PORTLAND GENERAL ELECTRIC COMPANY**, an Oregon Corporation ("Grantor"), conveys and specially warrants to **CASCADE FUTBOL CLUB**, an Oregon Non-Profit Corporation ("Grantee"), the following described real property situated in Marion County, Oregon, subject to and conditioned upon the rights, covenants and restrictions set forth below:

Legal description shown on *Exhibit "1"* attached hereto and incorporated herein (the "Property").

The true consideration for this conveyance is Two Hundred Seventy Five Thousand One Hundred Sixty Dollars (\$275,160.00) and other property or value given including without limitation the Restrictive Covenants contained herein.

The Property is conveyed by Grantor and accepted by Grantee subject to all exceptions, covenants, and restrictions of record. The Property and all aspects thereof is conveyed by Grantor and accepted by Grantee in its present condition, *AS IS WHERE IS*, with all faults, latent and patent, know or unknown. Grantor reserves in perpetuity all mineral, water, gas, geothermal, and oil rights.

1. *Restrictive Covenants.* The Purpose of the following Restrictive Covenants is to preserve and protect in perpetuity the Property for use as a youth soccer complex, "open" or "green" space, and/or a public park, in accordance with all applicable laws, statutes, and regulations, and to maintain a physical buffer between other property owned by Grantor which adjoins a portion of the Property ("Grantor's Adjacent Property") and neighboring properties and to prevent use of the Property for any purpose that would impair, degrade or interfere with the preservation of those natural features and unique value to Grantor and/or the ability of Grantor to use Grantor's Adjoining Property. The terms and conditions of the Restrictive Covenants shall be liberally construed in favor of the Grantor to effect the purposes of this Deed. The obligations and restrictions contained in this Deed shall bind and benefit the successors and assigns of the parties hereto. If Grantor's Option to Purchase has not been exercised beforehand, the Restrictive Covenants contained herein will expire twenty five (25) years after the recording of this Deed.

1.1 The Property shall be used solely as a youth soccer complex, "open" or "green" space, and/or a public park, and for no other purpose. Grantee shall, and shall cause each representative or agent of Grantee to use the Property in perpetuity solely for the foregoing purpose in accordance with all applicable laws, statutes, and regulations. In no event shall the Property be developed in any fashion for commercial or residential purposes.

1.2 Grantee acknowledges that Grantor currently operates an electrical substation and may construct and operate a generation facility or may allow a third party to construct and/or operate on Grantor's Adjoining Property. Grantee shall not oppose any use or operation on Grantor's Adjoining Property and shall reasonably cooperate with Grantor in applying for and obtaining all approvals and designations deemed necessary or appropriate by Grantor with respect to Grantor's Adjoining Property. Grantor reserves the right at all times to post such signage on or about the Property as Grantor deems

necessary or appropriate advising the public of Grantor's disclaimer of liability with respect to the Property and/or Grantor's intent to construct and operate a substation and/or generation facility on or about Grantor's Adjoining Property. Such signage shall be in a form, content and location reasonably acceptable to Grantor.

1.3 Grantee acknowledges that Grantee has granted Grantor certain advertising, sponsorship, and naming rights as set forth in that certain Option Agreement between Grantor and Grantee dated as of the 1<sup>st</sup> day of December, 2006. Said rights of Grantor and obligations of Grantee survive the exercise of the Option and the execution, delivery, and recording of this Deed and shall remain fully enforceable in accordance with their terms as if fully set forth herein.

1.4. Grantee shall at all times use the Property, and shall cause the Property to be maintained, and shall cause all activities on the Property to be conducted consistent with the purposes of the Restrictive Covenants. The following shall each be prohibited uses:

1.4.1 Neither the Property, nor any part thereof, nor any beneficial interest therein shall be sold, agreed to be sold, conveyed, assigned, leased or encumbered or alienated in any fashion, voluntarily or by operation of law, without first having obtained the written consent and approval of Grantor. Grantor shall not grant any right in or to any aspect of the Property to any third person or entity. Any such grant or transfer shall be subject and subordinate to the rights of Grantor including without limitation the option in favor of Grantor set forth in Section 3 below;

1.4.2 The development, division, subdivision or de facto partition or subdivision of the Property;

1.4.3 Mining or mineral, water, geothermal, oil or gas extraction; and

1.4.4 Landfill or the dumping or other disposal of noncompostable refuse, trash, unsightly or toxic materials or agrichemicals.

1.5 Grantor reserves the following rights:

1.5.1 To access to the Property by any reasonable means and at any reasonable time for any of the purposes set forth herein;

1.5.2 To inspect the Property to determine compliance with the terms of the Restrictive Covenants at any reasonable time;

1.5.3 To enforce the Restrictive Covenants by appropriate legal or equitable proceedings, including, but not limited to, the right to enjoin any activity on, or use of, the Property which is prohibited by or inconsistent with any of the Restrictive Covenants, or inconsistent with Grantor's rights hereunder, and/or to require the restoration of the Property to its condition at the time of the conveyance of the Property to Grantee; and

1.5.4 To enforce Grantor's right to purchase set forth in Section 3 herein.

2. *Default and Remedies.* Time is of the essence hereof. The conveyance from Grantor to Grantee is expressly subject to and conditioned upon strict and continuous compliance with the Restrictive Covenants set forth herein. Upon the failure by Grantee to observe and perform any material covenant, condition or agreement on its part to be observed or performed pursuant to any one or more of the Restrictive Covenants, or in the event that Grantee is dissolved or is no longer a functioning entity, and if such condition/default continues after a period of thirty (30) days after written notice by or on behalf of Grantor specifying such default has been delivered to Grantee at the address set forth herein, then Grantor shall have the right to exercise any or all of the remedies available to it at law and in equity, including without limitation, the right to enjoin any activity on, or use of, or condition which is prohibited by or inconsistent with the rights of Grantor and/or the obligations of Grantee contained herein, all in addition to and not exclusive of Grantor's Option to Purchase set forth below.

3. *Option to Purchase.* Grantee hereby grants unto Grantor the sole and exclusive right and option to purchase the Property, or any portion thereof (the "Option"), for the then fair market value of the Property identified in the Exercise Notice, as determined by an MAI Appraisal commissioned by Grantor. The existence of the restrictions imposed by this Deed shall be considered in determining fair market value regardless of whether or not such restrictions will ultimately restrict the use of the subject property by Grantor or Grantor's assigns. The foregoing option must be exercised in writing by Grantor (the "Exercise Notice") within one hundred twenty (120) days of the failure of Grantee to remedy any violation of the Restrictive Conditions or default hereunder in accordance with Section 2 above ("triggering event"), even if the expiration of such hundred twenty (120) day period is after the expiration of the twenty five year period referenced in Section 1 above. The failure of Grantor to exercise the Option with respect to any particular triggering event shall not serve to diminish or waive Grantor's future rights pursuant hereto which shall be

fully enforceable with respect to any other or subsequent triggering event. In the event that Grantor so exercises the Option, then Grantor shall be legally obligated to purchase, and Grantee shall be legally obligated to sell, the Property identified in the Exercise Notice on the terms and conditions set forth herein. Closing shall occur within one hundred eighty days (180) following the exercise of the Option by Grantor, the specific date of closing and title company to be determined by Grantor. The Property shall be conveyed to Grantor free and clear of all encumbrances created, suffered or allowed by Grantee save and except those in favor of Grantor. Closing costs shall be borne equally by the parties except that Grantee shall pay the premium associated with an ALTA standard title insurance policy. The foregoing option to purchase may be granted, conveyed, transferred or devised by Grantor, and by the subsequent grantees or devisees thereof, either before or after the option has been exercised, without waiver of any of the Restrictive Covenants contained herein.

4. *Severability.* If any provision of this instrument is determined to be ambiguous or invalid an interpretation consistent with the purpose that would render the provision valid shall be favored over any interpretation that would render it invalid. If any provision of this Deed is held to be invalid or unenforceable, the remainder of the Deed, or the application of such provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby, and each provision of this Deed shall be valid and enforceable to the fullest extent permitted by law. If any provision of this Deed is found to be generally unenforceable but is partially enforceable, then the provision shall be automatically amended so that it may be enforced to the fullest extent allowed by law, specifically including without limitation Grantor's right to purchase the Property.

5. *Limitation of Remedies.* In no event shall Grantor be liable to Grantee or any person or entity for any special, consequential, incidental, indirect, exemplary or punitive damages, however caused, arising out of or in any way related to such individual's presence and/or activities on, about, or with respect to the Property and/or this Deed, regardless of the form of action, whether for breach of contract, breach of warranty, tort, or negligence.

6. *Notices.* Notices under this Deed shall be in writing and shall be effective when actually delivered by personal delivery or facsimile or one (1) business day after being deposited in the United States Mails, certified, return receipt requested, directed to the other party at the address set forth below, or to such other address as the party may indicate by written notice to the other party:

If to PGE: Portland General Electric Company.  
121 SW Salmon Street; 1WTC0401  
Portland, OR 97204  
Attn: Mike Livingston  
Facsimile: (503) 464-2863

With a copy to: General Counsel  
Portland General Electric Company  
121 SW Salmon Street, 1WTC1301  
Portland, OR 97204  
Facsimile: (503) 464-2200

If to Salem FC: Cascade Futbol Club  
345 Washington Street  
Salem, Oregon 97302  
Attn: Eric R. Johansen, President

This Deed and the obligations, options, restrictions, and other rights and obligations contained herein run with the land and shall inure to the benefit of and bind the parties hereto, their respective assigns, heirs, devisees, administrators, executors, members, managers, distributes, trustees, and any who take through or under any of them.

BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 197.352. THIS INSTRUMENT DOES NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATONS. BEFORE SIGNING OR

ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES, TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 AND TO INQUIRE ABOUT THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 197.352.

IN WITNESS HEREOF, Grantor has caused this Deed to be signed by its duly authorized representative this \_\_\_ day of \_\_\_\_\_, 2007.

**PORTLAND GENERAL ELECTRIC COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

*Exhibit "1" ~ Legal Description of Property*

STATE OF OREGON                    )  
  ) ss.  
County of \_\_\_\_\_            )

This instrument was acknowledged before me on this \_\_\_ day of \_\_\_\_\_, 2007, by \_\_\_\_\_ as \_\_\_\_\_ and authorized representative of Portland General Electric Company.

\_\_\_\_\_  
Notary Public for Oregon  
My Commission Expires \_\_\_\_\_

**This Special Warranty Deed and all restrictions, terms and conditions herein are hereby acknowledged and accepted by:**

**CASCADE FUTBOL CLUB**  
an Oregon Non-Profit Corporation

By: \_\_\_\_\_

Printed Name: Eric R. Johansen  
Title: President

STATE OF OREGON                    )  
  ) ss.  
County of \_\_\_\_\_            )

This instrument was sworn and subscribed to before me on this \_\_\_ day of \_\_\_\_\_, 2007, by *ERIC R. JOHANSEN* as the President and authorized representative of *CASCADE FUTBOL CLUB*, an Oregon Non-Profit Corporation.

\_\_\_\_\_  
Notary Public for Oregon  
My Commission Expires \_\_\_\_\_

**EXHIBIT "1"**

**Legal Description of Property**

A parcel of land being situated in the Southeast ¼ of Section 29, Township 7 South, Range 2 West, Willamette Meridian, Marion County, Oregon, the said parcel being a portion of that certain tract conveyed to PGE Company by Betty M. Wilson and J. Hobart Wilson by that certain Warranty Deed dated July 19, 1974 and recorded on July 31, 1974 in Volume 784, Page 55 of Deed Records of said county. The said parcel is more particularly described as follows, to-wit:

Beginning at a point which is the Southeast corner of a tract of land conveyed for use as a part of a County Road, by deed recorded in Volume 133, Page 149, Deed Records for Marion County, Oregon, which point is .30 chains North and 1.00 chain West from the most Northerly Northwest corner of the J. C. Caplinger Donation Land Claim No. 75, in Township 7 South, Range 2 West of the Willamette Meridian, in Marion County, Oregon; thence North along the East line of said County Road 20.302 chains, more or less, to the South line of the Southern Pacific Railroad right-of-way; thence East along the South line of said railroad right-of-way 2,002.94 feet, more or less, to the Northwest corner of the tract of land described in the deed recorded in Volume 498, Page 194, Deed Records for Marion County, Oregon; thence South along the West line of said tract and the West line of a tract of land described in the deed recorded in Volume 498, Page 353, Deed Records for Marion County, Oregon 1,273.75 feet, more or less, to the South line of the Ann Woodside Donation Land Claim No. 74; thence West along the South line of said Claim and the North line of said Caplinger Claim 1,936.31 feet, more or less, to the point of beginning.

SAVE AND EXCEPT that parcel of land contained in deed, recorded March 27, 1969 in Book 661, Page 842, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded July 10, 1969 in Book 668, Page 1, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded March 15, 1972 in Book 722, Page 556, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded April 28, 1978 in Reel 121, Page 1729, Deed Records.

ALSO SAVE AND EXCEPT rights of the public in and to that portion of the herein described property lying within the boundaries of public roads and roadways.

After Recording Please Return To:  
Portland General Electric Company  
Attn: Property Services  
121 SW Salmon Street, 1WTC-04  
Portland, Oregon 97204

Forward All Tax Statements To:

No Change

(Space above this line for Recorder's use.)

#### TRANSMISSION, DISTRIBUTION AND ACCESS EASEMENT

For good and valuable consideration the current receipt, reasonable equivalence, and sufficiency of which is hereby acknowledged by Grantor, *CASCADE FUTBOL CLUB*, an Oregon Non-Profit Corporation ("Grantor") hereby warrants, grants, and conveys to *PORTLAND GENERAL ELECTRIC COMPANY*, an Oregon Corporation, and its successors and assigns ("Grantee"), a permanent perpetual Easement and right-of-way over, under, upon, through, and across a strip of land situated in Marion County, Oregon, and more particularly described in *Exhibit "E-1"* hereto and depicted in *Exhibit "E-2"* hereto (the "Easement"), together with the right of ingress to and egress from, along and upon said Easement and right of way and over and across Grantor's adjoining properties.

#### TERMS, CONDITIONS, AND COVENANTS

1. **Grantee's Rights.** Grantee shall have the non-exclusive right to enter upon the Easement Area and to erect, maintain, repair, rebuild, operate, secure and patrol electric power transmission and/or distribution lines and signal or communication lines, and related facilities, antennas, and equipment, and all uses directly or indirectly necessary thereto. Such uses shall include the erection of poles, wires, cables, guys, supports and appurtenances and the protection thereof from fire and other hazards. Grantee, and Grantee's employees, agents, representatives, contractors, and invitees, shall have the right to enter upon the Easement for all purposes deemed necessary or appropriate, including without limitation, access, ingress and egress to Grantee's properties, easement(s), substation(s), transmission lines, facilities and equipment, together with all rights, uses, and privileges directly or indirectly necessary or convenient for the full enjoyment, use, and exercise of Grantee's rights under this Easement and Grantee's neighboring properties and property interests, doing all such acts or things on the Easement, and all works necessary or appurtenances ancillary, in connection with or related to all or any portion of the foregoing. Grantee shall have no obligation to restore the Easement following any such activity.

2. **Consideration.** The consideration acknowledged herein is accepted by Grantor as full compensation for all current and future damages, injuries, and loss of value incidental to or in any way associated with this Easement and right of way and over and across Grantor's adjoining properties.

3. **Grantor's Use.** Grantor shall have the right to use the Easement Area for all purposes not inconsistent with the uses and purposes of this Easement, except Grantor interfere with the use, or exercise by Grantee of Grantee's rights under the Easement and shall not build, erect, locate, or maintain any structure or improvement upon, over or under the Easement Area, except a fence not to exceed twelve (12) feet in height, without the prior written consent of Grantee, nor shall Grantor allow any encroachments which could interfere with or compromise Grantee's ability to exercise its rights under this Easement. Grantor shall obtain the prior written consent of Grantee before drilling, excavating, or making any changes in grade or erecting any obstructions or structures upon over or under the Easement. In the event any such encroachment occurs,

Grantor shall have no right to claim additional compensation based upon the removal or damage to the source of the encroachment.

**4. Grantor Representations and Warranties.** Grantor represents, covenants, and warrants to Grantee that Grantor is lawfully seized in fee simple title to the Easement; that Grantor has the unrestricted legal right and authority to grant this Easement and that no other party has an ownership interest in the Easement or any portion thereof (including the associated water, timber or mineral rights) whatsoever; and that the execution and performance of this Easement by Grantor will not breach any duty or obligation of Grantor; and Grantor shall forever indemnify and hold Grantee harmless with respect thereto.

**5. Cathodic Protection.** Grantor acknowledges that metallic structures which come into contact with any forms of electrolytically conducting environments (i.e., environments containing enough ions to conduct electricity such as soils, seawater and basically all natural waters) will corrode and deteriorate at an accelerated pace. Grantor is and shall remain responsible for determining, implementing, monitoring, and maintaining all means of cathodic protection with respect to any of Grantor's properties in or along the Easement Area and Grantor hereby releases Grantee and shall indemnify and hold Grantee harmless from any damage, claims or liability incurred or associated therewith.

#### **6. Miscellaneous.**

**6.1 Easement Is Appurtenant and Runs With Land.** This Easement shall be appurtenant to Grantee's neighboring property, shall be an adjunct of, and inseparable from Grantee's property and shall accompany any transfer of Grantee's property. This Easement shall run with the land and shall be binding on Grantor and shall inure to the benefit of Grantee, and Grantee's heirs, executors, administrators, successors, and assigns, as well as the tenants, sub-tenants, licensees, concessionaires, mortgagees in possession, customers, and invitees of such persons.

**6.2 Liabilities.** In no event shall Grantor or Grantee be liable to one another or any other person or entity for any lost or prospective profits or any other special, punitive, exemplary, consequential, incidental or indirect losses or damages (in tort, contract or otherwise) under or in respect of this Easement or for any failure of performance related hereto howsoever caused, whether or not arising from such party's sole, joint or concurrent negligence.

**6.3 Applicable Law/Costs and Attorney Fees.** This Agreement shall be interpreted, construed and enforced in accordance with the law of the State of Oregon with venue for any action being in Clackamas County, Oregon. In the event that either party finds it necessary to enforce any right under this Easement such party shall be entitled to all reasonable costs and attorney's fees incurred in enforcing such rights. Such sums shall be in addition to all other sums provided by law.

**6.4 Required Actions/Necessary Documents.** Grantor agrees to cooperate with Grantee to obtain all necessary permits, licenses and governmental action so that Grantee may enjoy the full use and benefit of this Easement. Grantor and Grantee each agree to execute all such instruments and documents and to take all actions pursuant to the provisions of this Easement in order to consummate the grant and delivery of this Easement to Grantee upon terms and conditions acceptable to Grantee and shall use their best efforts to accomplish such actions in accordance with the provisions herein.

**6.5 Survey.** In the event the property subject to this Easement is later surveyed if so requested by Grantee, Grantor agrees to fully and promptly cooperate in modifying the legal description of the Easement to the extent deemed reasonably necessary or appropriate by Grantee to coincide with such survey and to promptly execute any documents deemed reasonably necessary or appropriate by Grantee to memorialize any such modifications.

**6.6 Counterparts.** This Easement may be executed in counterparts, and such counterparts together shall constitute but one original of the Easement. Each counterpart shall be equally admissible in evidence, and each original shall fully bind each party who has executed it.

**6.7 Entire Agreement.** The Recitals are true and correct and are incorporated herein by reference. This instrument, along with any exhibits and attachments or other documents affixed hereto or referred to herein, constitute the entire and exclusive agreement between Grantee and Grantor relative to the Easement. This Easement may be altered and/or revoked only by an instrument in writing signed by both Grantee and Grantor. Grantee and Grantor hereby agree that all prior written and oral agreements, understandings and/or practices relative to the Easement are superseded by this instrument.

As used herein and where the context so requires, the singular includes the plural and all grammatical changes shall be implied to make the provisions hereof apply equally to corporations and to individuals.



IN WITNESS WHEREOF, Grantor has executed this Easement effective as of the \_\_\_\_ day of \_\_\_\_\_, 2007.

**GRANTOR:**

**CASCADE FUTBOL CLUB,**  
an Oregon Non-Profit Corporation

By: \_\_\_\_\_  
Printed Name: Eric R. Johansen  
Title: President

STATE OF OREGON            )  
  ) ss.  
County of \_\_\_\_\_        )

This instrument was sworn and subscribed to before me on the \_\_\_\_ day of \_\_\_\_\_, 2007,  
by *Eric R. Johansen*, who is the President and the authorized representative of *CASCADE FUTBOL CLUB*, an  
Oregon Non-Profit Corporation ("Grantor").

\_\_\_\_\_  
Notary Public for OREGON  
My commission expires: \_\_\_\_\_

**EXHIBIT "E-1"**

**LEGAL DESCRIPTION OF EASEMENT**

Situated in the Southeast quarter of Section 29, Township 7 South, Range 2 West, Willamette Meridian, Marion County, Oregon.

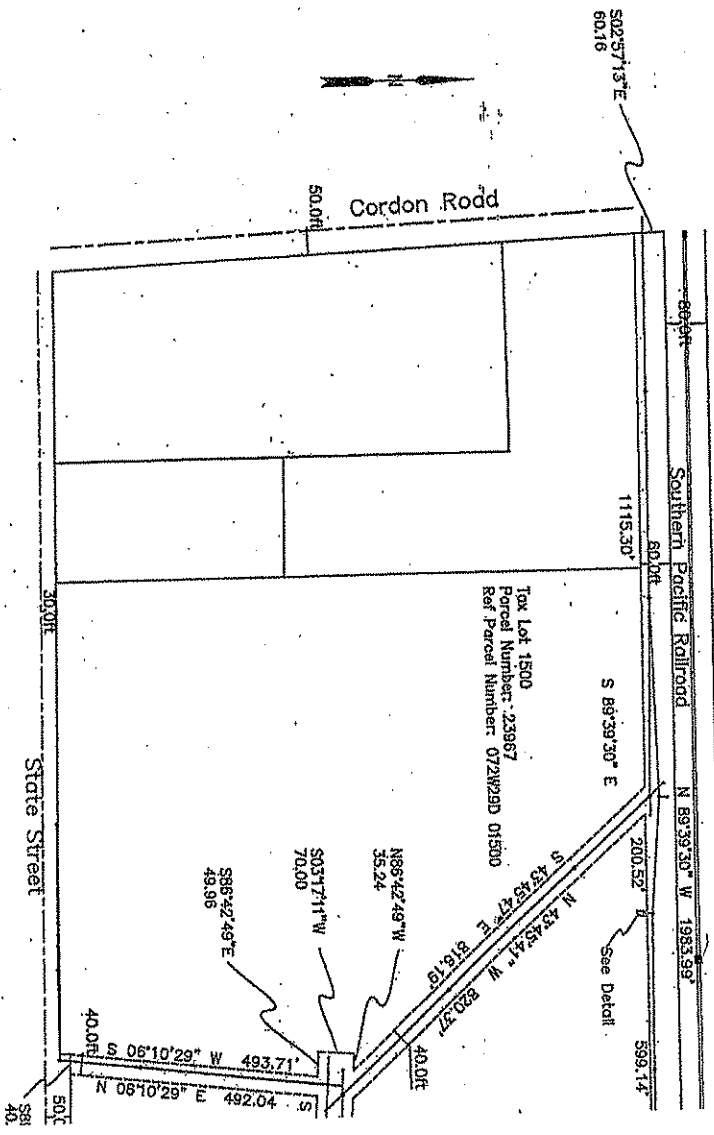
Beginning at the Northeast corner of the tract of land described in the deed recorded in Volume 784, Page 55, Deed Records for Marion County, Oregon; thence North 89°39'30" West 1983.99 feet along the South right-of-way line of the Southern Pacific Railroad to the East right-of-way line of the 100 foot wide Cordon Road (MR. No. 97); thence South 02° 57'13" East 60.16 feet along said right-of-way line to a 5/8" Iron Rod; thence South 89°39'30" East, 1115.30 feet; thence South 43°45'47" East 816.19 feet; thence North 86°42'49" West 35.24 feet; thence South 03°17'11" West 70.00 feet; thence South 86°42'49" East 49.96 feet; thence South 06°10'29" West 493.71 feet, more or less, to the North right-of-way line of State Street (MR. No. 22); thence South 89°05'30" East 40.17 feet along said right-of-way line of State Street; thence North 06°10'29" East 492.04 feet; thence South 86°42'49" East 248.97 feet, more or less, to the East Property line of the Tract of land described in the deed records in Volume 784, Page 55, Deed Records for Marion County, Oregon; thence North 00°08'07" East 70.11 feet along said property line; thence North 86°42'49" West 241.15 feet; thence North 43°45'41" West 820.37 feet; thence South 89°39'30" East 200.52 feet; thence South 02°30'40" West 20.00 feet; thence South 89°39'30" East 10.00 feet; thence North 02°30'40" East 20.00 feet; thence South 89°39'30" East 599.14 feet, more or less, to the East property line of the tract of land as described above; thence North 00°08'07" East 60.01 feet along said property line to said point of beginning.

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**EXHIBIT "E-2"**

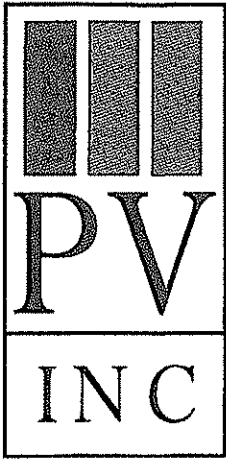
**DEPICTION OF EASEMENT**

**SEE ATTACHED**



# POWELL VALUATION INC

---



June 7, 2007

Arthur L. Krueger  
Portland General Electric Company  
121 SW Salmon Street 1WTC 0401  
Portland, Oregon 97204  
Via Fax 1.503.464.2863

**RE: Appraisal of State and Cordon Property**

Dear Mr. Krueger:

At your request I have re-examined my appraisal and addendum on the referenced property originally prepared as of July 25, 2005. The appraisal is identified as our file number P051323. The site is improved with soccer fields under a lease of the land.

The subject is zoned P or Public Use. There are no sales of P zoned land. If it were allowed to flow to its highest and best use, considering industrial zoning to the east and west, an industrial zone and use were concluded. Assuming the subject were encumbered by an easement restricting its use in perpetuity to public soccer fields it would have the use characteristics most similar to EFU or farm zone.

Under such a restrictive easement the comparables used would be farm related. Area EFU zoned sales were collected and demonstrated a range of sales prices from \$2,515 to \$10,466 per acre. The most comparable sales suggest a unit price of \$10,000 per acre for 25 acres of level land. It also suggests \$1,000 per acre of 12.58 acres of brush and trees. The total revised value would be:

\$10,000	X	25.00 acres	=	\$250,000
\$ 1,000	X	12.58 acres	=	<u>\$ 12,500</u>
Total			=	\$262,500

Annual Rent: 10% x \$262,500 = \$26,250

Portland General Electric  
Arthur L. Krueger

If I can be of further assistance please do not hesitate to call.

Sincerely,

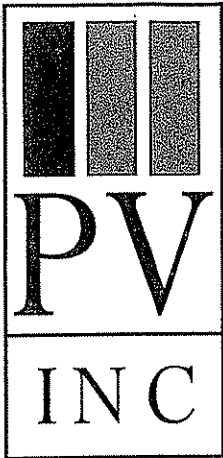
**POWELL VALUATION INC**

A handwritten signature in black ink, appearing to read "C. Powell", written in a cursive style.

C. Spencer Powell, MAI  
President

# POWELL VALUATION INC

---



June 13, 2006

Arthur L. Krueger  
Portland General Electric Company  
121 SW Salmon Street 1WTC 0401  
Portland, Oregon 97204  
Via Fax 1.503.464.2863

**RE: Appraisal of State and Cordon Property**

Dear Mr. Krueger:

At your request I have re-examined my appraisal on the referenced property prepared as of July 25, 2005. The appraisal is identified as our file number P051323. The site is improved with soccer fields under a lease of the land.

The subject is zoned P or Public Use. There are no sales of P zoned land. If it were allowed to flow to its highest and best use, considering industrial zoning to the east and west, an industrial zone and use were concluded. Assuming the subject were encumbered by an easement restricting its use in perpetuity to public soccer fields it would have the use characteristics most similar to EFU or farm zone.

Under such a restrictive easement the comparables used would be farm related. Area EFU zoned sales were collected and demonstrated a range of sales prices from \$2,515 to \$10,466 per acre. The most comparable sales suggest a unit price of \$10,000 per acre for 25 acres of level land. It also suggests \$2,000 per acre of 12.58 acres of brush and trees. The total revised value would be:

\$10,000	X	25.00 acres	=	\$250,000
\$2,000	X	12.58 acres	=	<u>\$25,160</u>
Total			=	\$275,160

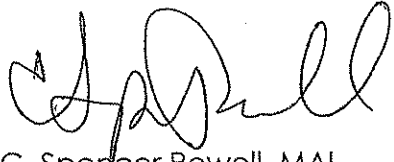
Annual Rent 10% X \$275,160 = \$27,516

Portland General Electric  
Arthur L. Krueger

If I can be of further assistance please do not hesitate to call.

Sincerely,

**POWELL VALUATION INC**

A handwritten signature in black ink, appearing to read "C. Powell", written in a cursive style.

C. Spencer Powell, MAI  
President

■ **COMPLETE APPRAISAL  
SUMMARY REPORT**

---

**Portland General Electric  
Company Land**

State Street east of Cordon Road  
Salem, Oregon 97301



(Photo #5514 - 1)

■ **PREPARED FOR**

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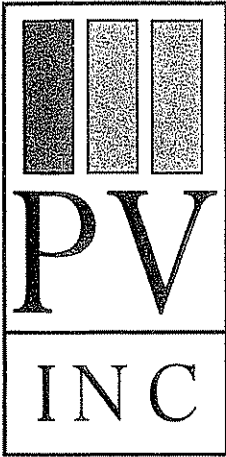
Arthur L. Krueger  
Portland General Electric Company  
121 SW Salmon Street 1WTC 0401  
Portland, Oregon 97204

■ **PREPARED BY**

---

C. Spencer Powell, MAI  
POWELL VALUATION INC  
3220 State Street, Suite 100  
Salem, Oregon 97301  
(503) 371-2403  
[www.powellvaluation.com](http://www.powellvaluation.com)





# POWELL VALUATION INC

---

July 29, 2005

Arthur L. Krueger  
Portland General Electric Company  
121 SW Salmon Street 1WTC0401  
Portland, Oregon 97204

**RE: State Street east of Cordon Road Land**  
State Street and Cordon Road  
Salem, Oregon 97301

Dear Mr. Krueger:

As requested, the captioned property has been valued using generally accepted appraisal principles and practices. The report is intended to comply with the development and report requirements of the Uniform Standards of Professional Appraisal Practice (USPAP), the Appraisal Institute, the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA), and the client's appraisal requirements (if applicable). A copy of the engagement letter is included in the addenda.

Based upon our investigation and analysis of available information, the concluded values under the requested scenario's, as of July 25, 2005 was:

<b>MARKET VALUE SCENARIOS</b>	<b>DATE</b>	<b>VALUE</b>
"As Is" Value – Fee Simple, Market Value	July 25, 2005	\$515,000
Market Rent	per year	\$51,500
Estimated Marketing/Exposure Time		One year or less

### **SPECIAL ASSUMPTION**

1. The property has been re-zoned from P (Public) to I (Industrial) if it were not owned by a public utility.

Portland General Electric Company  
Arthur L. Krueger

July 29, 2005  
Page 2

This appraisal is subject to the conditions and comments presented in this report. If any questions arise concerning this report, please contact the undersigned.

Sincerely,

**POWELL VALUATION INC**

A handwritten signature in black ink, appearing to read "C. Spencer Powell". The signature is fluid and cursive, with the first name "C. Spencer" and the last name "Powell" clearly distinguishable.

C. Spencer Powell, MAI  
OR State Certified General Appraiser  
No. C000154

CSP: ss

P051323  
Summary

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### **ADDENDA**

Engagement Letter  
Tax/Ownership/Legal Description  
Lease  
Zoning Specifications  
Regional Description  
Appraiser Qualifications

## **PRELIMINARY APPRAISAL INFORMATION**

### **REPORT ORGANIZATION**

This summary report is designed to inform the reader of all factors influencing the property's value in a clear and concise manner. The Preliminary Appraisal Information sections provide an overview of the property and general information. The Description section starts with general regional issues and proceeds to more specific issues directly related to the property. The Highest and Best Use section establishes the premise upon which the property is valued.

The Valuation section focuses on the "as is" market value of the property. It describes the Cost, Income Capitalization, and Sales Comparison Approaches, and includes comparable information, application of market information to the subject, and valuation analysis. The approaches utilized are reconciled into final value conclusions as applicable. Supporting information is attached in the Addenda.

### **PURPOSE, INTENDED USE, AND INTENDED USERS OF THE APPRAISAL**

The purpose of this appraisal is to estimate market values, in fee simple, under the applicable scenarios, as described in this report. The intended use is limited to decision making by the client. The intended user is Portland General Electric Company.

All other uses and users are expressly prohibited. Reliance on this report by anyone other than the client or other user specifically approved by Powell Valuation Inc for a purpose not described in this section is prohibited. The authors' responsibility is limited to the client.

### **DATE OF VALUATION**

July 25, 2005

### **EFFECTIVE DATE OF REPORT**

July 29, 2005

### **DEFINITION OF MARKET VALUE**

This definition is in compliance with the OCC (Office of the Comptroller of the Currency), FDIC (Federal Deposit Insurance Corporation), *FIRREA (Federal Institutions Reforms, Recovery, and Enforcement Act)*, and *USPAP (Uniform Standards of Professional Appraisal Practice)* as adopted by the Appraisal Foundation and the Appraisal Institute.

Market Value, as defined by the *Uniform Standards of Professional Appraisal Practice*, 2005 Edition, is:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;

## **PRELIMINARY APPRAISAL INFORMATION (continued)**

2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>1</sup>

### **VALUE SCENARIOS DEFINED**

The "As Is" Value represents the value of the subject property, in its current status as of the date of inspection.

### **PROPERTY RIGHTS APPRAISED**

**Fee Simple Estate**, defined in *The Dictionary of Real Estate Appraisal*, Fourth Edition (2002), Appraisal Institute, as:

*Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.*

### **OWNERSHIP AND SALES HISTORY ANALYSIS**

According to the Marion County Assessor's office, the subject property is currently under the ownership of Portland General Electric Company. No transactions involving the subject have occurred in the last three years. The site is presently leased and used for soccer fields. A copy of the lease is in the addenda.

### **ASSESSMENT AND TAX INFORMATION**

Annual real estate taxes for this property are tax-exempt, because Portland General Electric Company owns the land.

### **LEGAL DESCRIPTION**

Please refer to the addenda for a full legal description.

### **INSPECTION**

Date of Inspection:	July 25, 2005
Property Representative:	Chuck Reese
Powell Valuation Inc:	C. Spencer Powell, MAI and Seanna Struhar

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<sup>1</sup> *Uniform Standards of Professional Appraisal Practice*, 2005 Edition, Appraisal Standards Board of the Appraisal Foundation.

## **PRELIMINARY APPRAISAL INFORMATION (continued)**

### **USE OF REPORT**

Without prior written approval from the authors, the use of this report is limited to decision-making concerning the value of the property. All other uses are expressly prohibited. Reliance on this report by anyone other than the client for a purpose not set forth above is prohibited. The authors' responsibility is limited to the client.

### **SCOPE OF WORK AND REPORTING PROCESS**

The scope of work for this appraisal is to develop an opinion of market value (hypothetical) under Standard 1 and report our findings using Standard 2 of USPAP 2005. Preparation of this appraisal included:

- An inspection of the subject.
- Interviewing the subject's property manager.
- Inspecting of the subject property neighborhood.
- Gathering and confirming land sales, lease comparables, from the immediate area and competing marketplaces.
- Inspecting the exterior of all comparables utilized. All land comparables were inspected.
- Reviewing the subject's income and expense history.
- Highest and best use analysis.
- Application of the Income Capitalization, and Sales Comparison Approaches to arrive at an indication of value for the subject property.
- Review of the written report.

To develop the opinion of value, the appraisers performed a Complete Appraisal process, as defined by the *Uniform Standards of Professional Appraisal Practice*. This report document is categorized as a Summary Report.

### **SOURCES OF INFORMATION**

The following sources were contacted to obtain relevant information:

<b>Source</b>	<b>Information</b>
Arthur L. Krueger of PGE	Subject data; rent roll; income and expense statements.
Eric Johansen, Lessee	Subject data; tax information.
Marion County Assessor's Office	Zoning information.
City of Salem Planning Department	Land and building sales research.
<i>Willamette Valley Multiple Listing Service</i>	Local area data; land, lease and sale confirmation.
Multiple brokers and real estate professionals	Subject data, comparable research.
<i>MetroScan</i>	Comparable research.
CoStar	Comparable research.
County Deed Records	Comparable research.

## **PRELIMINARY APPRAISAL INFORMATION (continued)**

### **COMPLIANCE AND COMPETENCY PROVISION**

We are aware of the compliance and competency provisions of the *USPAP*, and within our understanding of those provisions, the authors of this report possess the education, knowledge, technical skills, and practical experience to complete this assignment competently, in conformance with the stated regulations. Mr. Powell has appraised numerous Public and Industrial related properties in the Salem area in recent years.

### **PERSONAL PROPERTY, FIXTURES, AND INTANGIBLE ITEMS**

No personal property, trade fixtures, or intangible items were included in this valuation.

### **DEPARTURE RULE**

As a complete assignment, this report does not depart from the requirements of the Uniform Standards of Professional Appraisal Practice or the Code of Professional Ethics of the Appraisal Institute.

### **USE OF RECOGNIZED APPRAISAL APPROACHES**

This report utilizes the Sales Comparison Approach to value.

### **UNAVAILABILITY OF INFORMATION**

All information necessary to develop an estimate of value of the subject property was available to the appraisers.

### **EXPOSURE TIME AND MARKETING PERIOD**

Exposure time is defined within the *USPAP*, Statement 6, as:

The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Exposure time is best established upon the experience of recent comparable sales. The sales indicate a standard exposure period of less than one year for appropriately priced investment properties.

Marketing period is very similar to exposure time, but reflects a projected time period to sell the property, rather than a retrospective estimate. As such, a similar time period of less than one year is estimated for the subject's marketing period.

## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal is subject to the following assumptions and limiting conditions:

### **HYPOTHETICAL CONDITIONS**

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. A hypothetical condition may be used in an assignment only if:

- Use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- Use of the hypothetical condition results in a credible analysis; and
- The appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

### **HYPOTHETICAL CONDITIONS FOR THE SUBJECT ARE AS FOLLOWS:**

1. The property would be re-zoned from P (Public) to I (Industrial), if it were not owned by a public utility.

### **EXTRAORDINARY ASSUMPTIONS**

None.

### **ORDINARY ASSUMPTIONS**

The analysis assumes that the Marion County Assessor's office legal description accurately represents the subject property. A survey has not been provided to the appraisers. If further verification is required, a survey by a registered surveyor is advised.

We assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable.

All existing liens, encumbrances, and assessments have been disregarded, unless otherwise noted, and the property is appraised as though free and clear, under responsible ownership, and competent management.

The exhibits in this report are included to assist the reader in visualizing the property. We have made no survey of the property and assume no responsibility in connection with such matters.

Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.

The appraisers assume no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless noted.

Information presented in this report has been obtained from reliable sources, and it is assumed that the information is accurate.



## **ASSUMPTIONS AND LIMITING CONDITIONS (continued)**

This report shall be used for its intended purpose only, and by the parties to whom it is addressed. Possession of the report does not include the right of publication.

The appraisers may not be required to give testimony or to appear in court by reason of this appraisal, with reference to the property in question, unless prior arrangements have been made.

The statements of value and all conclusions shall apply as of the dates shown herein. The appraisers have no present or contemplated future interest in the property that is not specifically disclosed in this report.

Neither all, nor any part, of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales, or other media without the written consent or approval of the authors. This applies particularly to value conclusions and to the identity of the appraisers and the firm with which the appraisers are connected.

This report must be used in its entirety. Reliance on any portion of the report independent of others may lead the reader to erroneous conclusions regarding the property values. No portion of the report stands alone without approval from the authors.

The valuation stated herein assumes professional management and operation of the building(s) throughout the lifetime of the improvements, with an adequate maintenance and repair program.

The valuation is based on the projection that the complex will maintain a stabilized occupancy level over its economic life, with tenants paying market level rents.

The liability of Powell Valuation Inc and employees is limited to the client only and only up to the amount of the fee actually received for the assignment. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraisers are in no way responsible for any costs incurred to discover or correct any deficiency in the property. The appraisers assume that there are no hidden or unapparent conditions of the property, subsoil, or structures that would render it more or less valuable. In the case of limited partnerships or syndication offerings or stock offerings in real estate, the client agrees that in case of lawsuit (brought by lender, partner, or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements, or cost, regardless of outcome; the client will hold Powell Valuation Inc completely harmless.

The appraisers are not qualified to detect the presence of toxic or hazardous substances or materials, which may influence or be associated with the property or any adjacent properties, has made no investigation or analysis as to the presence of such materials, and expressly disclaims any duty to note the presence of such materials. Therefore, irrespective of any degree of fault, Powell Valuation Inc and its principals, agents, and employees, shall not be liable for costs, expenses, damages, assessments, or penalties, or diminution in value, property damage, or personal injury (including death) resulting from or otherwise attributable to toxic or hazardous substances or materials, including without limitation hazardous waste, asbestos material, formaldehyde, or any smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids, solids, or gasses, waste materials or other irritants, contaminants, or pollutants.

## **ASSUMPTIONS AND LIMITING CONDITIONS (continued)**

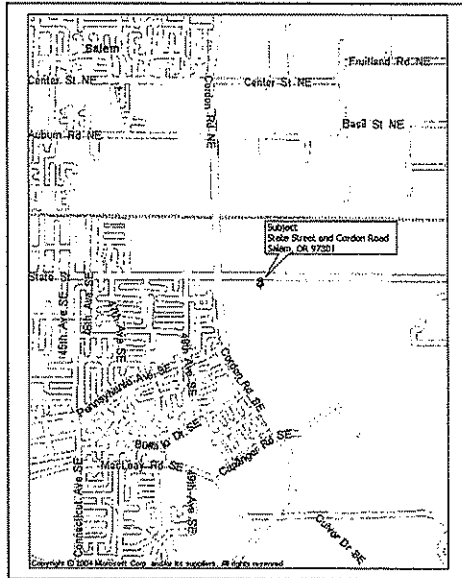
The appraisers assume no responsibility for determining if the subject property complies with the *Americans with Disabilities Act (ADA)*, which prescribes specific building standards which may be applied differently to different buildings, depending on such factors as building age, historical significance, amenability to improvement, and costs of renovation. Powell Valuation Inc its principals, agents, and employees, shall not be liable for any costs, expenses, assessments, penalties, or diminution in value resulting from non-compliance. Except as otherwise noted herein, this appraisal assumes that the subject complies with all ADA standards appropriate to the subject improvements; if the subject is not in compliance, the eventual renovation costs and/or penalties would negatively impact the present value of the subject. If the necessary renovation costs, time period needed for renovation, and penalties for non-compliance (if any) were known today, appropriate deductions would be made to the value conclusion(s) reported herein.

## **DESCRIPTION**

### **REGIONAL DESCRIPTION**

Please see the Addenda for a detailed description of the Salem/Keizer MSA.

### **NEIGHBORHOOD DESCRIPTION**



A neighborhood is defined as a geographic area characterized by a similarity of users and/or uses within which any change has a direct and immediate effect on the subject and its value or marketability. The subject neighborhood is identified as East Salem, a portion of the Salem-Keizer Metropolitan Statistical Area (MSA). Cordon Road coincides with the Urban Growth Boundary and development beyond this arterial is primarily agricultural in nature. While the property outside of the Urban Growth Boundary, it is also outside the Salem city limits, and the western boundary of the subject property coincides with the boundary for the Urban Service Area. Since the property lies outside the Salem city limits, it falls under the jurisdiction of Marion County.

Generally, Silverton Road bound the neighborhood on the North, Cascade Hwy on the east, HWY 22 on the south, and Interstate 5 on the west.

The property has a 325' deep irrigation well 8 inches in diameter, which can pump 150 gallons per min. Sanitary sewer is provided by a septic tank with leach field. Police and fire protection are split between the City of Salem and Marion County.

The major north/south arterial in the neighborhood is Lancaster Drive, a four-lane arterial that generally includes curbs, gutters, sidewalks, and bike lanes. Cordon Road is a two-lane minor arterial that provides access around the congestion on Lancaster Drive. Traffic counts on Lancaster Drive near Lancaster Mall have increased. Traffic congestion along certain stretches of this corridor can be very heavy, especially in the vicinity of Market Street and the I-5 interchange.

Major east/west arterials include Portland Road (Highway 99E), Silverton Road (State Route 213), Sunnyside Road, Market Street, Center Street, State Street, and Santiam Highway (Highway 22). These streets are typically four-lane arterials and all provide access to the Salem CBD and I-5 via Portland Road, Market Street and Highway 22.

Retail development dominates Lancaster Drive, the major commercial strip in East Salem. Along this street are several neighborhood shopping centers, several "box" retailers, numerous strip and freestanding commercial buildings, and Lancaster Mall, one of two regional shopping malls in Salem. Because of the density of development on this street, there is a limited amount of land available and several new projects have been placed on under-developed sites.

Major big box retailers include Fred Meyer, Target, Wal-Mart, Lowe's, and Kmart. Major freestanding buildings include Office Max, and Office Depot.

## **DESCRIPTION (continued)**

Although Lancaster Drive is largely developed, there is land available for development. The future for Industrial and commercial property in East Salem appears strong. There is a fair amount of vacant land available for development and subdivisions are continually being platted. Traffic counts have increased and, with more subdivisions platted in the neighborhood, the commercial segment should continue to expand from additional population pressures. Development has nearly depleted much of vacant commercial land along Lancaster Drive, although there are sites available for development. The former Picsweet Mushroom Plant at the NW quadrant of State and Cordon is now platted as a large-scale housing, school and commercial development.

In summary, the area is characterized by intensive industrial and Agricultural development along State Street and Cordon Road with residential neighborhoods to the north, west and southwest. Access and services throughout the area are good. Over the long term, values can be expected to increase in proportion to continuing demand for remaining commercial and industrial land.

### **SITE DESCRIPTION**

#### **Hazardous Waste/Asbestos**

Upon physical inspection of the site, no hazardous material was evident. We have made no independent investigation regarding this issue. The property owner reported that no environmental contamination exists. This appraisal assumes the site is free of all hazardous waste and toxic materials. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

#### **Current Use**

The site is currently leased as a working soccer field.

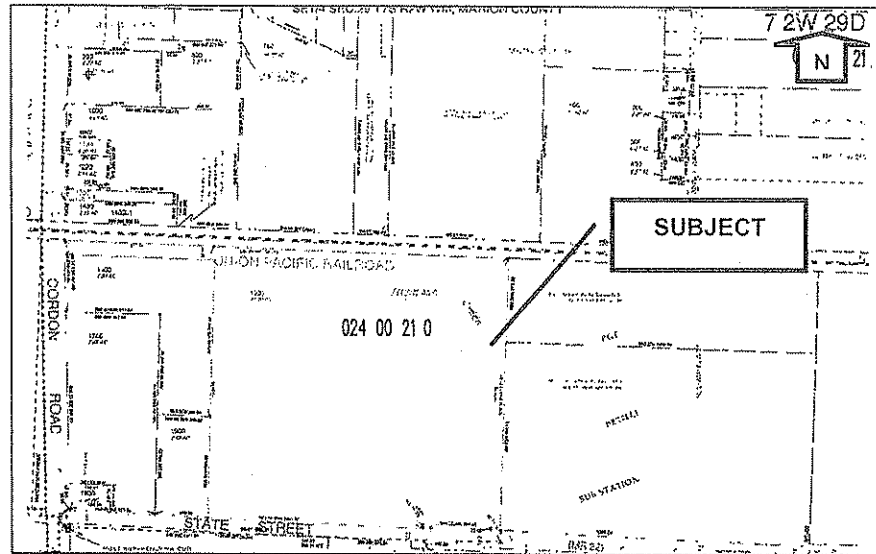
#### **Site Size**

According to measurements taken from the Assessor's plat, the site size is 1,636,985 square feet (37.58 acres) in total. Approximately 25 acres are well-maintained level ground, and approximately 12.58 acres have nature trails with the Fruitland creek running mostly north to northeast on the property. Because of the density of brush and trees immediately surrounding this creek it was impossible to establish how many acres are included in this area.

#### **Shape**

Rectangular except for an 80' wide "panhandle" extending west to State Street on the north property line.

**DESCRIPTION (continued)**



**Topography**

Level

**Abutting Properties--**

- North
- South
- West
- East

Residential acreage  
Vacant land  
Special Agriculture acreage  
Bethel Sub Station

**Utilities**

There is an irrigation well with a septic tank but no public utilities currently available to the subject property.

**Street Improvements**

State Street is a two lane road partially improved with curbs, gutters, streetlights and sidewalks that end at Cordon Road. Cordon Road is a two way street with four lanes of north and southbound traffic, improved with curbs, gutters, streetlights and sidewalks.

**Exposure**

Average to good - It is an exterior site located in the center of a multi-zoned district.

**Accessibility**

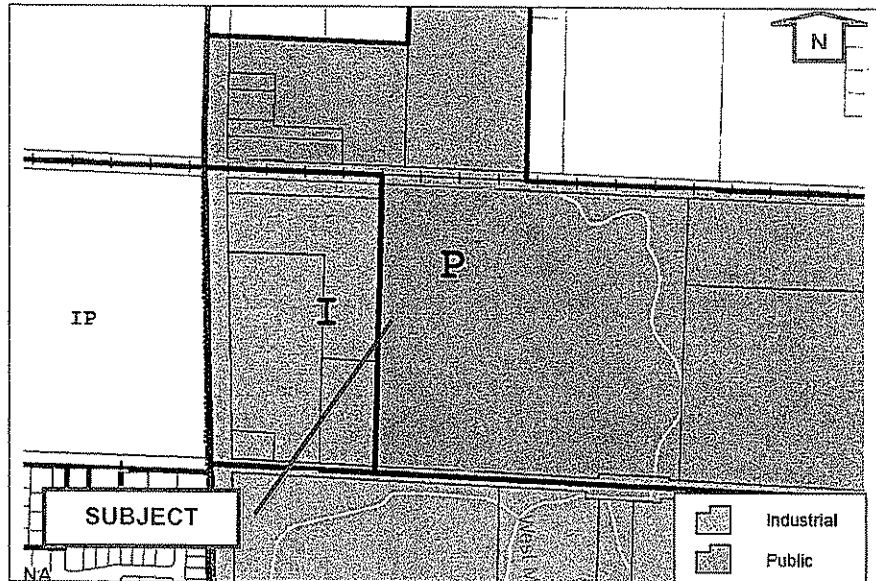
The property is easily accessible from State Street with on site parking.

**Easements and Encumbrances**

Upon reviewing county plat maps, there did not appear to be any adverse easements, encroachments, or encumbrances relevant to the subject property. If questions arise regarding easements, encroachments, or encumbrances, further research is advised.

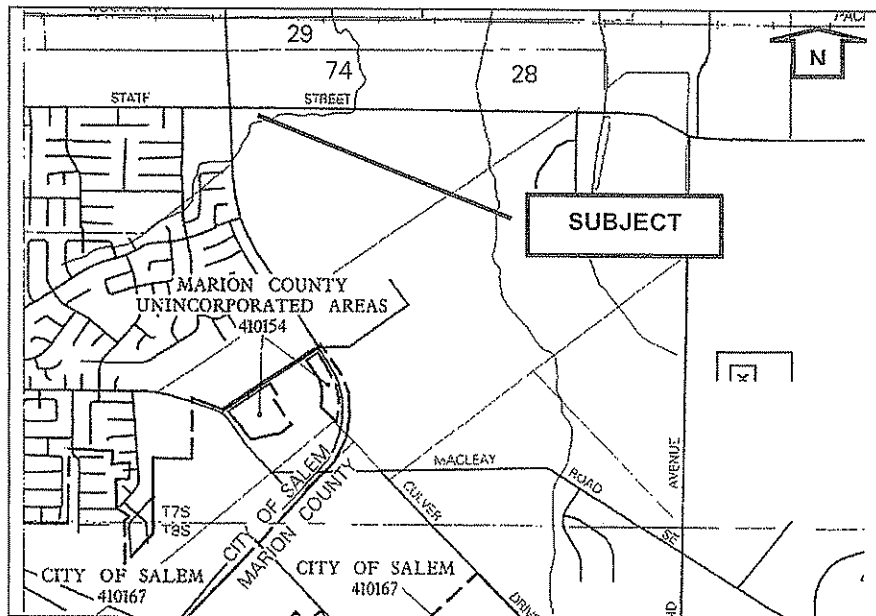
## DESCRIPTION (continued)

### Zoning and Comprehensive Plan



The site is zoned P (Public) by the City of Salem and Marion County. However for the purpose of this appraisal, we have estimated that the property's Highest and Best Use is to be rezoned as I (Industrial).

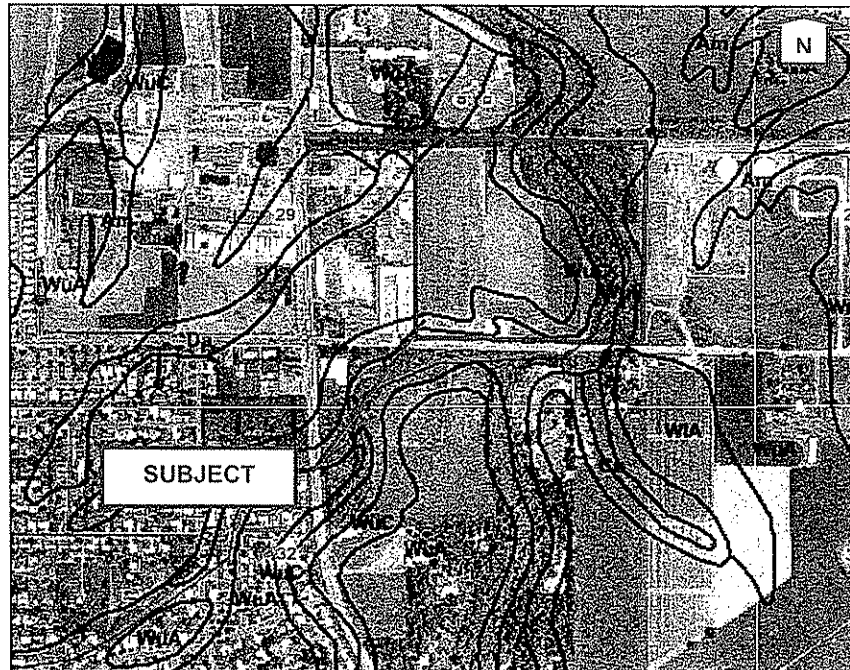
### Floodplain



According to the Federal Emergency Management Agency (FEMA), National Flood Insurance Program (NFIP), Flood Insurance Rate Map (FIRM), Community-Panel No. 41047C0375G, dated January 19, 2000, the subject site lies in Zone X, an area outside of the floodplain.

## **DESCRIPTION (continued)**

### **Soils**



According to Marion County Soils are rated WUA wood burn silt and loam. Assumed to be stable.

### **Site Rating**

Overall, noting the location providing good rural exposure and accessibility, the site has a good rating for rural industrial development. It is outside of the Salem city limits and Urban Growth Boundary. The shape and topography of the site are conducive to development as well.

## **DESCRIPTION (continued)**

### **DESCRIPTION OF IMPROVEMENTS**



(Photo #5514 - 2)

#### **Introduction**

The property description is primarily based upon a physical inspection of the property, and limited architectural drawings.

#### **Hazardous Materials/Asbestos**

This appraisal assumes that the structure will be free of all hazardous waste and toxic materials, including (but not limited to) asbestos. Please refer to the Assumptions and Limiting Conditions section regarding this issue.

#### **General Description**

The subject is 37.58 acres of mostly level land that has wetlands along both sides of the Fruitland Creek that runs north and south through the far east end of the property.

#### **Current Use**

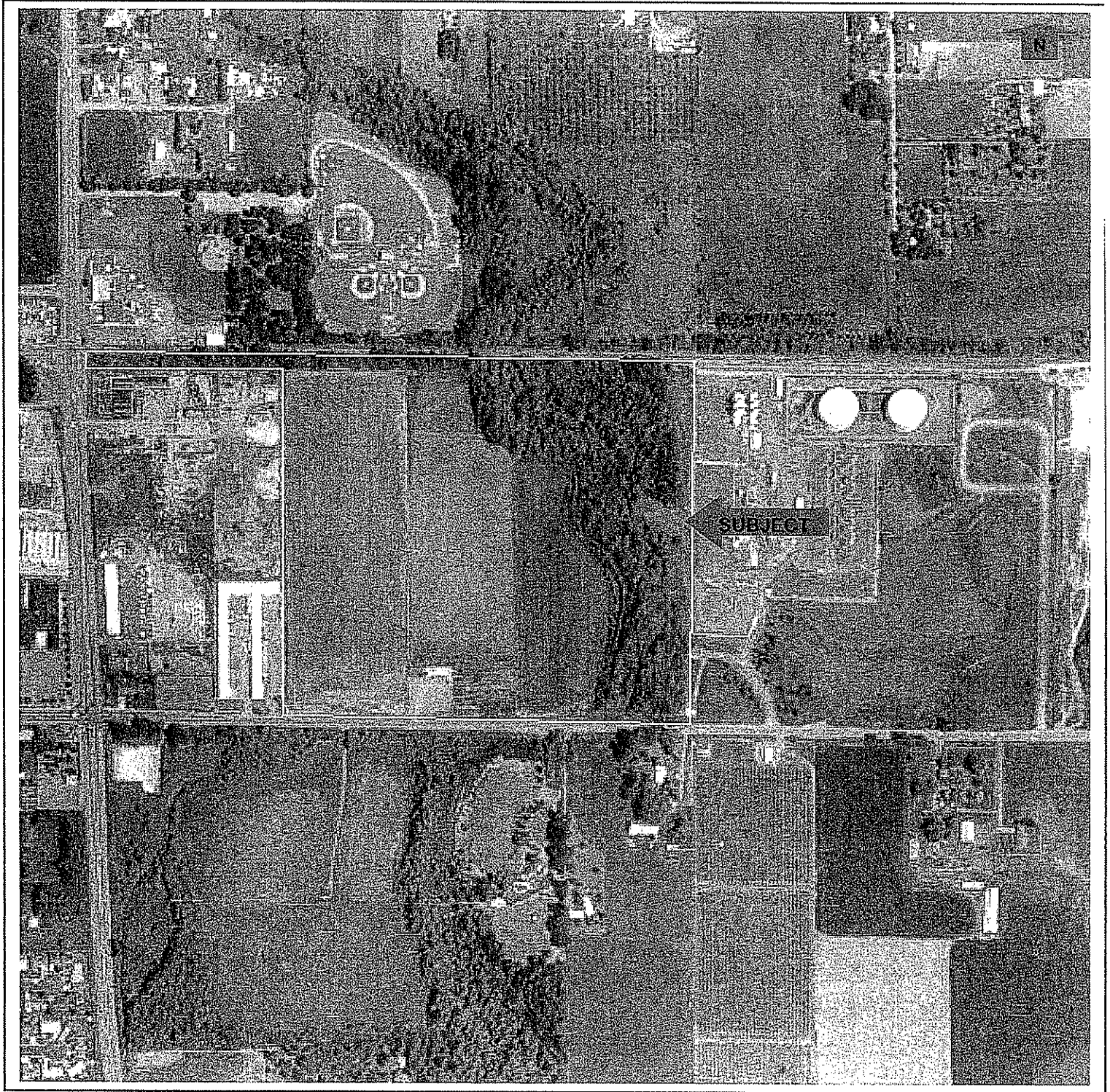
The space is currently leased as a working soccer field.

**Summary** - The subject property is a 37.58-acre lot just outside of the Urban growth boundary of Salem. It is zoned P for Public and is currently being leased as a soccer field. However for the purpose of this appraisal, we have determined that the property's Highest and Best Use if not owned by a utility company, is to be re-zoned as I (Industrial).

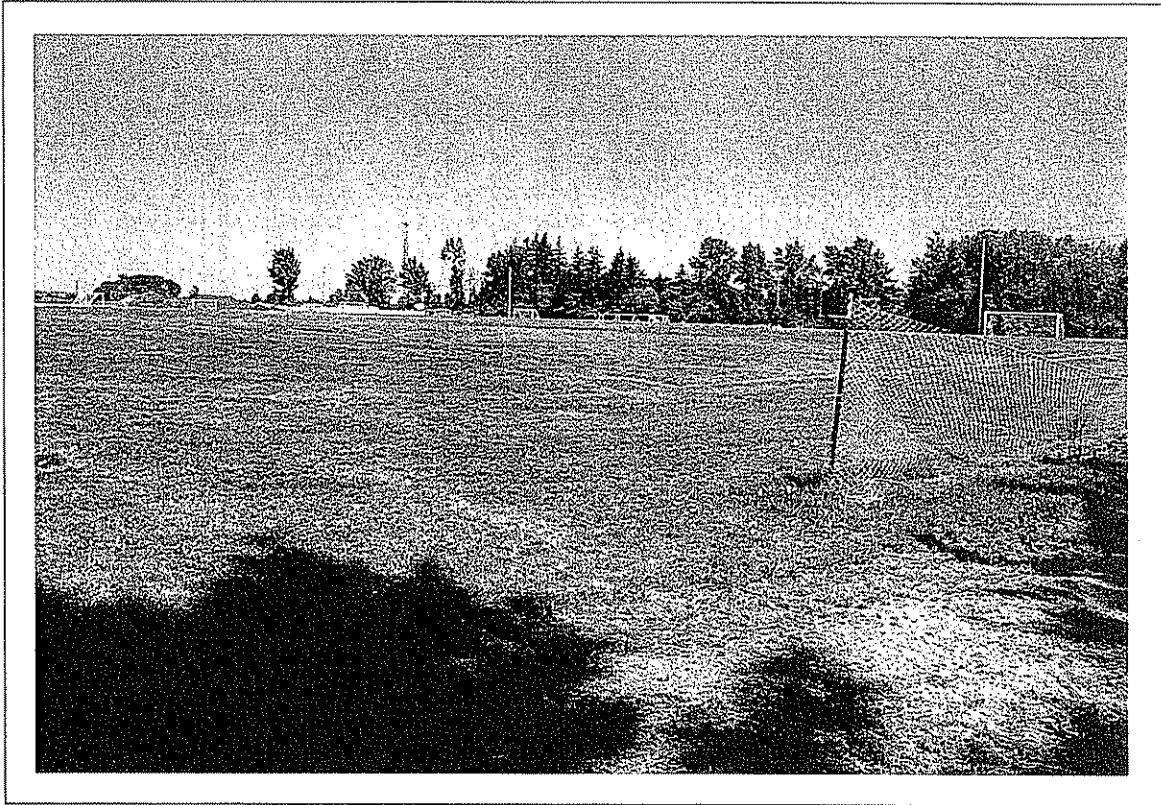
The property has good street exposure with two entrances from State Street. The surrounding properties have several different zones ranging from Industrial, Residential Acreage, Special Agriculture, Urban and Exclusive Farm Use.



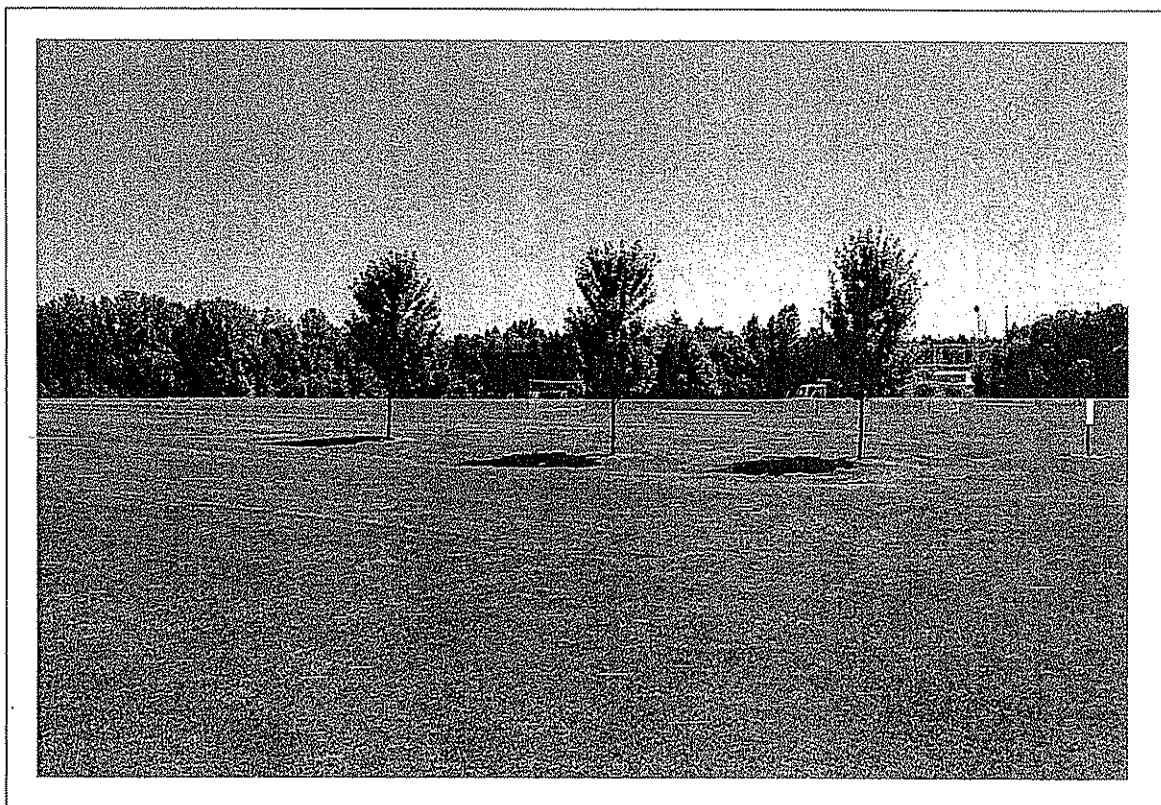
# AERIAL PHOTOGRAPH



## SUBJECT PHOTOGRAPHS



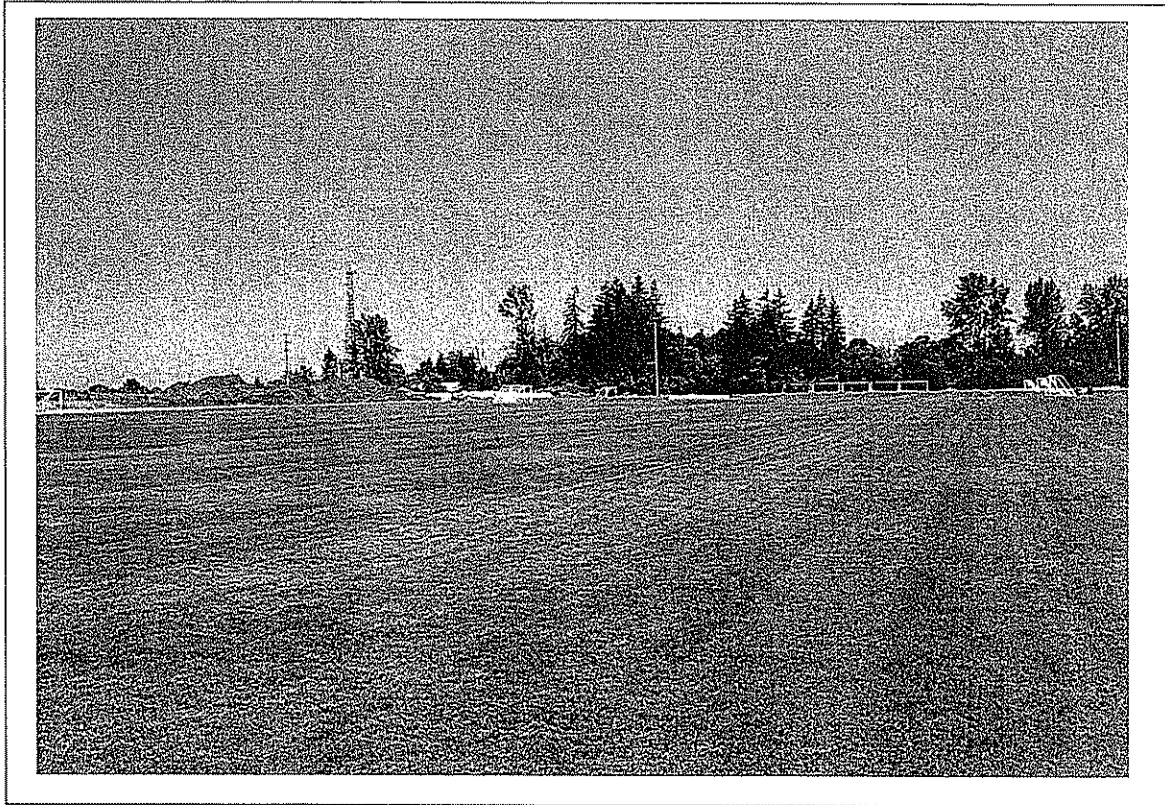
1. View southwest of south elevation from State Street. (5514-2)



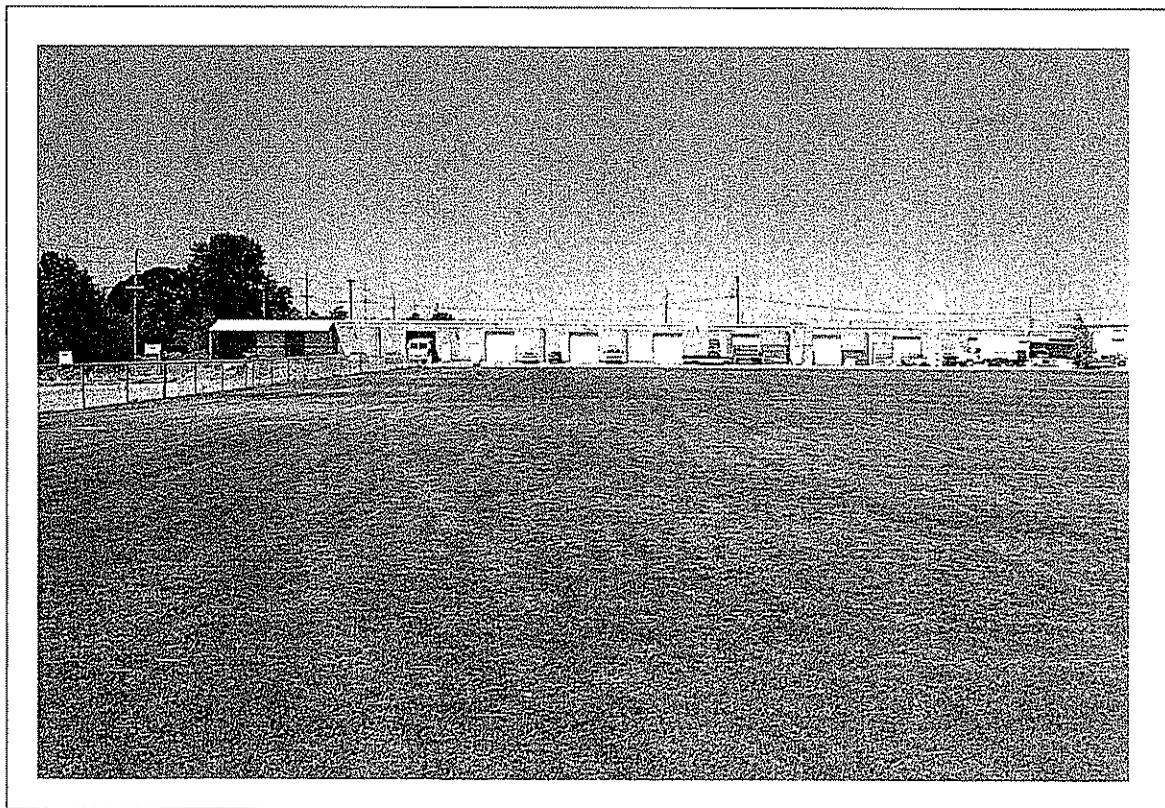
2. View Southwest of south elevation from center of property and State Street. (5514-7)



**SUBJECT PHOTOGRAPHS (continued)**

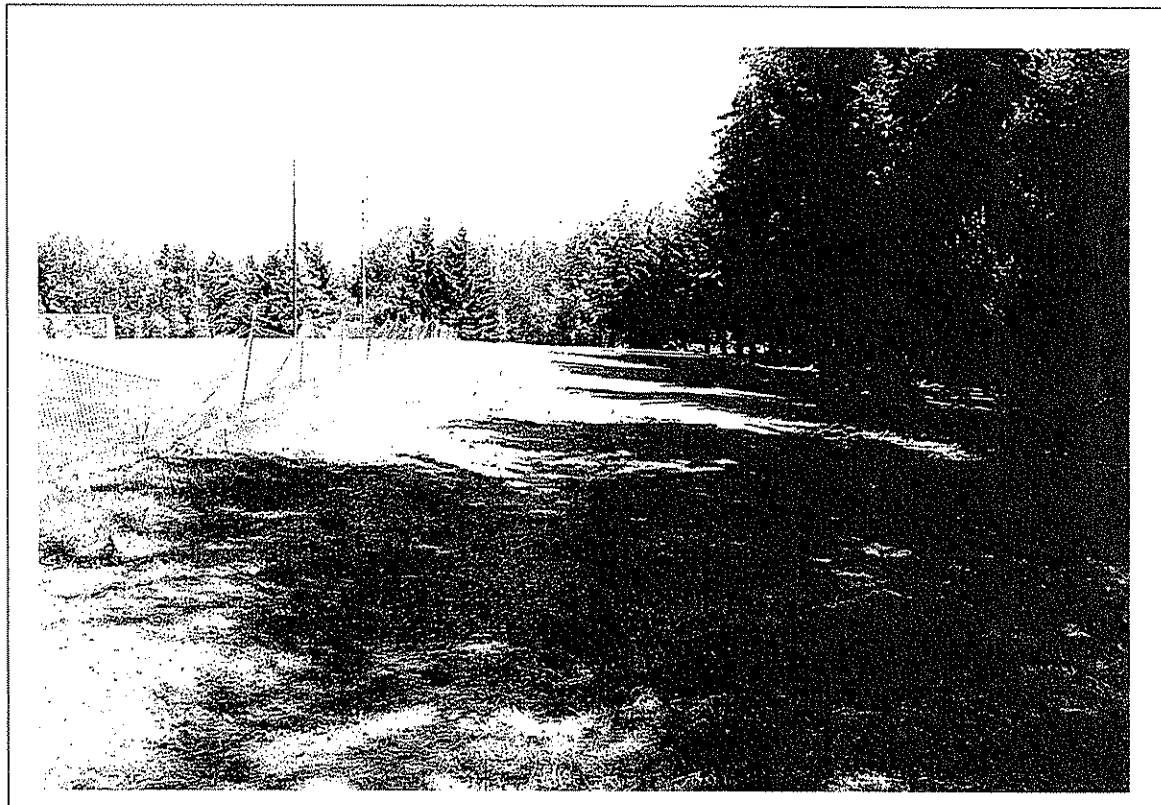


3. View northwest of south elevation from center of property and State Street. (5514-8)

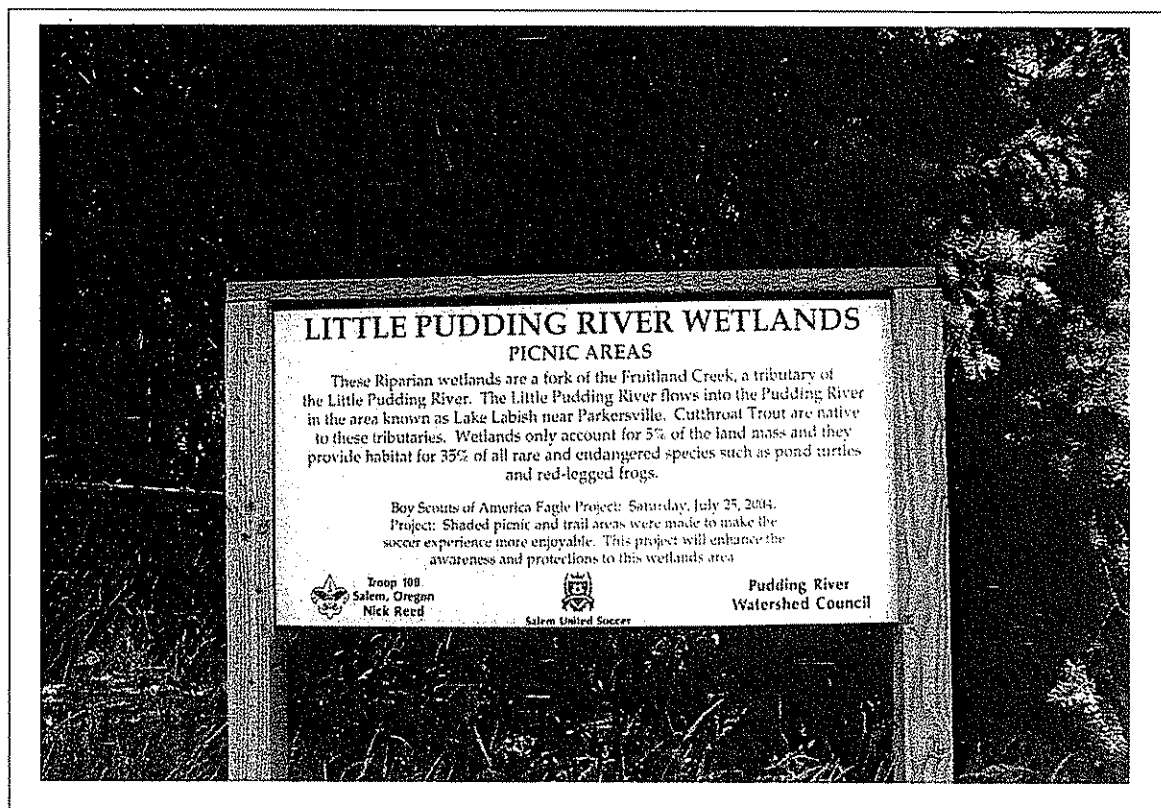


4. View west of east elevation from center of property. (5514-9)

**SUBJECT PHOTOGRAPHS (continued)**

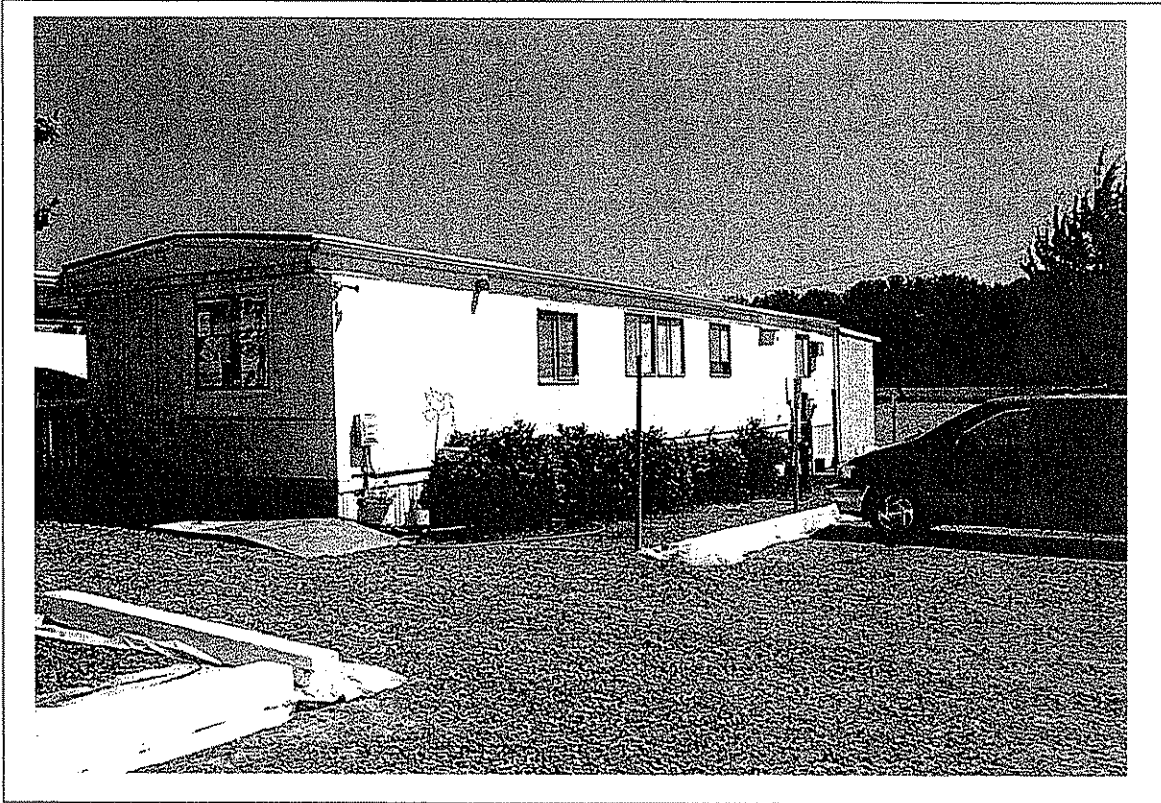


5. View northeast side of south elevation river front side of property. (5514-13)

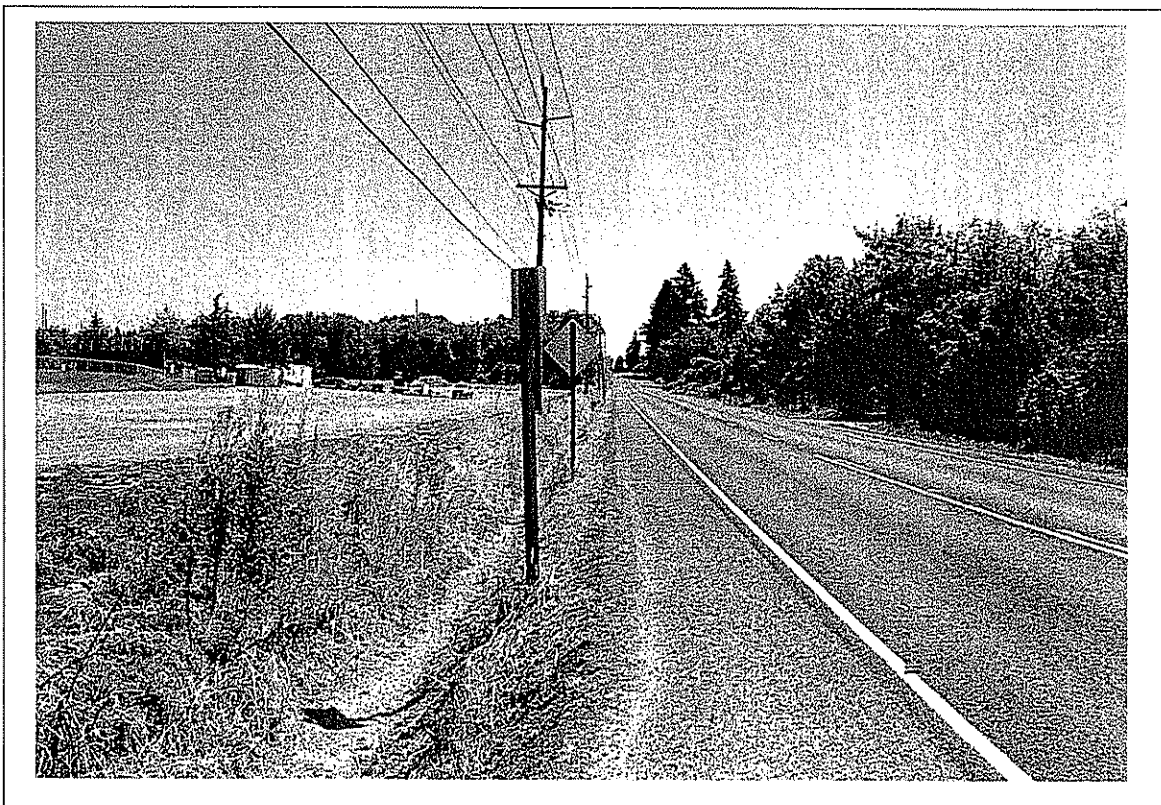


6. View of Wetlands sign on southeast side of property. (5514-14)

**SUBJECT PHOTOGRAPHS (continued)**



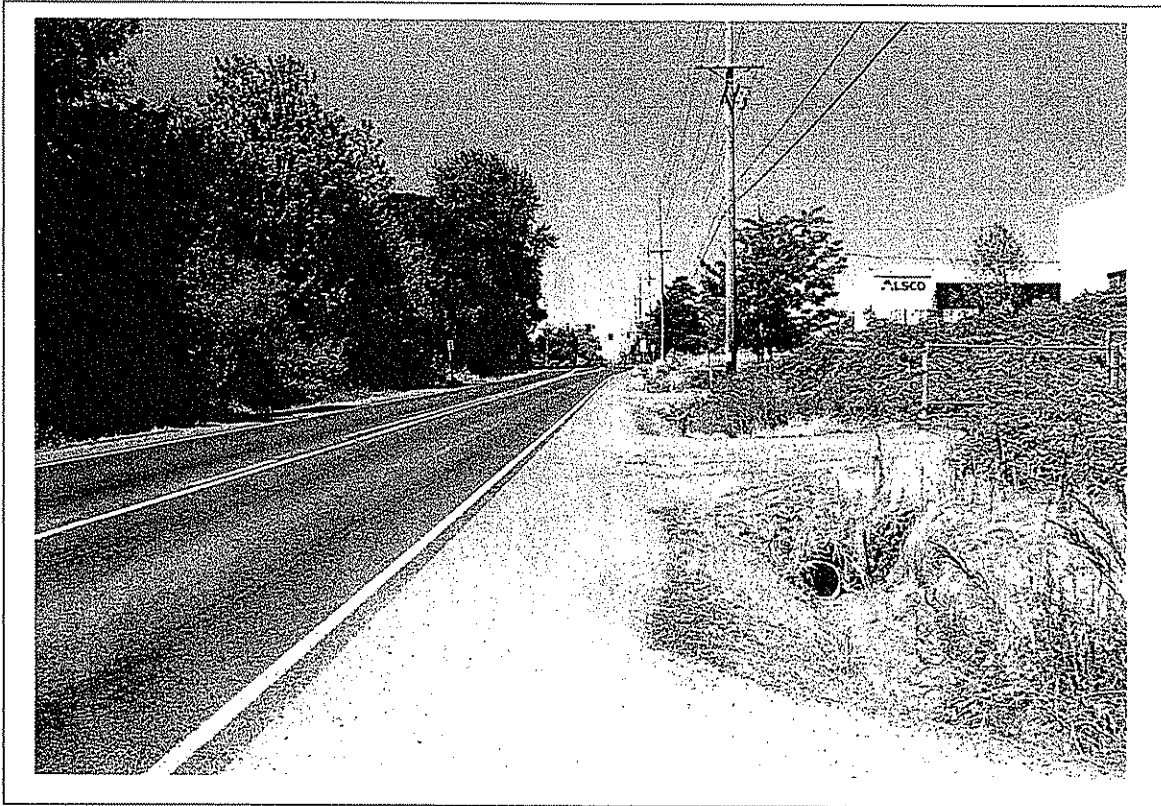
7. View southwest side of improvement on south elevation. (5514-10)



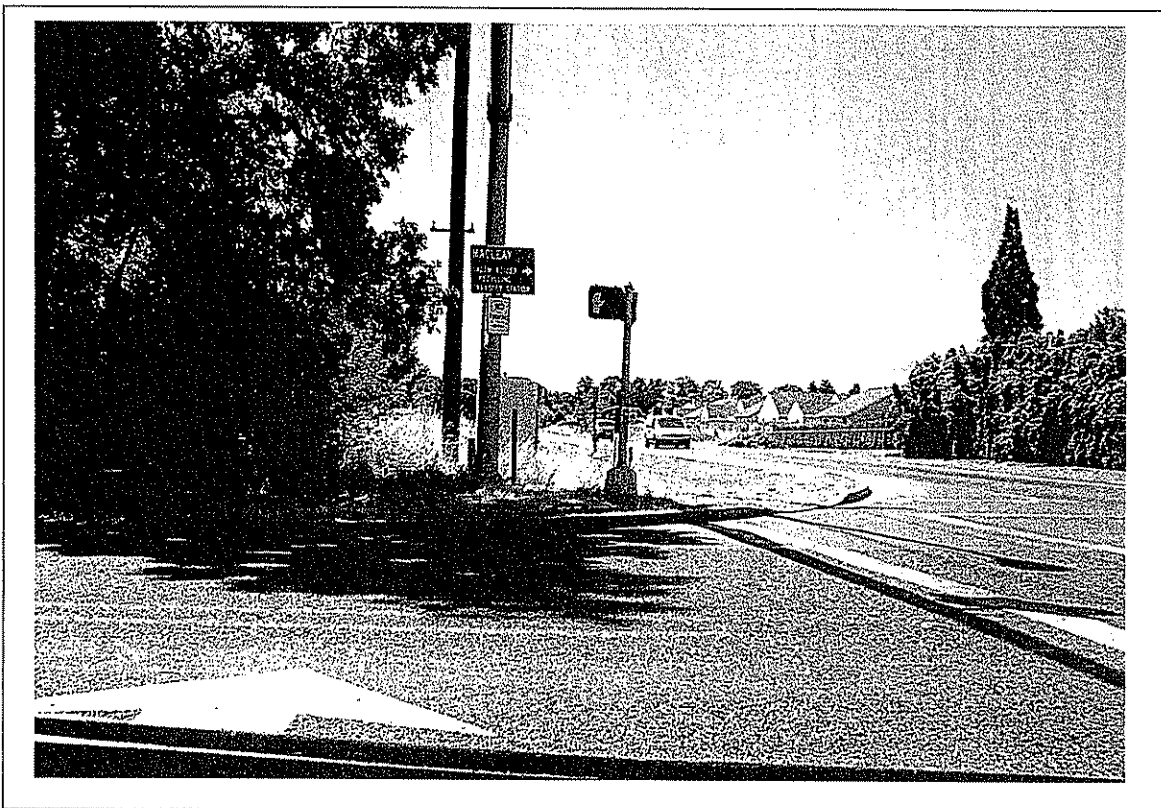
8. Street scene: view east along State Street subject on left. (5514-5)



**SUBJECT PHOTOGRAPHS (continued)**

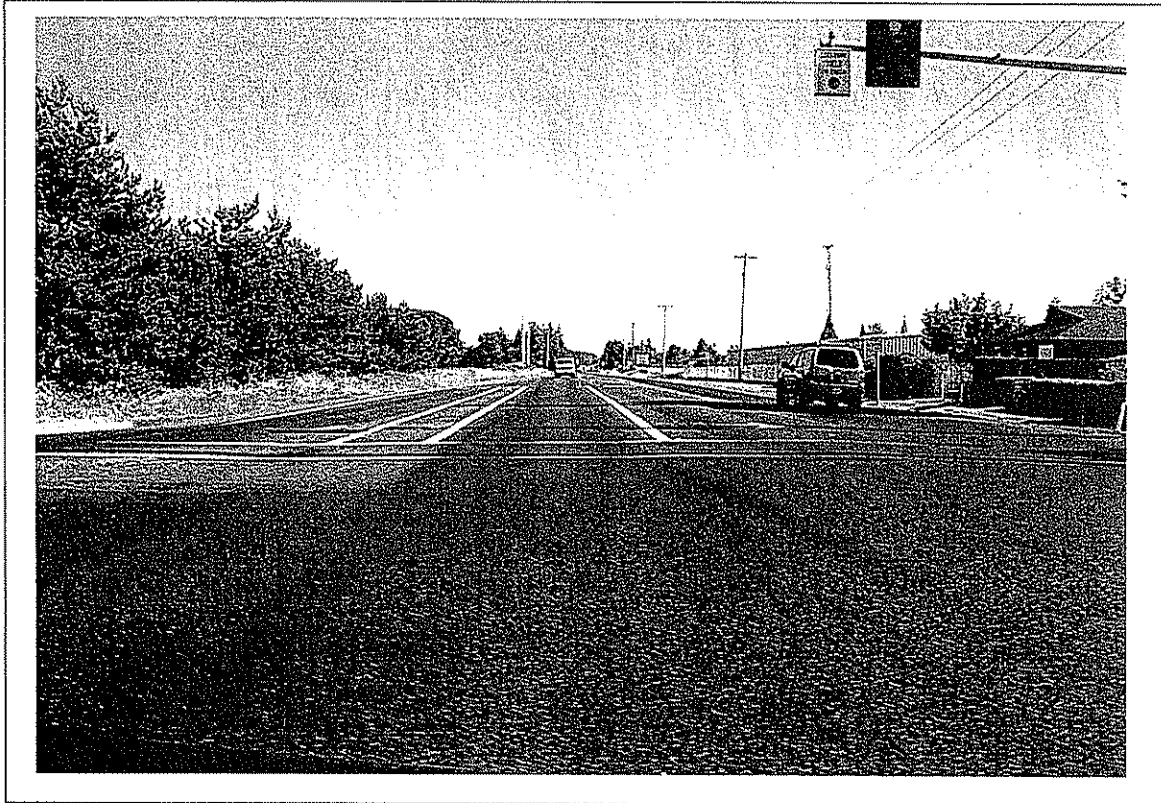


9. Street scene: view west along State Street subject on right. (5514-6)

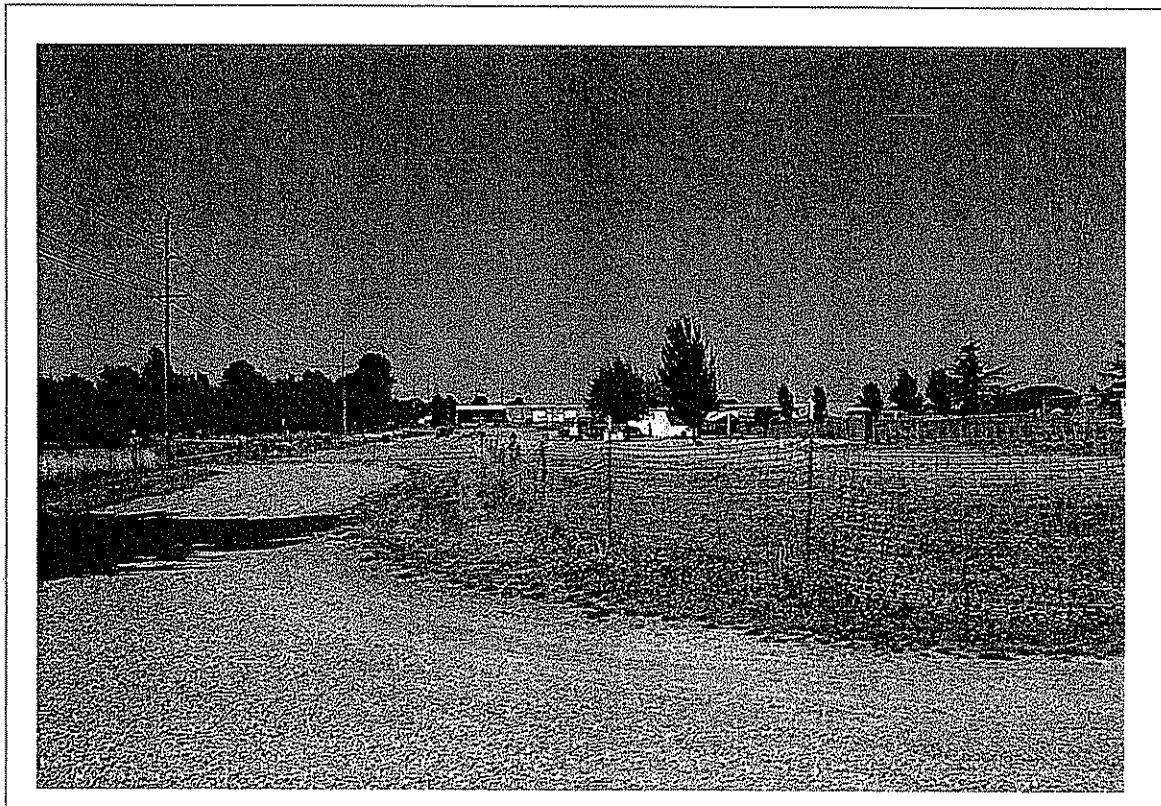


10. Street scene: view south along Cordon Road. (5514-3)

**SUBJECT PHOTOGRAPHS (continued)**

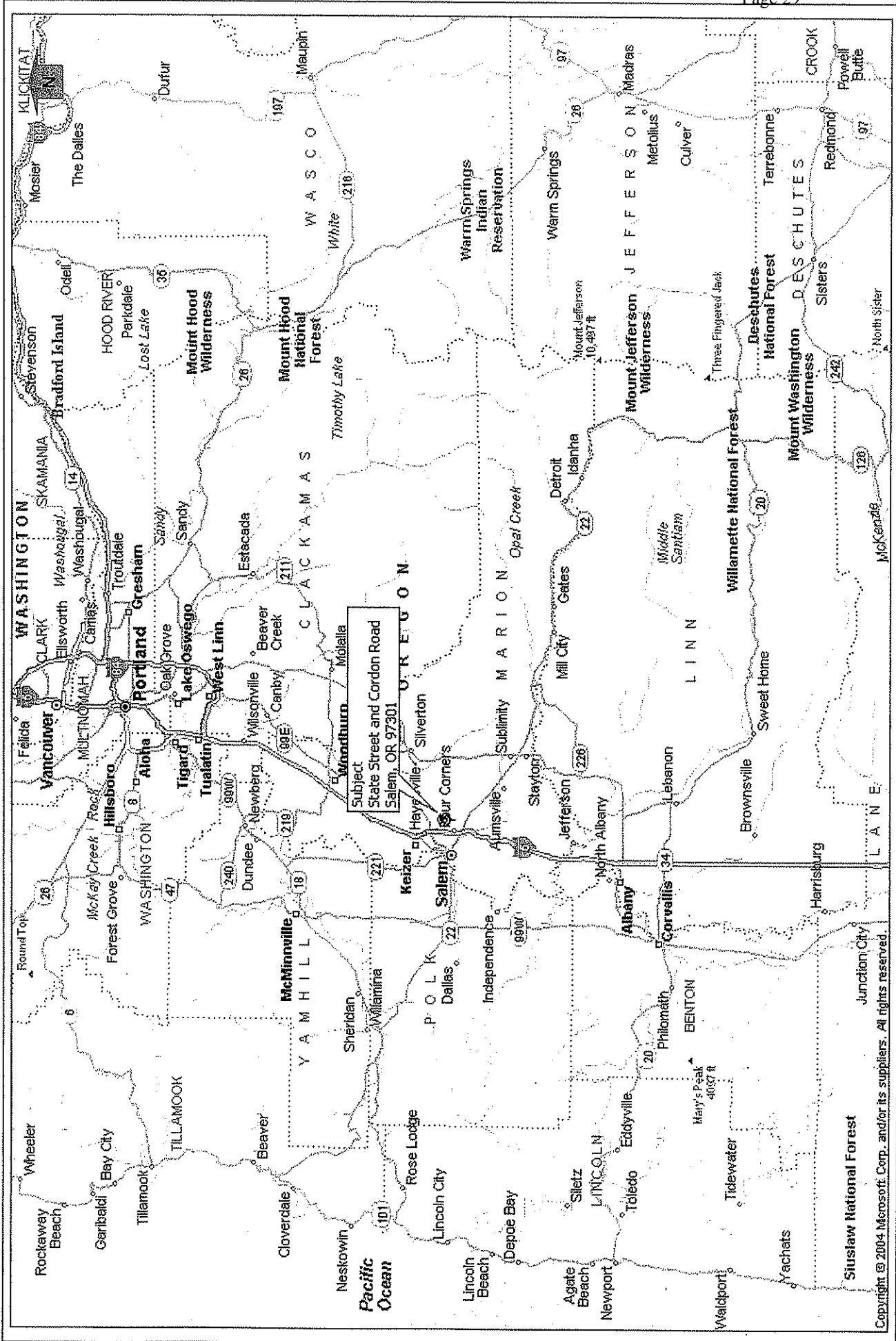


11. Street scene: view north along Cordon Road. (5514-17)



12. View west of the south elevation of the property parking lot. (5514-12)

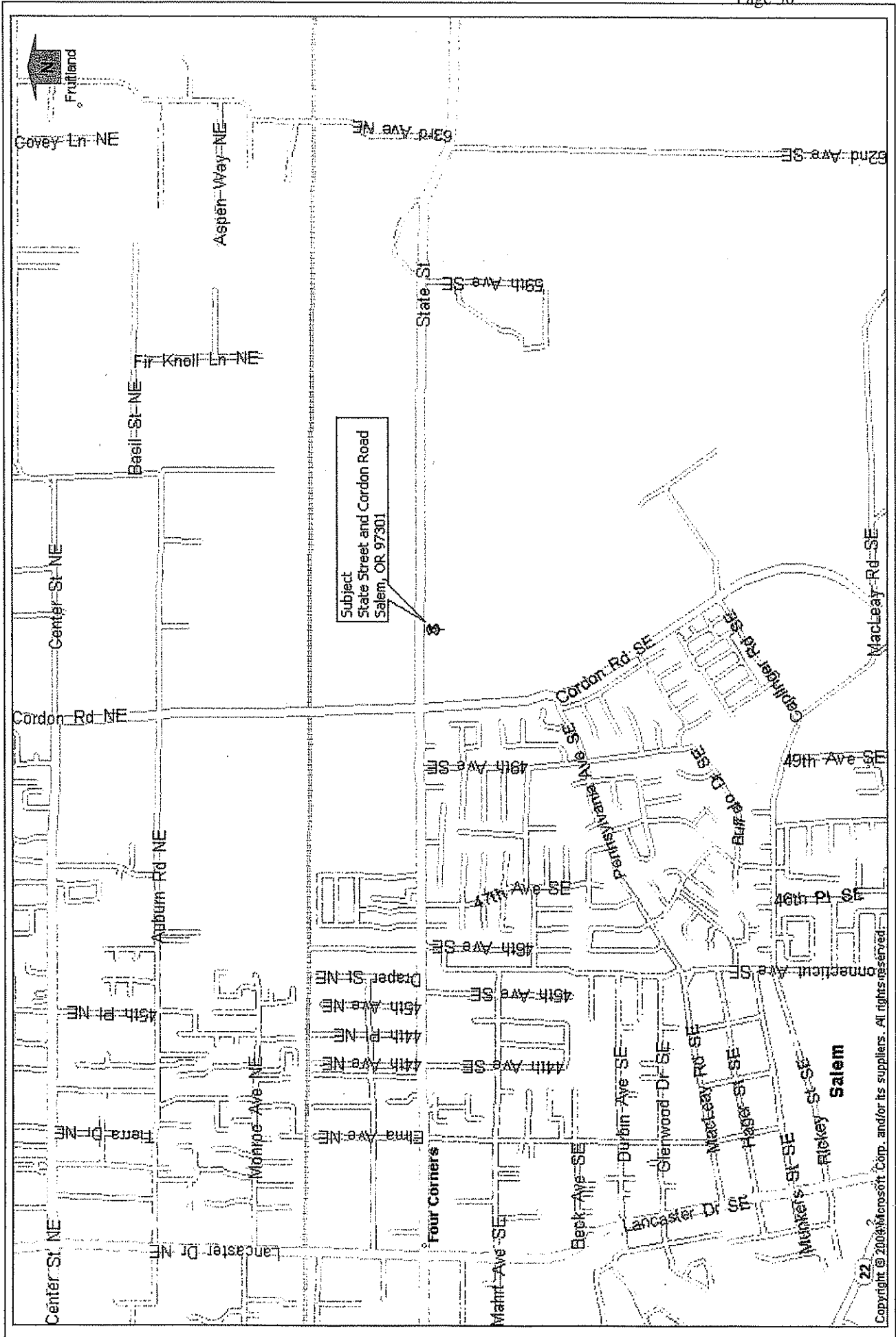
# REGIONAL MAP



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# NEIGHBORHOOD MAP



Subject  
State Street and Cordon Road  
Salem, OR 97301

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## **MARKET ANALYSIS/HIGHEST & BEST USE**

### **MARKET OVERVIEW**

The subject is in the Salem/Keizer MSA. Please see the Population, Economy, and Real Estate Market sections in the Regional Description located in the addenda.

### **MARKET CONSIDERATIONS**

**Supply & Demand Conditions** - The subject is located in a stable Industrial neighborhood of southeast Salem. The area is nearly 90% built-up, with new development occurring on unimproved sites and development on previously developed sites. Average Industrial land prices for the Salem area have generally increased, with all developers interviewed indicating a decreasing supply of lands available for construction and an upward trend in values. This is partially attributable to the changes in land use law in 1999 that resulted in Salem's inclusion in the group of communities requiring voter-approved annexation. The data supports an upward trend in value for all industrial lands, with a sharper upward trend for those properties with the ability to re-zone in the near term.

### **HIGHEST AND BEST USE**

#### **Introduction**

Highest and best use is a market driven concept, which identifies the most profitable and competitive use to which a property can be put. It is further defined as follows:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."<sup>2</sup>

The concept of highest and best use is fundamental to real property value. In one application of the concept, a site is valued as though vacant and available for development to its highest and best use. In another application, the highest and best use of the property as improved is estimated. A site may have one highest and best use as though vacant, while the improved site may have another optimal use.<sup>3</sup>

Highest and best use is essentially a market driven concept which identifies the ideal use(s) of a property which follow logical market criteria. It attempts to mirror the thinking of a buyer in the marketplace. Analysis pertaining to the legal, physical, financial and most productive uses of the site, both as though vacant and as improved narrows, development options to those best fitting the demand for the property. Once highest and best use is established, the appraisal process focuses on the identified sub-market, selecting parameters for meaningful analyses.

The highest and best use of the subject land and improvements has been tested separately against the four criteria in the following analysis.

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<sup>2</sup> *The Dictionary of Real Estate Appraisal, Fourth Edition*. Chicago: Appraisal Institute, 2002.

<sup>3</sup> *The Appraisal of Real Estate, Eleventh Edition*. Chicago: Appraisal Institute, 1996. Page 297.

## **MARKET ANALYSIS/HIGHEST & BEST USE (continued)**

### **Vacant Site**

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.<sup>4</sup>

**Legally Permissible** - The site is zoned P (Public) by the City of Salem and Marion County. However for the purpose of this appraisal, we have determined that the property's Highest and Best Use is to be re-zoned as I (Industrial). A copy of the County's **I zoning code is included in the Addenda to this report.**

**Physically Possible** - We believe the land would be best utilized in industrial uses. Access to the subject is good from State Street. Visibility and exposure are also good considering the frontage on State Street. It has roughly 25 developable acres and 12.58 acres of brush and creek.

**Financially Feasible** - Structures on I land have a variety of different possibilities. The demand for industrial properties appears to be increasing, while expansion of existing industrial properties reflects the majority of the space absorbed in the market over the last three to four years.

**Maximally Productive** - Because it is legally permissible, physically possible, and financially feasible to develop the site for industrial, it is logically the maximally productive use of the site. The I zoning could be implemented now or, could be held as an investment for a future undetermined use allowed under this zoning.

**Marketability** - Demand for industrial land depends heavily on demand for industrial products. Demand is on the rise for both products and the land and buildings required for production as the region recovers from the latest economic downturn. The subject site is located in an easily accessed portion of the Salem urban area, with excellent linkages to state and interstate highways.

Because of the subject's size and location, we anticipate a marketing period of approximately 12 months, if listed at or near market value. This is consistent with marketing periods of similar properties in the subject's neighborhood.

**Conclusion** - Based upon past, present and prospective market activity in the county area, it is our opinion that the current zoning of P (Public) should be re-zoned to I (Industrial) for this property.

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<sup>4</sup> *The Dictionary of Real Estate Appraisal, Third Edition.* Chicago: Appraisal Institute, 2002.

## **VALUATION METHODS**

### **SITE VALUE**

In valuing the subject site, as though vacant as of the effective date of this report, the sales comparison approach is utilized. In this approach, recent sales and/or listings of similar sites are compared to the subject using the adjustment process (if appropriate) to indicate value. Where good market activity and data is available, this approach best reflects market behavior and provides a useful estimate of value for the subject land.

### **COST APPROACH**

The Cost Approach is based upon the principle that the value of property is significantly related to its physical characteristics and that no one would pay more than the cost to build a like facility in today's market on a comparable site. In this approach, the market value of the site is estimated and added to the depreciated value of the improvements. In addition, entrepreneurial profit is added. For proposed or newer properties, this approach may have significant relevance. For older properties or those with substantial depreciation, this approach has limited application. However, the cost approach may prove useful as an indication of potential supply, as measured by the amount of profit evident. These factors will be considered in addressing the emphasis placed on the Cost Approach.

### **INCOME APPROACH**

This approach is predicated on the assumption that there is a definite relationship between the net income a property will earn and its value. Net income is the income generated before payment of any debt service. The process of converting it into value is called capitalization. Net income is divided by a capitalization rate. Factors such as risk, time, interest on the capital investment, upside potential and recapture of the depreciating asset are considered in the rate. Applying a capitalization rate based on indications from comparable sales reflects expectations of buyers and sellers in the market.

Another capitalization concept employed with the Income Approach is the Discounted Cash Flow Analysis or **yield capitalization**. It is developed by projecting cash flows over a holding period assuming variations in income, expenses, lease terms, reversion rates and internal rates. The net present value of the cash flows is a method of measuring anticipated future benefits.

### **SALES COMPARISON APPROACH**

This approach analyzes sales of comparable properties with regard to the nature and condition of each sale. Logical adjustments and/or comparisons are made for varying physical characteristics. For land value, a common denominator is a price per square foot or price per acre; for improved properties, it may be the price per square foot, price per unit, or a gross income multiplier. This approach develops a good indication of value when sales of similar properties have occurred.

## **VALUATION METHODS (continued)**

### **RECONCILIATION**

This is the process by which the individual approach indications are weighed based on validity and applicability to the subject market. The indications often indicate different values. After factors influencing each approach are carefully considered (i.e. quality and quantity of data, sophistication of the market, etc.), a final point estimate of value is concluded.

In the appraisal of the direct sales comparison approach has been applied.

## SITE VALUATION

In this section, the market value of the subject site will be estimated by comparing it with recent sales of land located in the subject's market area. As discussed in the Site Description section, the subject contains 37.58 acres or 1,636,984.80 square feet of land area total. Approximately 25 acres are well-maintained level ground, and approximately 12.58 acres have nature trails with the Fruitland creek running mostly north to northeast on the property with dense brush and trees immediately surrounding it. It is our opinion that the highest and best use for the 25 acres is rural industrial development.

The limited number of comparable sales in the subject's immediate area and lack of uniformity within this market prevents direct extraction of adjustments from the marketplace. General analysis reflecting market behavior is utilized to determine which comparables are superior or inferior to the subject. This analysis establishes value parameters for the subject, allowing for a final conclusion of value.

The price per acre unit of comparison will be used in this analysis. This indicator will be used as it best reflects the behavior of the typical buyer and seller in the subject market. Information regarding the land sale comparables are presented on the following Land Sales Tabulation Chart and Adjustment Grid, followed by a Location Map.

The five comparable land sales indicate a range in value from \$10,833 to \$20,430 per acre.

**Comparable 3 (\$20,430/Acre)** has superior exposure superior access and utilities available. It has an inferior location in Brownsville. Although it has a similar river frontage it is still a **high indicator** of land value.

**Comparable 4 (\$15,167/Acre)** has similar acreage and access as the subject. With utilities available and no water frontage the price per acre is higher making it a **slightly high indicator** of value.

**Comparable 5 (\$14,807/Acre)** has similar physical characteristics with no water frontage but its exposure to 99E and Hwy 34 is superior making this a **slightly high indicator** of land value.

**Comparable 2 (\$11,522/Acre)** has similar access, exposure with some river frontage. Its location and topography are inferior. It is a **reasonable indicator** of land value.

**Comparable 1 (\$10,833/Acre)** has an inferior location and topography, even though the physical characteristics including river frontage are similar. It is a **slightly low indicator** of land value.

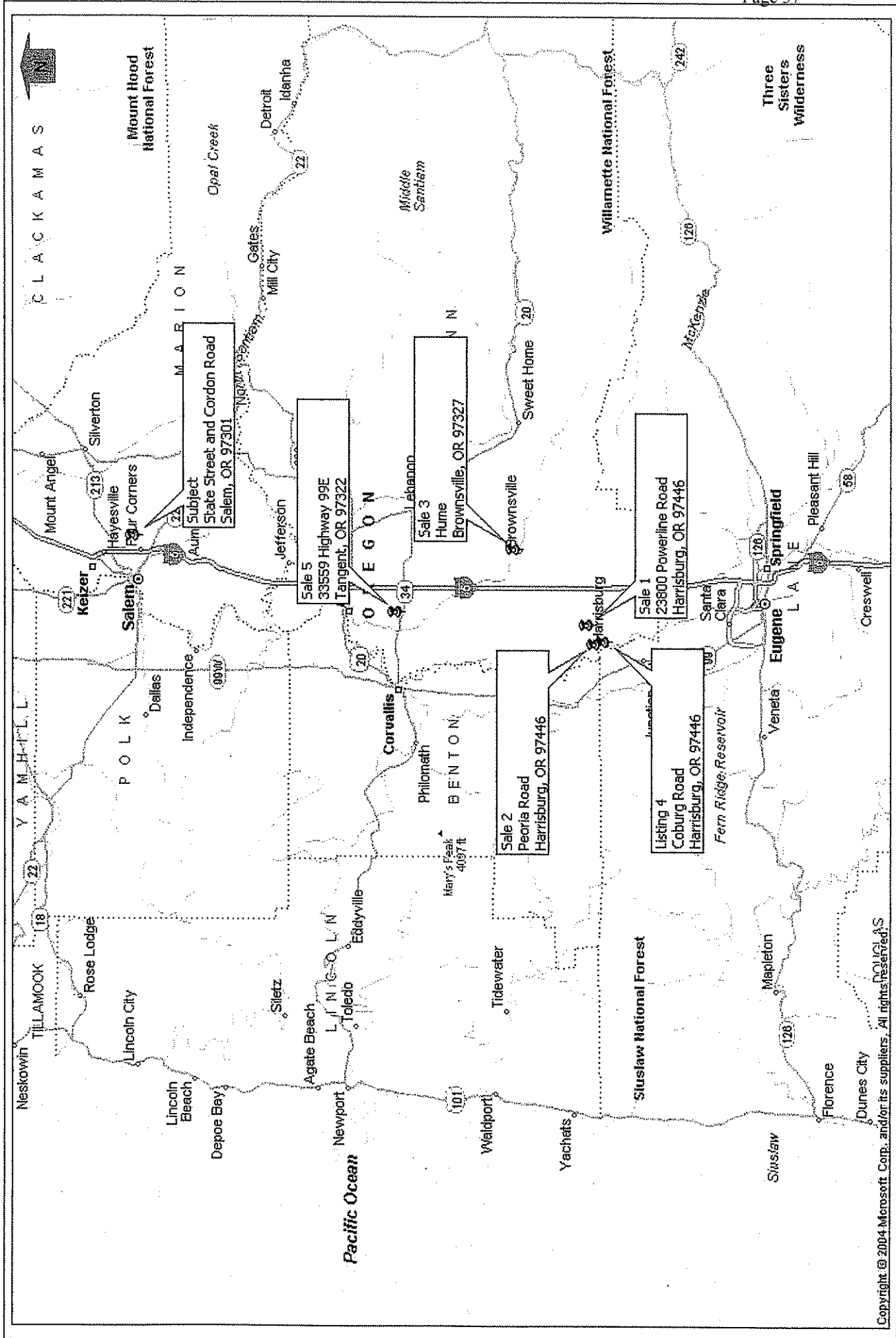
Based on these comparables, and considering the subject's location, size, and other physical characteristics, a land value of \$13,700 per acre is estimated for the subject. This equates to an overall land value of:

$$\begin{array}{rcl} 37.58 \text{ acres} & \times & \$13,700/\text{acre} = \$514,846 \\ \text{Rounded} & & = \underline{\underline{\$515,000}} \end{array}$$

# LAND SALES TABULATION CHART AND ADJUSTMENT GRID

Characteristics	Subject	Comparable 1		Comparable 2		Comparable 3		Comparable 4		Comparable 5	
		Description	Adj(+/-)	Description	Adj(+/-)	Description	Adj(+/-)	Description	Adj(+/-)	Description	Adj(+/-)
Name	PGE										
Address	State St / Cordon Rd Salem, OR 97301	23800 Powerline Road Harrisburg, OR 97446 15504w11 00100	50.91 Aug-05 \$325,000 \$10,833 July 28, 2005 30.00 LI Good Available	Peoria Road Harrisburg, OR 97446 15504W09 00605	50.90 6/28/2005 \$165,000 \$11,522 July 28, 2005 14.32 LI Good Available	Hume Brownsville, OR 97326 14502W06 0100	43.92 6/27/2005 \$380,000 \$20,430 July 28, 2005 18.60 IND inferior Can be Available	Coburg Road Harrisburg, OR 97446 NA	43.39 Listing \$390,000 \$14,444 July 28, 2005 27.00 LI inferior Available	33559 Highway 99E Tangent, OR 97389 12504W01 00600	30.94 5/21/2004 \$287,000 \$13,838 July 28, 2005 20.74 IND/C Good Well with Septic Approved
Map & Tax Lot											
Proximity to Subject	\$0.00										
Sale Date	July 25, 2005										
Sale Price	37.58										
Price/Acre (Unadjusted)											
Date Inspected											
Site Area (acres)											
Zone											
Access											
Utilities											
Element											
Property Rights Conveyed											
Financing Terms											
Conditions of Sale											
Market Conditions: Time											
Adjusted Price											
Adjusted Price/Acre											
Qualitative Adjustment											
Location											
Size											
Access											
Exposure											
Utilities											
Topography											
Comparability											
Conclusion											

# LAND SALES MAP



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## **ANALYSIS OF VALUE CONCLUSIONS**

The Analysis of Value Conclusions is the final step in the appraisal process and involves the weighing of the individual valuation techniques in relationship to their substantiation by market data, and the reliability of each valuation technique to the subject property.

### **Indicated Values—**

Site Valuation Approach: .....\$515,000

The following analysis summarizes the conclusions and explains the amount of weight applied to each value indication.

The **Site Valuation Approach** included five comparable sales from which to derive a value estimate for the subject property. The price per acre unit of comparison based on comparable property sales was used in this analysis and was determined to be the best unit of comparison in this approach. Although most of the sales were relatively current, due to the lack of industrial land sales from the local marketplace, the reliability of this approach is limited, and secondary emphasis is placed on it. It is noted that the comparable sales did provide valuable information regarding activity in the market and various investor expectations utilized in other sections of the report.

With primary emphasis placed on the Hypothetical conditions that the property has been re-zoned to I (Industrial), the estimated "as is" market value of the of the subject property, as of July 29, 2005, is:

**FIVE HUNDRED FIFTEEN THOUSAND DOLLARS**

**\$515,000**

### **MARKET RENT**

Land rent in Marion County is most often established as a percent of land value. Interviews with Pioneer Trust Bank, NA and other trust agencies revealed rates from 8% to 10% of land value. This range was also developed by interviews with parts through out Oregon.

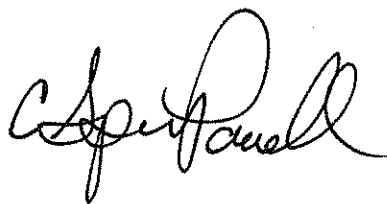
Rent is based on an absolute NNN structure with the tenant responsible for all expenses. A value of \$515,000 and a 10% rate equals annual rent of:

**\$51,500**

## **CERTIFICATION OF APPRAISAL**

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective personal interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I [We], C. Spencer Powell, MAI and Seanna Struhar, have [has] made a personal interior and exterior inspection of the property that is the subject of this report. I [We] have also inspected the exterior of all comparable data referenced in this report.
- As of the date of this report, I, C. Spencer Powell, MAI, have completed the requirements of the continuing education program of the Appraisal Institute.



---

C. Spencer Powell, MAI  
OR Certified General Real Estate Appraiser  
License No. C000154

July 29, 2005

---

Date

***ENGAGEMENT LETTER***

1323



**Portland General Electric Company**  
121 SW Salmon Street • Portland, Oregon 97204

July 12, 2005

C. Spencer Powell  
Powell Valuation Inc.  
3220 State Street, Suite 100  
Salem, Oregon 97301

Dear Spence;

Here is the material you requested for the appraisal of the State Street property in Salem.  
Let me know if there is anything else I can help with.

Sincerely,

A handwritten signature in cursive script that reads "Arthur L. Krueger".

Arthur L. Krueger  
Portland General Electric Company  
121 SW Salmon Street 1WTC 0401  
Portland, Oregon 97204  
(503) 464-8405

## Spence Powell

---

From: Art Krueger [Art.Krueger@pgn.com]  
Sent: Tuesday, July 12, 2005 11:23 AM  
To: Spence Powell  
Subject: Salem property

Thanks for the voice mail. You can use this e-mail as your authorization to start the work on the State Street property. I have started the purchase order process.

You didn't say anything in your voice mail about the rental value and it is not in your service agreement but that is as important as the "as is" value. It would be a ten (10) year lease for a soccer field. No other purpose.

I am sending a copy of the plat map and legal description today. Your time line for completion looks good. Thanks.

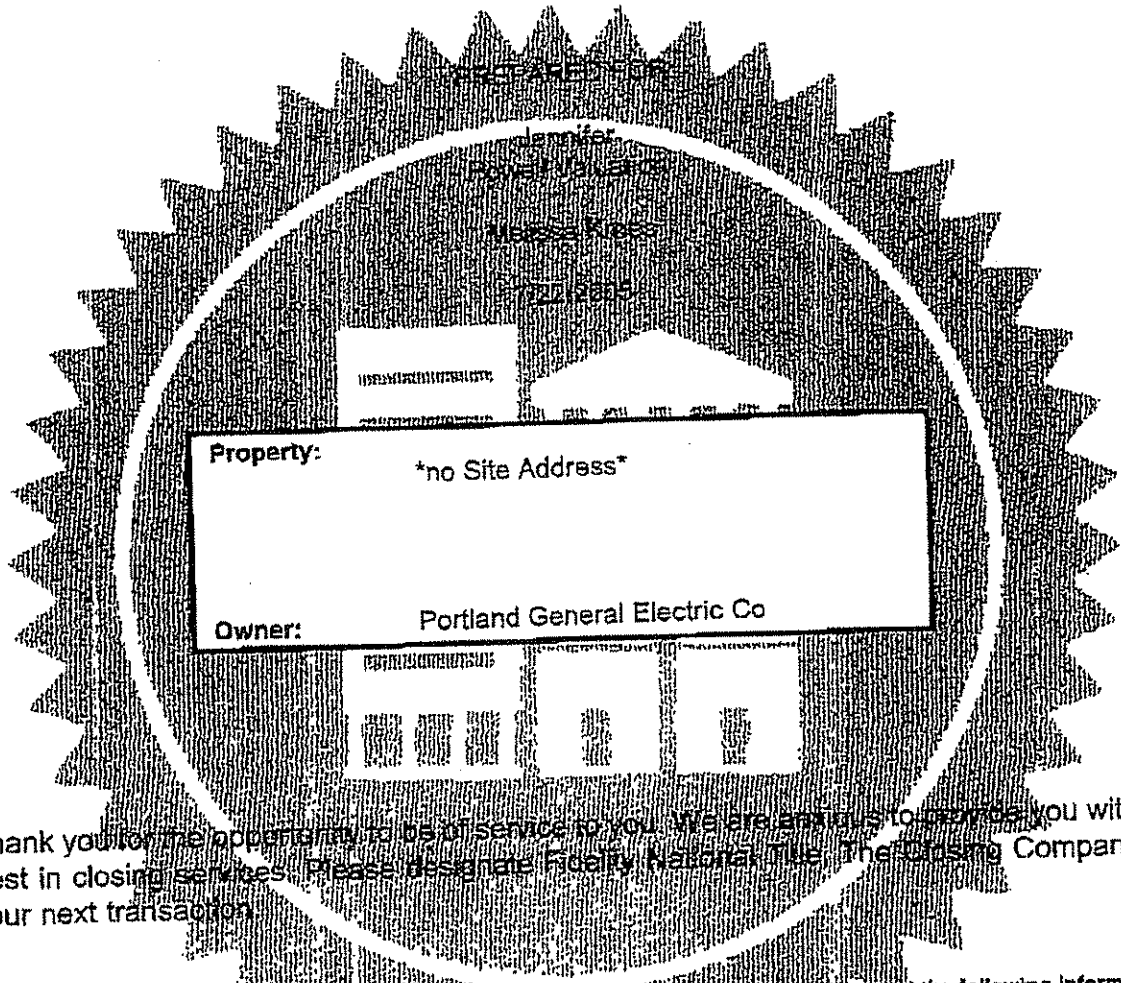
**OWNERSHIP/TAX DATA/LEGAL DESCRIPTION**

PO51323

# PROPERTY PROFILE

PREPARED BY  
**Fidelity National Title**

198 Commercial Street, S.E., Suite 110  
Salem, Oregon 97301  
503-585-7219 • 503-585-3474 FAX  
customerservicesalem@fnf.com



Thank you for the opportunity to be in service to you. We are anxious to provide you with the best in closing services. Please designate Fidelity National Title, The Closing Company, on your next transaction.

Should you choose to use the phone numbers provided in the farm package, please be sure to read the following information:  
Fidelity National Title compares the list of telephone numbers provided in farm packages with the National Do Not Call Registry and the "do not call" registries of applicable states, and the numbers in the farm packages have not been found to be listed on such state registries.  
A time frame for which the telephone numbers provided by Fidelity National Title are compliant with the "do not call" registries of the National Do Not Call Registry or such states is intentionally not provided because Fidelity National Title does not guarantee or warrant that its list of telephone numbers complies with federal or any state laws.  
The users of the telephone numbers provided by Fidelity National Title agree that they are responsible for registering with the Federal Trade Commission and the applicable state attorneys general prior to using any of the telephone numbers in the farm package.  
The users of the telephone numbers provided by Fidelity National Title acknowledge that they are responsible for complying with federal laws with respect to the National Do Not Call Registry and the "do not call" list laws of applicable states.  
The users of the telephone numbers provided by Fidelity National Title agree that in no event will Fidelity National Title or its officers, directors, employees, agents, subsidiaries or affiliates be liable for any damages whatsoever in connection with the telephone numbers provided by Fidelity National Title.

This title information has been furnished, without charge, in conformance with the guidelines approved by the State of Oregon Insurance Commissioner. The Insurance Division cautions intermediaries that this service is designed to benefit the ultimate insureds; indiscriminate use only benefiting intermediaries will not be permitted. Said services may be discontinued. No liability is assumed for any errors in this report.



# Fidelity National Title Company

198 Commercial Street SE #200, Salem, OR 97301 Phone:1-503-585-7219 Fax:1-503-585-0326  
Visit us on the Web at: [www.fnfic.com/ops/or/salem/index.html](http://www.fnfic.com/ops/or/salem/index.html)  
E-mail Customer Service at: [customerservicesalem@fnf.com](mailto:customerservicesalem@fnf.com)

Prepared For :  
Company :

By :Melissa Kroes

Marion (OR)

## PROPERTY PROFILE INFORMATION

Parcel #	: R23967	Owner Phone	:
Owner	: Portland General Electric Co	Tenant Phone	:
CoOwner	: Miska E P-corporate	Ref Parcel #	: 072W29D 01500
Site	: *no Site Address*	Census	:
Mail	: 121 SW Salmon St Portland Or 97204		
Land Use	: 003 Misc,Centrally Assessed		
Legal	:		
	:		
Zoning	: P PUBLIC		

## ASSESSMENT & TAX INFORMATION

Market Total	:
Mkt Land	:
Mkt Improvmt	:
Exemption	: OTHER
04-05 Taxes	:
Levy Code	: 02400210
Millage Rate	: 13.8782
M50 AssdTotal:	:

## PROPERTY CHARACTERISTICS

Year Built	:
Yr Remodel	:
Bedrooms	:
Bathrooms	:
Total SF	: (Does Not Include GarageSF)
Main Floor	:
Second Floor	:
Basement SF	:
Basement Fin	:
Lot Size Ac	: 37.58
Lot Size SF	:
Roof Type	:
Roof Material	:
Foundation	:
Ext. Material	:
Exterior	:
Patio Type	:
Patio SF	:
Att Gar SF	:
Garage Type	:
Driveway SF	:
Dri'way Mat'l	:
Heat Source	:
Fireplace	:
Fireplace #	:
Bldg Condition:	:
Neighborhood	: 02B
Impr Type	:

## SALE & LOAN INFORMATION

Sale Date	:
Sale Amount	:
\$Cost/SqFt:	: \$0.00
Document #	: 784-0055
Deed Type	: Misc
Loan Amount	:
Lender	:
Loan Type	:
Interest Type	:
Vesting	:
Title Co	:
Loan Type	:
School District Information	
School District	: Salem-keizer School



Marion County Assessor - Property Summary

MARION COUNTY, OREGON  
PROPERTY INFORMATION

Owner Name  
PORTLAND GENERAL ELECTRIC CO  
Situs Address

Property ID #  
R23967  
Map Tax Lot #  
072W29D 01500

Last Certified Year (2004) Information for R23967	
RMV Land Non-LSU	\$0
RMV Land LSU	\$0
RMV Improvements	\$0
RMV Total	\$0
Land LSU	\$0
Total Exemptions	\$0
M5 Net Value	\$0
M50 Assd Value	\$0

**Important Information About R23967**  
If applicable, the described property is receiving special valuation based upon its use. Additional rollback taxes which may become due based on the provisions of the special valuation are not indicated in this listing.

Total Tax Payoff Amount		
Current Year Tax Owed	Interest Date	Total Tax Payoff Amount
\$0.00	07/22/2005	\$0.00

Current Property Tax						
Third	Begin Balance	Amount Paid	Taxes Paid	Interest Paid	Discount	Date Paid
1st	0.00	0.00	0.00	0.00	0.00	N/A
2nd	0.00	0.00	0.00	0.00	0.00	N/A
3rd	0.00	0.00	0.00	0.00	0.00	N/A

Information Subject to Disclaimer - See Home Page

Tax Summary							
Year	Total Levied	Ad Valorem	Special Assessments	Principal	Interest	Date Paid	Total Owed
2004	0.00	0.00	0.00	0.00	0.00	-	0.00
2003	0.00	0.00	0.00	0.00	0.00	-	0.00
2002	0.00	0.00	0.00	0.00	0.00	-	0.00
2001	0.00	0.00	0.00	0.00	0.00	-	0.00
2000	0.00	0.00	0.00	0.00	0.00	-	0.00
1999	0.00	0.00	0.00	0.00	0.00	-	0.00
1998	0.00	0.00	0.00	0.00	0.00	-	0.00
1997	0.00	-	-	0.00	0.00	-	0.00

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004/008

Marion County Assessor - Property Summary

1996	0.00	-	-	0.00	0.00	-	0.00
1995	0.00	-	-	0.00	0.00	-	0.00
1994	0.00	-	-	0.00	0.00	-	0.00
1993	0.00	0.00	0.00	0.00	0.00	-	0.00
1992	0.00	0.00	0.00	0.00	0.00	-	0.00
1991	0.00	0.00	0.00	0.00	0.00	-	0.00

Property Tax History Summary						
Tax Year	Taxes Levied	Total Paid	Taxes Paid	Interest Paid	Date Paid	Total Owed
2004	0.00	0.00	0.00	0.00	-	0.00
2003	0.00	0.00	0.00	0.00	-	0.00
2002	0.00	0.00	0.00	0.00	-	0.00
2001	0.00	0.00	0.00	0.00	-	0.00
2000	0.00	0.00	0.00	0.00	-	0.00
1999	0.00	0.00	0.00	0.00	-	0.00
1998	0.00	0.00	0.00	0.00	-	0.00
1997	0.00	0.00	0.00	0.00	-	0.00
1996	0.00	0.00	0.00	0.00	-	0.00
1995	0.00	0.00	0.00	0.00	-	0.00
1994	0.00	0.00	0.00	0.00	-	0.00
1993	0.00	0.00	0.00	0.00	-	0.00
1992	0.00	0.00	0.00	0.00	-	0.00
1991	0.00	0.00	0.00	0.00	-	0.00

Assessment History					
Year	Improvements	Land	Special Mkt/Use	Exemptions	Taxable Assessed Value
2004	\$0	\$0	\$0 / \$0	UTIL	\$0
2003	\$0	\$0	\$0 / \$0	UTIL	\$0
2002	\$0	\$0	\$0 / \$0	UTIL	\$0
2001	\$0	\$0	\$0 / \$0	U	\$0
2000	\$0	\$0	\$0 / \$0	U	\$0
1999	\$0	\$0	\$0 / \$0	X	\$0
1998	\$0	\$0	\$0 / \$0	X	\$0
1997	\$0	\$0	\$0 / \$0	X	\$0
1996	\$0	\$0	\$0 / \$0	X	\$0
1995	\$0	\$0	\$0 / \$0	X	\$0
1994	\$0	\$0	\$0 / \$0	X	\$0

CURRENT PROPERTY INFORMATION

Owner Address

MISKA, E P-CORPORATE TAX MANAGER  
121 SW SALMON ST  
PORTLAND, OR 97204

Neighborhood

Alternate Account Number  
1-52161001

Levy Code Area / Taxing Districts  
02400210 - MARION FD #1

Tax Rate  
13.8782



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Supplied upon request by  
SAIFM TITLE COMPANY

Beitland General Electric  
621 S. W. Alder  
Portland, OR 97205

VOL 784 PAGE 55

BETTY M. WILSON, who acquired title as

KNOW ALL MEN BY THESE PRESENTS, that BEATRICE M. WILSON, an undivided 3/8th interest, and J. ROBERT WILSON, an undivided 5/8th interest

in consideration of ONE HUNDRED FIFTY THOUSAND AND NO/100 Dollars, the sum of \$150,000.00, paid by the Grantee herein, do hereby grant, bargain, sell and convey unto PORTLAND GENERAL ELECTRIC COMPANY, an Oregon corporation

Grantee the following described real property, situate in the County of Marion and State of Oregon, to-wit:

Beginning at a point which is the Southeast corner of a tract of land conveyed for use as a part of a County Road, by deed recorded in Volume 133 at Page 149, Deed Records for Marion County, Oregon, which point is .30 chains North and 1.00 chain West from the post Northerly Northwest corner of the J. C. Caplinger Donation Land Claim No. 75, in Township 7 South, Range 2 West of the Willamette Meridian, in Marion County, Oregon; thence North along the East line of said County Road 20.302 chains, more or less, to the South line of the Southern Pacific Railroad right of way; thence East along the South line of said railroad right of way 2002.94 feet, more or less, to the Northwest corner of the tract of land described in the deed recorded in Volume 498, Page 194, Deed Records for Marion County, Oregon; thence South along the West line of said tract and the West line of a tract of land described in the deed recorded in Volume 498 at Page 353, Deed Records for Marion County, Oregon 1273.75 feet, more or less, to the South line of the Ann Woodside Donation Land Claim No. 74; thence West along the South line of said Claim and the North line of said Caplinger Claim 1936.31 feet, more or less, to the point of beginning.

SAVE AND EXCEPT that parcel of land contained in deed from Beatrice M. Wilson, a widow; J. Robert Wilson and Katharine S. Wilson, husband and wife, to Adolph H. Scharff and Phyllis Scharff, husband and wife, as tenants by the entirety, dated March 19, 1969, recorded March 27, 1969 at Fee Number 858038, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded July 10, 1965 in Volume 668, Page 1, Deed Records.

ALSO SAVE AND EXCEPT that parcel of land contained in deed, recorded March 15, 1972, in Volume 722, Page 556, Deed Records.

And the Grantors do covenant that they lawfully seized in fee simple of the above granted premises free from all incumbrances, except Rights of the public in and to that portion of the herein described property, lying within the boundaries of public roads and roadways.

and that they, their heirs, executors and administrators, shall warrant and forever defend the granted premises against the lawful claims and demands of all persons, except as above stated.

Witness their hands and seals this 19th day of July, 1974.

*Beatrice M. Wilson* (SEAL)  
*Betty M. Wilson* (SEAL)

STATE OF OREGON  
County of Marion

On this 28th day of July, 1974,  
I certify that the within instrument was received for record on  
July 31 1974  
at 3:27 PM and was recorded  
in Book 784 Page 55 of the  
Deeds of said County.

I acknowledged the foregoing instrument to be her  
own act and deed.

*[Signature]*  
Notary Public for Oregon  
17-17-76

T. HAROLD TOMLINSON, County Clerk  
Recorder of Conveyances  
Deputy

Return to  
Portland General Electric  
c/o Land Dept. Attn: Larry Taylor  
621 S. W. Alder  
Portland, OR 97205

34712  
784  
55

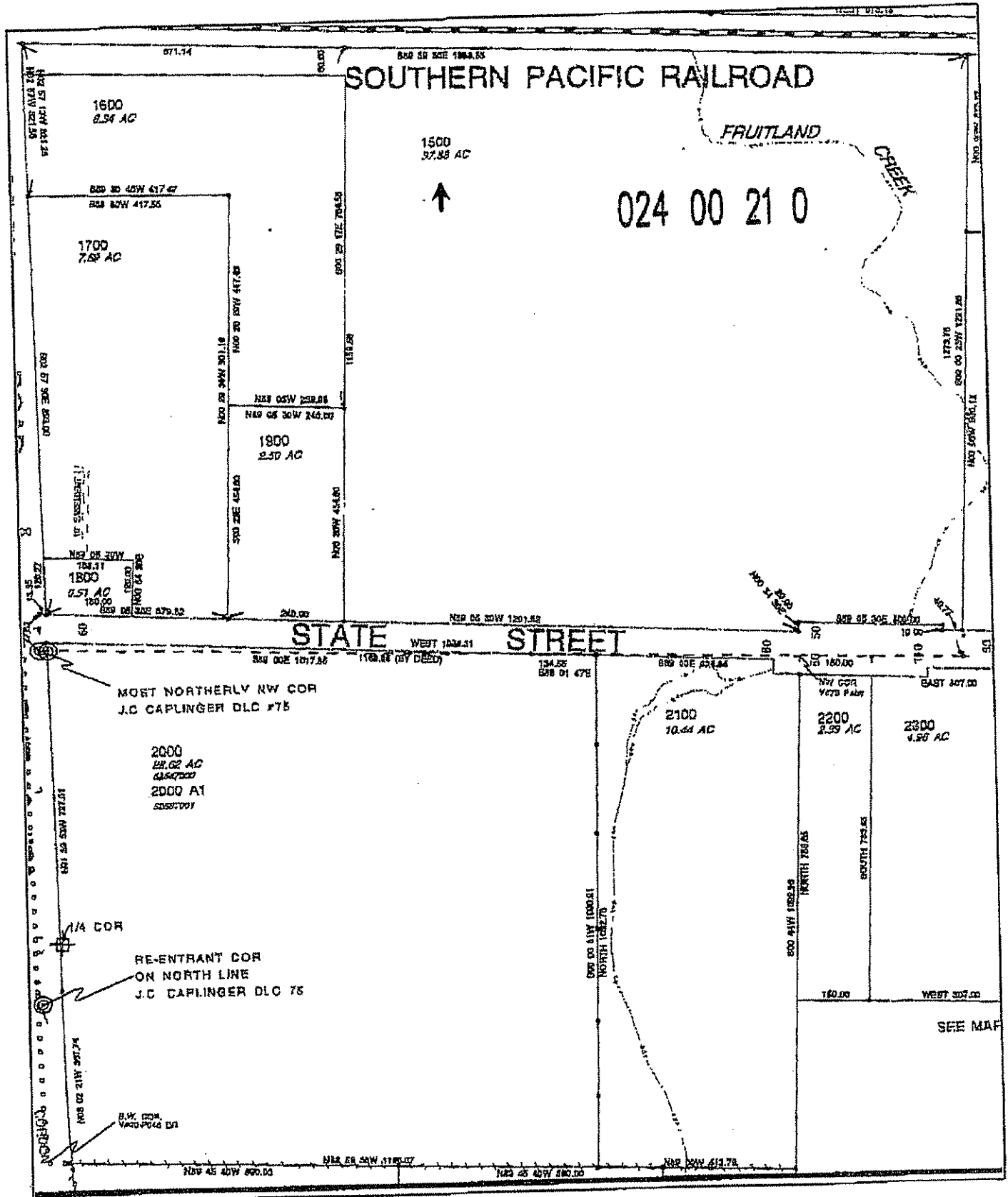
34712

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MAP FURNISHED AS A CONVENIENCE BY FIDELITY NATIONAL TITLE COMPANY



This sketch is made solely for the purpose of assisting in locating said premises and the Company assumes no liability for variations, if any, in dimensions and location ascertained by actual survey



MAP # 072W29D 01500

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008/008

**LEGEND**

**LINE TYPES**

--- 1/4 SECTION LINE  
--- 1/2 SECTION LINE  
--- 3/4 SECTION LINE  
--- SECTION LINE  
--- TOWNSHIP LINE  
--- RANGE LINE  
--- COUNTY LINE  
--- STATE LINE  
--- FEDERAL LINE  
--- RAILROAD LINE  
--- ESTATE LINE  
--- UNDEVELOPED LAND  
--- OPEN SPACE  
--- WETLANDS  
--- CREEKS AND RIVERS  
--- ROADS  
--- UTILITIES  
--- EROSION CONTROL  
--- FLOOD CONTROL  
--- LAND ACQUISITION  
--- EASEMENTS  
--- ENCUMBRANCES  
--- SURVEY DATA  
--- ADJACENT PROPERTY

**SYMBOL TYPES**

--- 1/4 SECTION  
--- 1/2 SECTION  
--- 3/4 SECTION  
--- SECTION  
--- TOWNSHIP  
--- RANGE  
--- COUNTY  
--- STATE  
--- FEDERAL  
--- RAILROAD  
--- ESTATE  
--- UNDEVELOPED LAND  
--- OPEN SPACE  
--- WETLANDS  
--- CREEKS AND RIVERS  
--- ROADS  
--- UTILITIES  
--- EROSION CONTROL  
--- FLOOD CONTROL  
--- LAND ACQUISITION  
--- EASEMENTS  
--- ENCUMBRANCES  
--- SURVEY DATA  
--- ADJACENT PROPERTY

**NUMBERS**

000 00 00 0

ACCORDING TO THE AMERICAN SYSTEM OF SURVEYING THE CORNER MARKS ARE THE ONLY POINTS TO BE USED IN THE FIELD.

THE BOUNDARIES OF THIS SECTION ARE THE ONLY BOUNDARIES TO BE USED IN THE FIELD.

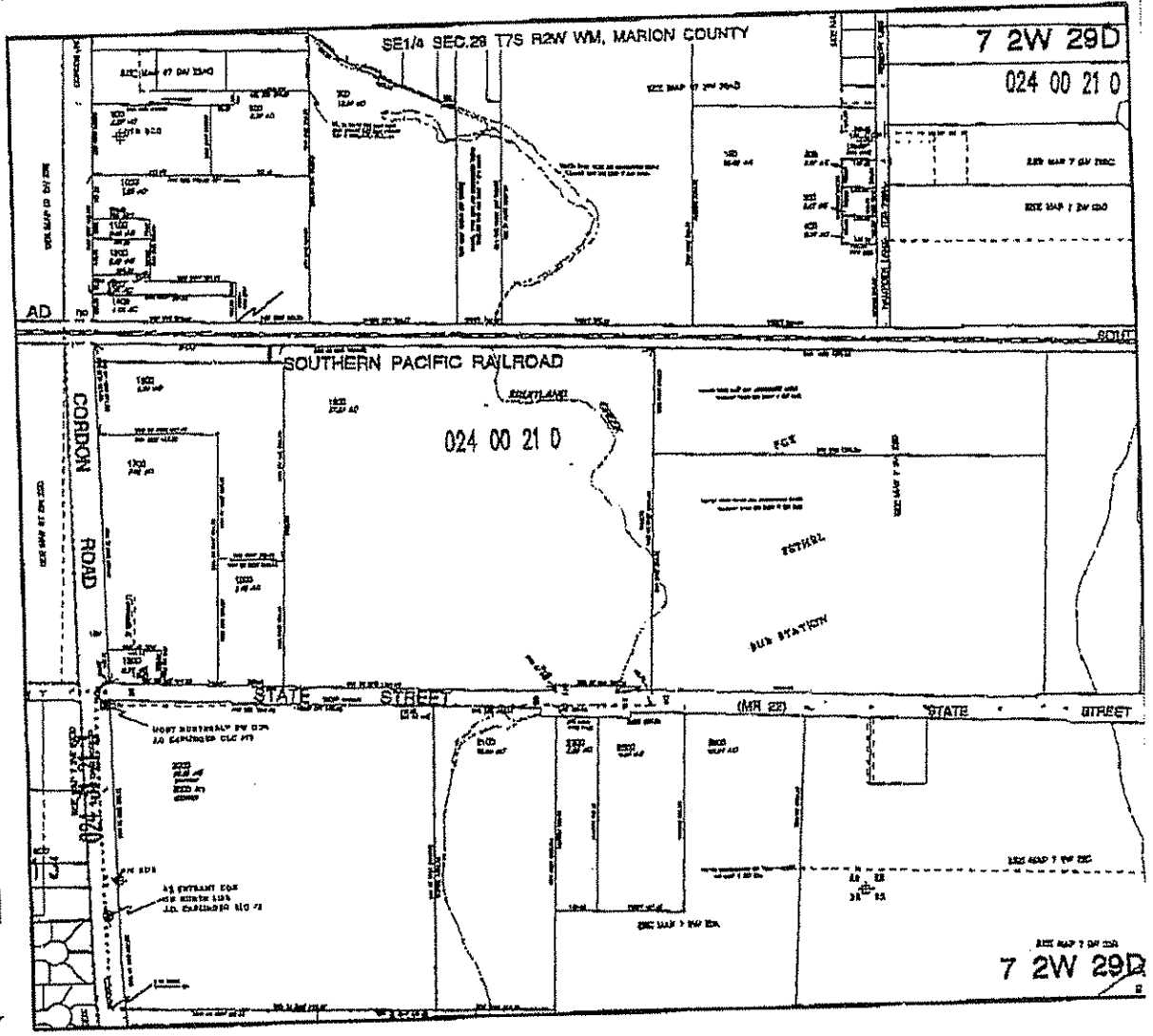
THE BOUNDARIES OF THIS SECTION ARE THE ONLY BOUNDARIES TO BE USED IN THE FIELD.

NOTICE: THIS MAP WAS PREPARED FOR THE AMERICAN SYSTEM OF SURVEYING ONLY.



SCALE 1" = 200'  
OF LENGTH

Plot the corners August 24, 1907



**LEASE**

JUL-26-2005 08:12AM FROM-PGE

+5034642863

T-861 P 802/019 F-975

*March 12-14  
Land 6536*

## GROUND LEASE

THIS LEASE is dated May 3, 1996, by and between,

PORTLAND GENERAL ELECTRIC (PGE), Landlord,

and CONCERNED BUSINESSES, an Oregon non-profit corporation, Tenant.

1. **PROPERTY.** Landlord leases to Tenant, on the terms and conditions hereinafter specified, the following described real property:

*See Exhibit A*, attached hereto and incorporated herein by this reference.

2. **TERM.**

2.1 **Original Term.** The original term of this lease shall begin on or before

May 3, 1996, and end ten (10) years thereafter.

2.2 **Renewal Option.** At the end of the initial lease term, if Tenant is then in compliance with all the terms of this lease, Tenant shall have the right, at its option, to renew this lease for one (1) additional five (5) year term, commencing on the day following the termination of the original term. Tenant shall exercise such renewal option by sending written notice to Landlord, and the receipt of such notice on or before the 90th day preceding the last day of the initial term shall be a sufficient exercise thereof. Upon receipt by Landlord of the notice, this lease shall continue in full force and effect for the renewal term in accordance with the terms and conditions herein, including the amount of the monthly rental set forth below.

2.2 **Termination.** This lease may be terminated upon 180 days' prior written notice by either party. The Landlord may terminate this lease under this section only if the Bethel Generating Plant nearby is decommissioned and/or the right to generate electricity is removed or revoked.



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3. **RENTAL.** Beginning on the commencement date and continuing thereafter during the term of this lease, Tenant shall pay to Landlord as rental the sum of \$100 per acre, per year, for each acre of land described in Exhibit A, and any portion thereof.

4. **PROJECT CONDITIONS.** The Tenant intends to construct a number of soccer or other sports fields on the premises, as well as other small buildings and improvements necessary to make it an adequate youth sports complex. This development will take place in two phases. The first phase shall encompass the land described in *Exhibit B*, and the second phase shall encompass the land described in *Exhibit C*, both of which are included in the description of the premises. The soccer fields and all related improvements are referred to in this lease as the "*Project*", along with any future alterations, additions, replacements, or modifications to the Project during the term of this lease or any option period which has been exercised. This lease agreement is expressly conditioned on the following:

4.1 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, consultants' reports, financing commitments, final plans and specifications, design construction contracts, and any other approvals, laws and lease commitments, or contracts reasonably determined to be necessary by the Tenant, specifically including land use approval for the Project;

4.2 The Tenant and the prior tenant who was engaged in farming (the "*Prior Tenant*") entering into a mutual agreement wherein Tenant may purchase from Prior Tenant the wells on or near the premises, including all water rights, for a reasonable cost and with an amount of water adequate for Tenant's sport field irrigation needs; and

4.3 Continuation of the existing irrigation facilities for the premises;

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4.4 Tenant and the adjoining tenant who operates a driving range (the "*Driving Range Tenant*") entering into a mutual agreement whereby a net shall be placed along the border of the Driving Range Tenant's property so that golf balls from the driving range do not enter the premises;

4.5 Landlord shall reasonably cooperate with Tenant in all respects in connection with satisfying the above conditions. Landlord shall execute such applications and other instruments reasonably necessary to satisfy the conditions, provided that Landlord shall not be required to pay any application fees or incur any other costs or liability in connection with satisfying the conditions beyond Landlord's fees for any professional advice Landlord desires.

5. **PROJECT MANAGEMENT.** The parties acknowledge that Salem United Soccer Association has specific expertise in managing youth soccer and the parties therefore specifically agree that Salem United Soccer Association, or any other youth sports organization of Tenant's choosing, within reason, shall be permitted to manage the use of the premises subject to Landlord's consent, which shall not be unreasonably withheld.

6. **USE.** Tenant shall use the premises during the term of this lease for the purpose of operating a youth soccer complex, including soccer fields, and shall not conduct or permit to be conducted any unlawful activity.

7. **UTILITIES.** Tenant shall furnish and pay for all utilities, including, but not limited to, water and sewer, telephone, electricity, and garbage service.

8. **REPAIRS.** Landlord shall not be required to make any repairs, alterations, additions or improvements except as herein provided. Tenant shall maintain and repair the soccer or other sports fields and the Project improvements and keep the same in reasonably good condition, at its own expense, and shall keep the property free of noxious weeds and debris.

9. **TITLE TO IMPROVEMENTS.** Title to the Project improvements shall be and remain in Tenant through the expiration of the lease, at which point Tenant shall be required to remove the improvements from the premises, and restore the premises to its condition prior to taking possession, provided that title to the sewer and water system shall be and remain with the Landlord. It is intended the Tenant will have no leasehold interest upon expiration of this Lease. During the term, Tenant shall be entitled for all taxation purposes to claim cost recovery deductions and the like on the Project improvements.

10. **LIABILITY.**

10.1. **Tenant's Indemnity of Landlord.** Except as set forth herein, Landlord shall not be liable to Tenant for any damage to persons or property resulting from the negligence of any person other than Landlord or resulting from the condition of the property subject to this lease Project, even where Landlord has had notice thereof. Tenant shall indemnify and hold Landlord harmless against any and all claims or losses of every nature arising from any injury or damage suffered during the term of this lease by any person or property in or about the premises, except (1) those based on the Landlord's own negligence, and except (2) those based on environmental contamination existing at the time this lease is executed. And Tenant, at its expense, shall defend Landlord against any suit or action arising from any such injury or damage and appeals therefrom, and shall satisfy and discharge any judgment or decree that may be awarded against the Landlord in such proceeding. To give effect to the terms of this provision, Tenant shall at all times during this lease maintain in full force and effect, at Tenant expense, a policy of indemnity insurance, issued by a reputable company, insuring Landlord against any loss, cost or liability resulting from, or arising out of, the aforesaid matters, with combined limits of not less than \$2,000,000. Such policy and its renewals, or the insurance company's certificate of the existence of such insurance,

shall be furnished to Landlord. Landlord shall be named as additional insured under said insurance policy.

**10.2 Landlord's Indemnity of Tenant.** Landlord agrees to mutually indemnify and hold Tenant harmless, in the same manner and with the same scope as Tenant has agreed to indemnify Landlord in paragraph 10.1 above, for all matters concerning or arising from the Landlord's negligence, and any environmental contamination existing on the property at the time of execution of this Lease. Paragraphs 10.1 and 10.2 shall survive the termination or expiration of this lease.

#### **11. TAXES.**

The real estate taxes on the land will be paid by the Landlord, and any taxes on any improvements will be paid by the Tenant. Should the Tenant's use cause an increase in the taxes on the land, the Tenant will be responsible for any increase over the base year 1996-97.

#### **12. FIRE AND CASUALTY.**

**12.1 Insurance.** Tenant, at its expense, shall keep the Project Improvements insured to its actual cash value against loss by fire, with extended coverage.

**12.2 Destruction.** If the Leased Property is destroyed by fire or other casualty related to or arising from Tenant's activities or possession of the property, Tenant shall repair and restore the property to its condition prior to such fire or casualty and there shall be no abatement of the monthly rental.

**13. ASSIGNMENT AND SUBLETTING.** Tenant interest in this lease may not be assigned, transferred or encumbered, in whole or in part, voluntarily or by operation of law, without the written consent of Landlord, with such consent not to be unreasonably withheld. Tenant shall not sublease the premises, or portions thereof, without the written consent of

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Landlord, with such consent not to be unreasonably withheld. If any of these acts is attempted or occurs without such consent, this lease may be terminated, at the option of Landlord.

14. **EMINENT DOMAIN.** If any part or all of the premises is taken by a corporation or governmental authority having the right of eminent domain, by exercise or by purchase under threat of exercise of that right, this lease may be canceled by either party upon thirty (30) days' written notice to the other. Any unearned rental or unexpended deposit shall be refunded to Tenant. Tenant shall be entitled to a proportion of the award for the improvements to the property which Tenant constructed. Tenant shall also be entitled to necessary relocation costs from the condemning authority.

15. **HOLDING OVER.** If Tenant holds over after the term of this lease with the consent of Landlord, express or implied, Tenant shall remain bound by all the covenants of this lease, except that the holding over shall be construed to create a tenancy from month-to-month.

16. **LIEN FOR RENT.** Pursuant to ORS 87.162, Landlord shall have a lien upon the personal property of Tenant brought upon the leased premises. Pursuant to this statute, Landlord may take possession of the personal property and sell it and apply the proceeds of sale upon the unpaid rent.

17. **TENANT'S OBLIGATIONS AS RENT.** All amounts payable to Tenant to or on behalf of Landlord under this lease, whether or not expressly denominated as rent, shall constitute rent for the purposes of Section 502(b)(6) of the Bankruptcy Code, and for purposes of entitling Landlord to exercise all of the remedies available at law or equity, or under this lease, for the nonpayment of rent.

18. **DEFAULT.** Time and the strict performance of this agreement are the essence hereof, and the default by Tenant for 10 days in any rent payment with prior advance written

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notice and opportunity to correct the default, shall immediately entitle Landlord, at its option, to cancel and terminate this lease, and the default by Tenant in any other covenant in this lease, after 30 days' written notice and opportunity to correct the default, shall entitle Landlord, at its option, to cancel and terminate this lease. If this lease is so terminated, Landlord shall be entitled to the immediate and peaceable possession of the real property, and Tenant shall forthwith vacate the premises without any further notice or proceedings, and Landlord shall have the immediate right to enter said premises, and to remove all person and their effects from the property. Waiver by Landlord of any default shall not be deemed to be a continuing waiver of such default or of any similar default or of the strict performance of the terms of this lease in any particular. The Landlord's remedy under this paragraph shall be its sole remedy.

19. **VACATING THE PREMISES.** At the termination of this lease for any reason whatsoever, Tenant shall promptly vacate the premises and deliver them to Landlord in as good order and repair as they now are, ordinary wear and tear and damage by fire that cannot reasonably be repaired excepted.

20. **ATTORNEYS' FEES.** In case of any dispute concerning the interpretation of this agreement, or in case of any default in the performance of any of the terms hereof, whether incurred in or out of any trial or appellate court, the prevailing party shall be entitled to an award of reasonable attorneys' fees, together with costs and disbursements, at trial and on appeal.

21. **PARTIES.** The lease shall bind and inure to the benefit of the parties and their respective heirs, personal representatives, successors, and assigns, so far as assignable.

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22. **NOTICES.** All notices from Landlord to Tenant in connection with this lease shall be directed to Tenant at:

PO Box 4090

Salem, Oregon 97302

All notices to Landlord in connection with this lease shall be directed to Landlord at:

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23. **MERGER, INTEGRATION, AND MODIFICATION.** There are no other agreements between the parties except as stated herein. No modification to this Agreement can be made except in writing, signed by both parties.


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

LANDLORD: PGE

By:  Fred Miller - Vice President  
(Title)

TENANT: CONCERNED BUSINESSES

By:  Frank Mc Hill  
(Title)  
CHAIRMAN



**ZONING SPECIFICATIONS**

**CHAPTER 165  
I - INDUSTRIAL ZONE**

Adopted 07/28/04

Section	Title
165.010	Purpose
165.020	Permitted Uses
165.030	Uses Permitted Subject to Pollution Control Authority
165.040	Conditional Uses
165.050	Approval Standards for Conditional Uses
165.060	Scale of Industrial Uses
165.070	Prohibited and Lawfully Established Existing Uses
165.080	Property Development Standards
165.090	Landscaping

**165.010 PURPOSE.** The purpose of the I (Industrial) zone is to implement the Rural Development policies of the Comprehensive Plan and recognize existing industrial uses in rural and natural resource areas of the county. This zone is applied to land committed to, or intended for, industrial uses outside Urban Unincorporated Communities, Rural Communities, and Rural Service Centers, as those terms are defined in the Comprehensive Plan and Oregon Administrative Rules. The purpose and intent of the Industrial zone is to provide for the location, in rural areas, of needed industrial uses which are not dependent upon urban services. The I zone encourages orderly and compatible development of industrial uses, including agricultural related industry, on rural lands. These lands are suited for industrial use due to marginal agricultural soils, adverse circumstances such as shape, proximity to railroad or transmission line corridors or proximity to markets or resources. The Industrial zone may be appropriate in rural areas designated in the Marion County Comprehensive Plan as Industrial or in locations which meet the intent of the zone.

The uses within the I zone are functionally classified by description of the particular activity or by reference to a category in the "Standard Industrial Classification Manual, (SIC)." The SIC index number is referenced as an aid to interpretation of uses. Where the term used to describe a use is defined in Chapter 110, the definition takes precedence over any SIC classification.

**165.020 PERMITTED USES.** Within any I zone no building, structure, or premises shall be used, or arranged, except as permitted by this ordinance. Only the following uses may be permitted at a scale appropriate to serve the rural area, subject to section 165.060:

- (A) Agricultural Services and Forestry (SIC 07 and 08);
- (B) Contracting and service facilities (SIC 15, 16, 17);
- (C) Tobacco processing (SIC 21);
- (D) Textile products manufacture (SIC 22);
- (E) Textiles and apparel manufacture and fabrication of textile products (SIC 23);
- (F) Printing, publishing and allied industries (SIC 27);
- (G) Rubber and allied products manufacturing (SIC 30);
- (H) Cement, clay, glass and stone products manufacturing facilities (SIC 32, except 323 glass products made of purchased glass);
- (I) Metal fabricated products manufacturing facilities (SIC 34, except SIC 347 coating and engraving and except SIC 348 ordinance and ammunition manufacturing);

- (J) Appliances, office and electrical product equipment manufacturing (SIC 36);
- (K) Woodworking machinery, including sawmill equipment (SIC 3553);
- (L) Coal and wood fuel dealers (SIC 5989);
- (M) Transportation equipment, manufacture and repair (SIC 37, except 3743 railroad equipment, see 165.040(E));
- (N) Professional, scientific and controlling equipment manufacturing (SIC 38);
- (O) Wholesales firms (SIC 50 and 51);
- (P) Other uses:
  - (1) Metal working equipment and machinery manufacturing wholly within a building;
  - (2) Warehouses (SIC 42 except 4225);
  - (3) Utilities-primary equipment and storage yard;
  - (4) Auction house or market;
  - (5) Heavy construction equipment rental and leasing (SIC 7353);
  - (6) Textiles and apparel-other facilities:
    - (a) Cleaning and dyeing plants;
    - (b) Laundry plant;
    - (c) Storage of fur and clothing;
- (Q) Wireless communication facilities attached, subject to section 125.110;
- (R) Utility facilities necessary for public service;
- (S) Caretaker dwelling;
- (T) Fire station;
- (U) New industrial uses, sited on an abandoned or diminished mill site, which means a mill, plant or other facility engaged in the processing or manufacturing of wood products, including sawmills and facilities for the production of plywood, veneer, hardboard, panel products, pulp and paper, that: (a) was closed after January 1, 1980 or was operating at less than 25 percent capacity since January 1, 2003; and (b) contains or contained permanent buildings used in the production or manufacturing of wood products;
- (V) Uses legally established and existing on the date of adoption of this ordinance. Such uses are permitted pursuant to this section only on the lot(s) or parcel(s) where they existed on the date of adoption of this ordinance, subject to 165.070.

**165.030 USES PERMITTED SUBJECT TO POLLUTION AUTHORITY APPROVAL.** Upon the issuance of all required permits by the Oregon Department of Environmental Quality the following additional uses shall be permitted in an I zone, subject to section 165.060:

- (A) Food, grain, feed and derivative products processing (SIC 20);
- (B) Lumber and Wood Products (SIC 24);
- (C) Furniture and plumbing fixtures manufacturing (SIC 25);
- (D) Wood and lumber products processing, manufacturing and storage facilities (SIC 261);
- (E) Fabrication of paperboard containers and boxes (SIC 265);
- (F) Manufacturing of chemical and allied products (SIC 28);
- (G) Petroleum products and gasoline storage only, provided all storage is underground.

**165.040 CONDITIONAL USES.** When authorized under the procedure provided for conditional uses in this ordinance, the following uses will be permitted in an I zone, subject to section 165.060:

- (A) Mining, pits and quarries facilities (SIC 14);
- (B) Petroleum, petroleum products, by-products manufacturing and storage facilities (SIC 29);

- (C) Metals, primary, manufacturing facilities (SIC 33);
- (D) Machinery manufacturing facilities (SIC 35);
- (E) Railroad equipment manufacturing (SIC 3743);
- (F) Automobile Wreckers (SIC 5093);
- (G) Welding shop (SIC 7692);
- (H) Blacksmith (SIC 7699);
- (I) Public power generation;
- (J) Solid Waste Disposal Sites (see Specific Conditional Uses, Section 120.310-120.380);
- (K) Sand and Gravel Resource Sites (see Specific Conditional Uses, Section 120.410-120.480);
- (L) Heliport;
- (M) Wireless communication facilities (see Specific Conditional Uses, Section 120.080);
- (N) Recreational vehicle, mobile home and boat repair and manufacturing;
- (O) Kennels, boarding and raising of animals;
- (P) Public power generation facilities;
- (Q) Mineral and aggregate resource operations;
- (R) Training facilities in conjunction with industrial activities:
- (S) Manufacturing, processing, trucking, wholesale distribution, and storage uses not listed in section 165.020 or 165.030 and not exceeding 35,000 square feet of floor (SIC 20 through 39 and 42).

**165.050 APPROVAL STANDARDS FOR CONDITIONAL USES.** Conditional use requests in the I zone are subject to the following criteria:

- (A) The use will not force a significant change in, or significantly increase the cost of, accepted farm or forest practices on surrounding lands devoted to farm or forest use;
- (B) The proposed use will not, by itself or in combination with existing uses, result in public health hazards or adverse environmental impacts that violate state or federal water quality regulations;
- (C) The proposed use will not, by itself or in combination with existing uses, exceed the carrying capacity of the soil or of existing water supply resources and sewer services;
- (D) The traffic generated by the proposed use is consistent with the identified function, capacity, and level of service of transportation facilities serving the use; or improvements are imposed that maintain the existing level of service;
- (E) The proposed use will not create significant adverse effects on existing uses or permitted uses on adjacent land, considering such factors as noise, dust and odors; and,
- (F) The proposed use shall not have industrial or manufacturing processes that require water or discharges of wastewater except upon demonstration that the use has an on-site sewage disposal site approved by Marion County or the Oregon Department of Environmental Quality.

**165.060 SCALE OF INDUSTRIAL USES.**

- (A) New permitted and conditional uses may be established up to a maximum of 35,000 square feet of floor area.
- (B) Lawfully established uses existing as of the date of adoption of this ordinance may be expanded up to 35,000 square feet of floor area, or an additional 25% of the floor area that existed as of the date of adoption of this ordinance, whichever is greater.

- (C) The following uses are not subject to the size limitations established in (A) and (B):
- (1) Industrial uses involved in the primary processing of raw materials produced in rural areas are not subject to size limitations;
  - (2) Uses described in section 165.020(U) of this Chapter;
  - (3) Public uses.
- (D) Except as established in (B) and (C), for a use to exceed the square foot limitations requires taking an exception to Goal 14. Such exception shall be processed as an amendment to the Marion County Comprehensive Plan.

**165.070 PROHIBITED AND LAWFULLY ESTABLISHED EXISTING USES.**

- (A) Uses of structures and land not specifically permitted in the Industrial zone.
- (B) New residential dwellings except when accessory to a primary use. However, a dwelling which legally existed at the time of adoption of this Ordinance shall not be a nonconforming use, and may be may be remodel, expanded, or replaced.
- (C) Lawfully established industrial uses that existed prior to zoning or established through the applicable land use process on or before the date of this ordinance, not otherwise listed in the zone, are allowed outright and shall not be classified as non-conforming uses.
- (D) All other lawfully established, existing uses and structures not specifically permitted in the I zone shall be considered nonconforming uses subject to the provisions of Chapter 114.

**165.080 PROPERTY DEVELOPMENT STANDARDS.**

- (A) Height. The maximum height of any structure shall be 35 feet.
- (B) Setbacks.
- (1) Front Yard - No structure other than a fence, wall, or sign shall be located closer than 20 feet from a public right-of-way. When by ordinance a greater setback or a front yard of greater depth is required than specified in this section, then such greater setback line or front yard depth shall apply (see Section 113).
  - (2) Side and rear yard - No side or rear yard setback is required where abutting property is zoned for commercial or industrial use. Where not abutting a commercial or industrial zone, structures other than fences, walls, and signs shall be set back a minimum of 10 feet.
  - (3) Parking - Parking spaces may abut a public right-of-way and side and rear property lines adjacent to commercial, industrial, or public zones, subject to the landscaping requirements in Section 165.090. Parking spaces shall be set back a minimum of 10 feet from residential, agricultural, and forest zones.
- (C) Lot Area/Lot Coverage. There is no minimum lot size.
- (D) Parking. The off-street parking and loading requirements of Chapter 118 apply.

- (E) Access to state highways. Any new or expanded use with frontage on a state highway shall demonstrate that the property has access approved by the Oregon Department of Transportation or approved access to an alternative public right-of-way.
- (F) Traffic Analysis. Demonstrate that the development will be consistent with the identified function, capacity, and level of service of transportation facilities serving the site. A transportation impact analysis, approved by the Marion County Department of Public Works, may be required prior to building permit approval.
- (G) Sewage Disposal. Demonstrate that the development will not exceed the existing carrying capacity of the local sewage disposal system or has an on-site sewage disposal site approved by Marion County or the Department of Environmental Quality.

**165.090 LANDSCAPING.** The following provisions apply to lots and parcels upon which a new structure is erected, or where a graveled or unimproved lot is paved, or a lot is newly developed for the outdoor sale or display of merchandise, goods or services:

- (A) Front yards shall be provided with a landscaped area at least three feet wide adjacent to the right-of-way line, exclusive of through direct driveways, on every lot upon which a new structure is erected, or where a graveled or unimproved lot is paved, or a lot is newly developed for the outdoor sale or display of merchandise, goods or services.
- (B) Side and rear yards abutting a residential zone shall be landscaped adjacent to parking and loading zones and screened with a six foot fence, wall or hedge.

**CHAPTER 171  
P (PUBLIC) ZONE**

Revised 07/28/04  
Revised 01/01

Section	Title
171.010	Purpose
171.020	Uses
171.030	Conditional Uses
171.040	Scale of Uses
171.050	Prohibited and Lawfully Established Existing Uses
171.060	Property Development Standards

**171.010 PURPOSE.** The purpose and intent of the P zone is to provide regulations governing the development of lands appropriate for specific public and semi-public uses and to ensure their compatibility with adjacent uses. It is intended that this zone be applied to individual parcels shown to be an appropriate location for a certain public or semi-public use. If the use existing at the time the P zone is applied is discontinued or if a proposed use is not established, it is the intent that the land be rezoned to conform to surrounding zoning or be devoted to permitted uses. It is not intended that a property zoned Public for one type of use be allowed to change without demonstrating that the proposed conditional use will be compatible with adjacent uses and the property is better suited to the proposed use than alternative locations.

**171.020 USES.** Within any P (PUBLIC) zone no building, structure or premises shall be used, arranged, or designed to be used, erected, structurally altered or enlarged except for the following purposes:

- (A) Farm use;
- (B) Forest use;
- (C) Dwellings (including mobile homes) and other structures customarily provided in conjunction with farm or forest use subject to the criteria in Section 139.030;
- (D) Utility facilities necessary for public service except public power generation.
- (E) Wireless communication facilities attached subject to the following development standards:
  - (1) Notwithstanding other height limitations in this Ordinance Omni-directional (whip) antennae not exceeding 20 feet in height and directional/parabolic antennae not exceeding 7 feet in diameter or width and 15 feet in height may be attached to or located on existing structures.
  - (2) Antenna and associated equipment shall be surfaced in a nonreflective color to match the structure on which it is located. An equipment enclosure may be setback from the edge of

a roof by a distance at least equal to its height in lieu of screening.

- (3) Equipment enclosures shall be located within the building on which it is located wherever possible, otherwise, equipment enclosures shall be fenced by a 6 foot high fence, wall or hedge.
  - (4) Antennae shall not be illuminated except as required by the Oregon State Aeronautics Division or the Federal Aviation Administration.
  - (5) A wireless communication facility attached and equipment enclosure shall be removed by the facility owner or property owner within 6 months of the date it ceases to be operational.
- (F) Wireless communications facilities (See Limited Use, Section 125.120).
- (G) Fire and emergency services stations and police substations; training facilities, administrative offices and living quarters for fire, emergency, and police services are permitted in conjunction with these uses, not to exceed 20 full-time persons and 200 day-use visitors.

**171.030 CONDITIONAL USES.** When authorized under the procedure provided for conditional uses in this Ordinance, the following uses will be permitted in a P zone:

- (A) Airport and airport related commercial and industrial uses;
- (B) Public ball park, exposition, fairground, museum, stock show and related commercial uses subject to 171.040;
- (C) Cemeteries, crematoriums and mausoleums;
- (D) Dwelling for the caretaker or watchman; housing for the staff required for an approved conditional use;
- (E) Golf courses, public parks and playgrounds, recreational resorts and retreats, related camping and related commercial uses subject to 171.040;
- (F) Churches, public and private schools and related conference and residence facilities;
- (G) Military training facilities and armory;
- (H) Public institutions for detention or correction;
- (I) Residential facilities, institutions and schools for the handicapped or mentally retarded;
- (J) Public service buildings, structures and uses, (e.g. field offices, outdoor storage of equipment, reservoir, water tower, pump station, sewage treatment plant, solid waste disposal site, power generation) except fire, police and emergency service stations.
- (K) Fire and emergency services stations and police substations; training facilities, administrative offices and living quarters for fire, emergency, and police services exceeding 20 full-time persons and 200 day-use visitors.



**171.040 SCALE OF COMMERCIAL USES:**

- (A) New commercial uses in conjunction with public uses may be established up to a maximum of 3,500 square feet of floor area.
- (B) Lawfully established commercial uses existing as of the date of adoption of this ordinance may be expanded up to 3,500 square feet of floor area, or an additional 25% of the floor area that existed as of the date of adoption of this ordinance, whichever is greater.
- (C) Except as established in (B), for a commercial use to exceed the square foot limitations requires taking an exception to Goal 14. Such exception shall be processed as an amendment to the Marion County Comprehensive Plan

**171.050 PROHIBITED AND LAWFULLY ESTABLISHED EXISTING USES:**

- (A) Uses of structures and land not specifically permitted in the Public zone.
- (B) New residential dwellings except when accessory to a primary use. However, a dwelling which legally existed at the time of adoption of this Ordinance shall not be a nonconforming use, and may be remodel, expanded, or replaced.
- (C) Lawfully established commercial and industrial uses that existed prior to zoning or established through the applicable land use process on or before the date of this ordinance, not otherwise listed in the zone, are allowed outright and shall not be classified as non-conforming uses.
- (D) All other lawfully established, existing uses and structures not specifically permitted in the Public zone shall be considered nonconforming uses subject to the provisions of Chapter 114.

**171.060 PROPERTY DEVELOPMENT STANDARDS:**

- (A) **HEIGHT.** No building or structure in a P zone shall exceed 6 stories or 70 feet, provided that buildings or structures shall set back from every street and lot line 1 foot for each foot of height of the building in excess of 35 feet in addition to all other yard and setback requirements herein specified.
- (B) **FRONT YARD.** Front yard shall be a minimum of 20 feet. No parking shall be permitted within the minimum front yard area.
- (C) **SIDE YARDS.** Where the side of a lot in a P zone abuts upon the side of a lot in any "R" zone, there shall be a minimum side yard of 10 feet. Otherwise there shall be no minimum side yard setback. Where the side of a lot abuts upon a street there shall be a minimum side yard of 20 feet wherein no parking shall be permitted.
- (D) **REAR YARD.** In a P zone there shall be a rear yard which shall have a minimum depth of 30 feet.
- (E) **LOT AREA AND COVERAGE.** The minimum requirements in P zones for dwellings shall be 1 acre except 6,000 square feet inside an unincorporated community boundary where public sewer and water service is provided. No main building, including dwellings, shall occupy more than 30% of the lot area.

(F) OPEN STORAGE.

- (1) All yard areas, exclusive of those required to be landscaped as provided in Section 171.060 (G), may be used for materials and equipment storage areas related to a use permitted in the P zone, provided such area is screened so it cannot be seen from public roads, or from dwellings on property in other zones.
- (2) The surface of open storage areas, including automobile and truck parking area shall be paved or graveled and maintained at all times in a dust-free condition.

(G) LANDSCAPING. The area within 20 feet of a street shall be landscaped. As a condition of approval for a conditional use additional landscaping may be required if necessary to make the use compatible with the area.

(H) PERFORMANCE STANDARDS. No land or structure shall be used or occupied unless maintained and operated in continuing compliance with all applicable standards adopted by the Oregon Department of Environmental Quality.

(I) SEWAGE DISPOSAL. Demonstrate that the development will not exceed the existing carrying capacity of the local sewage disposal system or has an on-site sewage disposal site approved by Marion County or the Department of Environmental Quality.

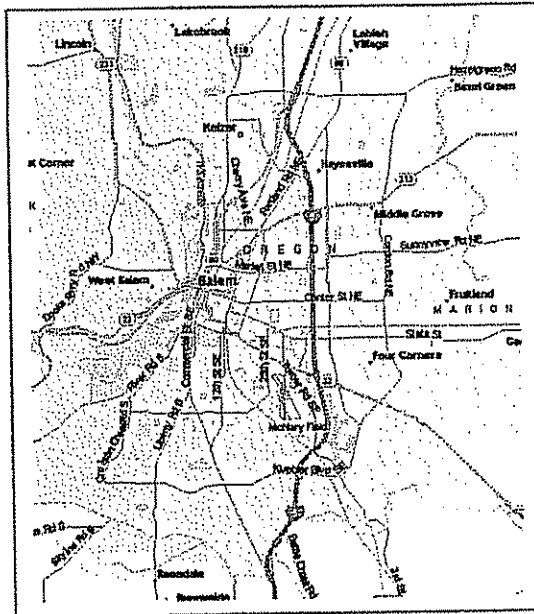
(J) TRAFFIC ANALYSIS. Demonstrate that the development will be consistent with the identified function, capacity, and level of service of transportation facilities serving the site. A transportation impact analysis, approved by the Marion County Department of Public Works, may be required prior to building permit approval.

***REGIONAL DESCRIPTION***

## REGIONAL DESCRIPTION

### AREA PROFILE

Salem, the capital city of Oregon, is situated midway between Portland and Eugene along Interstate 5 in the heart of the Willamette Valley. The Salem Metropolitan Statistical Area (Salem MSA), consisting of Marion and Polk Counties, covers roughly 1,900 square miles.



Metropolitan Portland is about 50 miles to the north and Eugene is about 60 miles to the south. The Pacific Ocean is approximately 50 miles west and the Cascade Mountains are about 50 miles to the east. The city of Keizer, incorporated in the 1982 general election, is located adjacent to the northern Salem City Limits.

Salem's topography is generally level throughout the central business district and North and East Salem. The elevation is 171 feet above sea level at the State Capitol. Both West and South Salem have rolling hills with elevations as high as 900 feet. Soil and subsoil conditions are generally stable and conducive to orderly development.

### POPULATION

The following chart shows population trends for the State of Oregon and the Salem MSA during the past decade and the past four years, as well as the percentage of change since 2000. Note that current average annual population growth is significantly less than it was in the 1990s.

#### **POPULATION TRENDS**

Year	1990	2000	Annual 1990-2000	2004	Annual 2000-2004
State of Oregon	2,847,000	3,436,750	2.07%	3,582,600	1.06%
Polk County	49,541	62,700	2.66%	64,950	0.90%
Marion County	229,500	286,300	2.47%	298,450	1.06%
City of Salem	108,200	137,785	2.73%	143,700	1.07%
City of Keizer	21,950	32,515	4.81%	34,380	1.43%

Source: Population Research Center, Portland State University.

### ECONOMY

The dominant sectors of the Salem-Keizer economy have historically been government, food processing, and wood products. **Government** accounts for nearly 24% of area employment, which reflects the large concentration of government offices, including the State Capitol, Marion County seat, and two City Civic Centers (Salem and Keizer).

**REGIONAL DESCRIPTION (continued)**

**Agriculture** and related businesses provide a large source of economic support for the area. The Willamette Valley is highly productive and raises over 100 different products for market.

**Tourism** also provides substantial economic benefits to the Salem-Keizer area. Historic and state governmental landmarks attract local, national and some international visitors. Occupancies in the area's surrounding hotels and motels experienced above-average rates of 73% from 1989 to 2001, but have declined considerably since September 11, 2001. According to the executive director of the Salem Convention and Visitors Association, Bill Dorney, the most current occupancy rates remain around 50% with an average daily room rate of about \$60. Potentially adding to the tourism economy, the recently completed **Salem Conference Center** started operation **March 1, 2005**. After over 30 years toward materialization, the completion of the center has been a focal point in the public eye, including recurring feature stories in *The Statesman Journal*. The 29,400 square foot Conference Center consists of fourteen large conference rooms. The adjoining **Phoenix Grand Hotel** portion includes almost 200 rooms and suites with an average room of approximately \$129/night and a grand suite rate of about \$360/night. According to a Grand Opening feature story in *The Statesman Journal*, the luxury rooms of the **Phoenix Grand Hotel** are expected to out compete the other 1,927 other Salem/Keizer hotel rooms due to their newer age and superior amenities. The hotel portion is scheduled to open in late May in conjunction with the opening of the restaurant and lounge.

**Manufacturing** has continued to show steady growth away from the traditional lumber and wood products and toward a more diverse group of industries including manufactured homes, silicon wafers, metal products, and electronic equipment. In November 2003, Salem's largest employer gave a year's notice that it would be leaving Salem and that its two facilities, totaling over 600,000 SF of buildings and about 60 acres of land, would be available. As of the end of 2004, approximately 150 employees of SUMCO are still employed by the company. By late spring, there are

**LARGEST MANUFACTURING EMPLOYERS IN POLK COUNTY**

EMPLOYER	PRODUCT/SERVICE
TYCO, Inc.	Electronics
Rainsweet	Food Processing
Medallion Cabinetry	Cabinetry

Source: Susan Appleby, SEDCOR

expected to be less than 25 remaining.

**LARGEST EMPLOYERS IN MARION COUNTY**

EMPLOYER	PRODUCT/SERVICE
T-Mobile	Wireless Service
Norpac Foods Inc.	Food Processing
WinCo Foods	Grocer
Wachovia (opened Nov. 1, 2004)	Financial Services

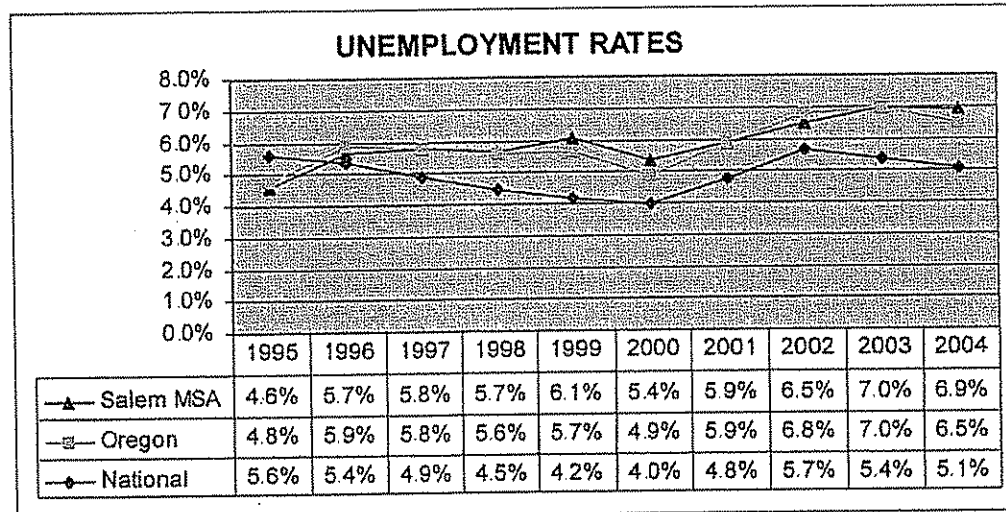
Source: Susan Appleby, SEDCOR

According to Salem Metro Labor Trends, published by the Oregon Employment Department, the **Education & Health Services** and **Government** sectors provided the most employment growth between December 2003 and December 2004 (most recent data available), with each adding 300 new jobs. During

2004 the **Manufacturing** industry lost 200 jobs. However, the **Trade, Transportation and Utilities** sector had the most significant growth in the last month (Nov-Dec) of 2004 adding upwards of 200 jobs.

## **REGIONAL DESCRIPTION (continued)**

Historic annual unemployment rates are summarized in the following table. It indicates that unemployment rates in Salem have historically been consistent with statewide levels. Unemployment rates peaked in Salem in 2003 with decreases occurring throughout 2004. Based on previous trends in unemployment, unemployment will likely continue a downward trend through 2005.



Source: Oregon Employment Department, Labor Trends, February 2005  
Bureau of Labor Statistics, U.S. Department of Labor

### **GOVERNMENT/CITY SERVICES**

Salem's charter form of government features a City Council with eight Councilors, presided over by a Mayor who is elected at-large for a two-year term. The City Council appoints the City Manager. City services include a police force of 176 commissioned officers and a fire department with nine stations staffed by 141 fire fighters. Salem Hospital provides complete medical services with a capacity of 464 patients.

Salem's water supply comes from the North Santiam River, which flows from the Cascade Mountain Range into the Willamette River. It is fluoridated and lightly chlorinated. The Salem Secondary Treatment Plant was put into operation in late 1964 to meet the city's sewage disposal needs, and has a daily capacity of 42 million gallons. Portland General Electric and Salem Electric Company provide electric service. Natural gas is available from Northwest Natural Gas Company and telephone service is available through Qwest Inc.

The City of Keizer features a Mayor and City Council. Keizer provides water and police protection, while the City of Salem provides sewer service. The Keizer Fire District provides fire protection.

Salem-Keizer Public Schools is the second largest district in the State with more than 37,859 students. It provides a sound educational foundation for students in kindergarten through 12<sup>th</sup> grade. Chemeketa Community College in Northeast Salem offers one and two-year occupational programs in about 40 fields. Willamette University is the oldest university in the west. It is a private, independent university with an enrollment of 2,628 students. Western Baptist College, whose name was changed to Corban College on May 7, 2005, has an enrollment of 740 students and is also located in Salem. Western

**REGIONAL DESCRIPTION (continued)**

Oregon University is located 20 minutes outside Salem, in Monmouth. It is a four-year public liberal arts university with an enrollment of 5,032. All numbers listed reflect the enrollment for the 2004-2005 academic year.

**REAL ESTATE MARKETS**

According to the Willamette Valley Multiple Listing Service's (MLS) year-end statistics report, the average sales price of **single-family** homes sold in Salem and Keizer in 2004 had increased 12.3% since 2000. The average sale price increased from \$144,408 in 2000, to \$162,169 in 2004.

**HOUSING TRENDS (AVERAGE SALES PRICE BY AREA)**

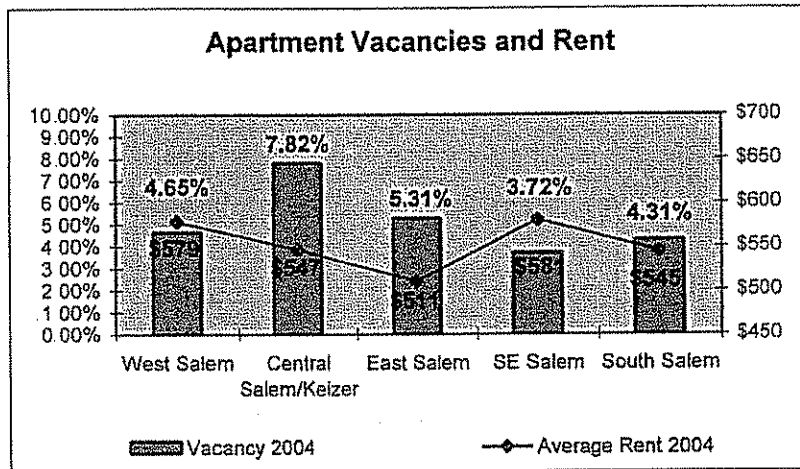
Area	Neighbor	2000	2001	2002	2003	2004	% Annual Change (2000-2004)
10	Keizer	\$148,967	\$158,533	\$162,122	\$163,806	\$170,910	3.68%
20	Central	\$ 99,971	\$101,358	\$104,153	\$109,195	\$114,336	3.59%
30	North A	\$125,559	\$127,698	\$130,626	\$141,515	\$147,962	4.46%
35	North B	\$121,928	\$124,152	\$133,178	\$145,984	\$129,690	1.59%
40	Southeast	\$156,009	\$157,209	\$164,891	\$172,718	\$181,174	4.03%
50	South	\$187,242	\$179,109	\$182,279	\$195,315	\$193,863	0.88%
60	West	\$171,181	\$166,006	\$176,228	\$192,649	\$197,247	3.81%
<b>Average Salem/Keizer</b>		<b>\$144,408</b>	<b>\$144,866</b>	<b>\$150,497</b>	<b>\$160,169</b>	<b>\$162,169</b>	<b>3.07%</b>

Decreasing interest rates in the last few years have stimulated residential expansion to unprecedented levels. Single-family construction has been strong over the past several years with new subdivisions being developed in all Salem-Keizer sectors. The recent increase in mortgage rates will likely dampen demand somewhat for future new housing. However, with only modest increases in rates growth is expected to continue. A major cause of housing price increases in new construction is the increased Systems Development Charges that have been levied on builders and ultimately, buyers This increase is passed on to the buyer as a part of the cost of the home.

The manufactured housing market has been oversupplied for several years. In the past, the lower cost of a manufactured unit attracted many first time homebuyers and senior citizens. The lower cost and the region's lower-than-average per capita income may have accounted for the unusually strong manufactured housing demand. The decreased federal interest rates over the last few years have pushed many would-be buyers out of the manufactured housing market and into the single-family housing market.

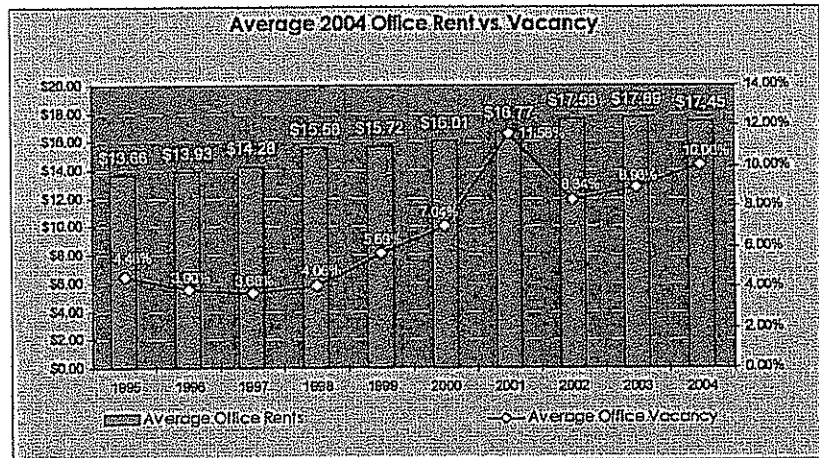
## REGIONAL DESCRIPTION (continued)

Multi-family real estate continues to flourish in the Salem-Keizer area in direct response to population increases. Several new apartment projects have been proposed and under construction. Three major projects were completed in 2004, including the Village at Elliot Square, Gateway Village Phase I and Phase II and the Willamette Estates, totaling an additional 372 units. Older units continue to show relatively high occupancy rates even with increasing competition from new projects and slightly increasing rents. Data is summarized in the facing table taken from Powell Valuation Inc.'s Fall 2004 report.



Source: Powell Valuation Inc, Salem/Keizer Apartment Survey Fall 2004

The office market is currently experiencing the first signs of market recovery. For the 20th year Powell Valuation Inc surveyed roughly 2,000,000 square feet in nearly 100 buildings throughout the greater Salem area and reported the results in the 2004 Salem/Keizer Office & Retail Survey (see graph). Overall vacancy dropped from 11.58% in 2001 to 8.34% in 2002, stabilized in 2003 and went up again to 10.06% in 2004. While still in excess of 5% vacancy, which indicates a stable market, it does demonstrate an overall stabilizing trend. Vacancy in all sectors increased except for **CBD Class A** and **CBD Class B**, each of which declined significantly from 22.50% in 2003 to 12.31% in 2004. Conversely, there was a noticeable spike in vacancy rates in **CBD Class C**, jumping from 10.56% in 2003 to 18.96% in 2004. This shift of vacancy from Class B to Class C may be attributable to tenant movement to higher end professional office facilities. The increased vacancy rates appear to be attributable to the new developments completed in 2004. Lack of new construction bodes well for continued improvement in vacancy rates into 2005.



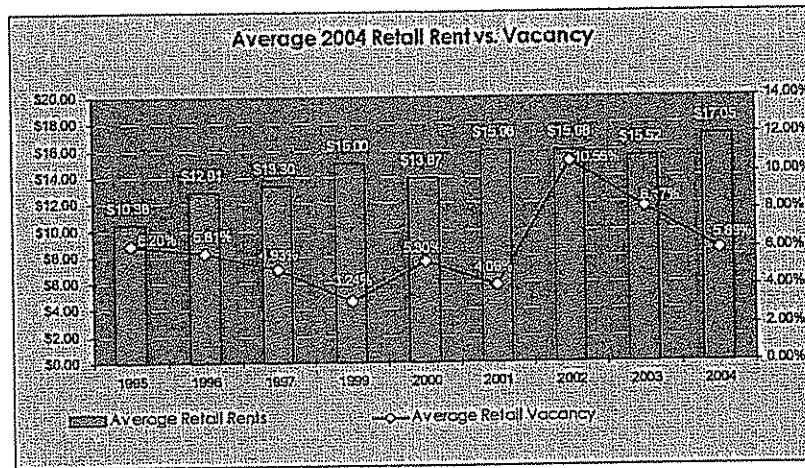
Source: Powell Valuation Inc, 2004 Salem/Keizer Office & Retail Survey.



## REGIONAL DESCRIPTION (continued)

Average rents, reflecting actual income plus asking rent on vacant space, decreased to \$17.45 per SF per year, full service. While the rates are down slightly from 2003, they are fairly consistent, signaling an on-going recovery from the dip to \$16.77 in 2001. Rents decreased in all sectors except **Suburban** over the last year. The decline in the **Medical** sector from \$21.25 in 2003 to \$20.34 in 2004 is due to recently completed medical office construction. The increase in vacancy rates and decrease in rental rates demonstrates slow economic recovery in Salem. Given the continued absorption of vacant space we anticipate decreasing vacancy in 2005.

In the past few years, we have surveyed approximately 4,020,000 square feet in 81 individual **retail** properties throughout the greater Salem area in the 2004 Salem/Keizer Office & Retail Survey. This sample group represents retail space of varying sizes, tenancies and age/condition. Management and/or leasing agents from each major shopping center, including the city's two regional malls, were surveyed with regard to



Source: Powell Valuation Inc, 2004 Salem/Keizer Office & Retail Survey.

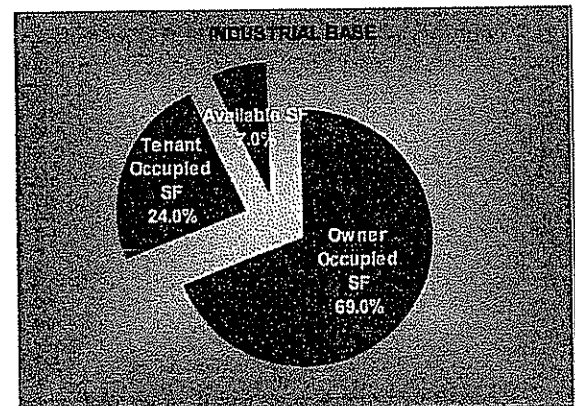
vacancy and current asking rents for vacant space in 2004. The table to the left, from the Powell Valuation Inc 2004 Salem/Keizer Office & Retail Survey, summarizes market conditions. Rents for retail space are analyzed on a triple net structure. They dropped slightly in 2003 in response to the 2002 vacancy rate, but increased significantly in 2004 while simultaneously exhibiting dramatically decreased

vacancy rates. The downward trend in retail vacancy should continue into 2005 with a renewed interest in the CBD sector of the retail market.

Industrial development is located in spot locations throughout the metropolitan area, with the major **Industrial** parks including:

- Fairview Industrial Park
- Curly's Industrial Park
- Spears Industrial Park
- Cascade Industrial Business Campus
- Davcor Business Park
- Cherry Avenue Business Center

Positive activity in the industrial sector was reported for 2004 in the Coldwell Banker Commercial 2005 Salem/Keizer Market Update. With only two months already passed in 2005 the industrial sector has



Source: Coldwell Banker Commercial, 2005 Salem/Keizer Market Update

**REGIONAL DESCRIPTION (continued)**

demonstrated better than average occupancy. The *CBC 2005 Salem/Keizer Market Update* attributes these positive trends both to generous concessions offered by owners to maintain their current tenants and stifled new investment in the industrial sector due to high new construction costs. Major industrial developments in 2004 include the Wachovia Customer Service Center on Hawthorne Avenue, as well as the newly constructed Federal Express distribution center and warehouses on Blossom Drive. As a whole, the industrial sector experienced a positive year with vacancy down to 7% from 2003's 9.1%. Conversely, the decrease in rents was coupled with landlords offering generous concessions to keep their existing tenants and attract new ones.

Citywide, industrial vacancy in the fourth quarter of 2004 is reported as 5.8% by Teri Frohnmayr of First Commercial Real Estate Services including over 11,269,000 SF of industrial buildings in the Salem/Keizer area. This is down from 9.4% at the end of 2003. These figures exclude SUMCO's impact on the overall market vacancy rates. According to the survey the majority of the positive market trend can be attributed to the expansion of already existing companies within the area absorbing the vacant spaces.

Retail Market Trends	2003	2004	2005 (proj.)
Vacancies	↓	↓	→
Lease Rates	→	↑	↑
New Construction	→	↑	↑
Absorption	↑	↑	→

Source: *The First Commercial Report*, First Commercial Real Estate Services, LLC.

Furthermore, rental rates started to exhibit positive trends towards the close of 2004. The survey also reports that rents will continue to increase as rising construction costs and increases in demand occur.

**CONCLUSION**

The Salem MSA is a typical state capitol with high government employment resulting in healthy employment rates and lower volatility in real estate markets. As long as state government employment remains stable, the Salem/Keizer area should continue to experience the gradual expansion seen in the last few years.

***APPRAISER QUALIFICATIONS***

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## EXPERIENCE AND QUALIFICATIONS

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POWELL VALUATION INC has been serving the northwest since 1973. The firm concentrates on complex commercial, industrial and multi-family valuation assignments for government, corporations and individuals. Work has been performed on a national scale. A sample of clients served is included below.

### Financial:

Absolute Funding, Inc  
American Federal Savings  
American Pacific Bank  
American Savings & Loan (FCA)  
AT&T Capital Credit  
Baker Mortgage, Inc.  
Bank of America  
Bank of California  
Bank of Newport  
Bank of Salem  
Bank of the West  
Banner Bank  
Benjamin Franklin  
Berkeley Bank and Trust  
Centennial Bank  
Church Extension Plan  
Citizens Bank  
CitiGroup  
CIT Small Business Lending  
Commercial Bank

Continental Bank  
Cypress Pointe Capital, Inc.  
Eichler, Fayne & Associates  
Family Federal Savings  
First Federal. Coeur d'Alene  
First Federal, Longview  
First Federal, McMinnville  
First Interstate Bank. N.A.  
First Mutual Bank  
First Tennessee Bank  
First Security Bank  
First Security Leasing Company  
Freedom Federal Savings  
Intervest Mortgage  
Independence/Graimark  
Juniper Banking Company  
Key Bank of Oregon  
Liberty Federal Bank  
Old National Financial  
National Mortgage Company

Norris, Beggs & Simpson  
Pioneer Trust Bank, N.A.  
Rainier Bank  
Seafirst Real Estate Advisory  
Southern Pacific Thrift & Loan  
The Oregon Bank  
Umpqua Bank  
U.S. National Bank of Oregon  
United Savings Bank  
Vancouver Federal  
Ward Cook Inc.  
Washington Federal Bank  
Washington Mutual Bank  
Wells Fargo Bank  
Western Bank  
Western Security Bank  
Willamette Savings  
Willamette Resources  
Yakima Valley Bank

### Governmental:

Benton County  
Bonneville Power Administration  
City of Albany  
City of Coos Bay  
City of Corvallis  
City of Eugene  
City of Lincoln City  
City of Salem  
City of Silverton  
City of Woodburn  
Dallas School District  
Douglas County  
FDIC

Federal Home Loan Bank  
FSLIC  
GSA - State of Oregon  
Klamath County  
Lane County  
Marion County  
Military Dept. - State of Oregon  
Mount Angel School District  
Oregon Attorneys General  
Oregon Dept. of Transportation  
Oregon Division of State Lands  
Oregon Dept. of General Services  
Network Oregon Affordable Housing

Port of Portland  
Resolution Trust Corporation  
Riverdale School District  
Salem/Keizer School District  
U.S. Army Corps of Engineers  
U.S. Bureau of Land Management  
U.S. Dept. of Interior  
U.S. Marshall's Office  
U.S. Forest Service  
Washington Dept. of Fish & Wildlife  
Woodburn School District  
Yamhill County Housing Authority

### Insurance/Medical:

Mutual of Enumclaw  
Oregon Mutual  
Killen Enterprises  
Mid-Valley Healthcare  
Harvard Medical

Northwest Life Assurance  
OMO Partnership  
Salem Hospital  
Corvallis Clinic  
Good Samaritan Hospital (Corvallis)

MetLife Capital Insurance Company  
Equitable of Iowa  
Pacific Mutual  
St. Paul Fire & Marine  
Osteon Partners

### General:

Aegon USA Realty, Inc.  
Agripac, Inc.  
Atlantic Richfield Corporation  
Brand "S" Corporation  
Capital Consultants  
Capitol Auto World  
Chevron, USA  
Chrysler Realty  
Colson & Colson Construction  
Conservation Fund  
DAV II Investments  
McDonalds Corporation  
George R. Suniga Enterprises

First American Title  
International Business Machines  
Keller Enterprises  
Meritt Truax  
Meier & Wyse  
Miller, Nash  
Microlect, Inc.  
Morrow Crane  
Mt. West Development  
Moyer Theaters  
Neilsen Manufacturing  
Nippon Kokan K.K.  
Nonpareil, Inc.

Pacific Petroleum  
Portland General Electric  
River Network  
Saafeld, Griggs & Gorsuch  
Schnitzer Investment  
State Farm Insurance Co  
Stoel, Rives, L.L.P.  
Sun America Investments  
Texaco Lubricants  
Valley Rolling Mills  
Viking Insurance Company

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## **EXPERIENCE AND QUALIFICATIONS**

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### **C. SPENCER POWELL, MAI**

C. Spencer Powell, MAI is the President of the real estate appraisal and consultation firm of POWELL VALUATION INC, 3220 State Street, Suite 100, Salem, Oregon. He was employed as a staff appraiser for Hagood & Daniels, Inc., Fort Worth, Texas from 1971 through 1973. He has been an independent fee appraiser in Oregon since 1973. He has qualified as an expert witness in Circuit Courts throughout Oregon as well as U.S. Bankruptcy Court and Federal Court. Mr. Powell works on complex valuation and consultation assignments throughout the Northwest.

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### **PROFESSIONAL AFFILIATIONS**

Appraisal Institute, Designated MAI (No. 5518), 1976  
National President, Appraisal Institute, 1996  
Chair, AI Educational Trust, 1998-99  
1983 Oregon Chapter President, Governing Council 1985-1987, (Appraisal Institute)  
Member National Appraisal Review Committee (ARC) 1978-1980, (Appraisal Institute)  
Regional Member Ethics Administration 1983-1987, (Appraisal Institute)  
Vice Chairman National Ethics Administration Division 1988  
Vice Chairman National Ethics and Counseling Committee 1989  
National Chairman, Ethics & Counseling Committee, 1993  
Northwest Regional Vice President, 1990, (Appraisal Institute)  
1974-75 Salem Chapter President, Society of Real Estate Appraisers  
District Vice-Governor, Society of Real Estate Appraisers, 1978.  
Licensed Oregon Real Estate Broker.  
State of Oregon - Certified Appraiser No. C000154.  
State of Washington - Certified Appraiser No. 1100469

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### **COMMUNITY**

Founder, Member of the Board, Bank of Salem, 1994-04.  
Board Member - American Home Savings and Loan Association, 1987-1989.  
Board Member - Downtown Development Board, 1990-1993.  
Board Member, Vice President, Building Committee Chairman - United Methodist Retirement Center 1980-1987.  
Board Member, Past President - Salem Economic Development Corporation 1981-1985.  
Board Member - Salem Area Chamber of Commerce 1978-1981.  
Board Member - Friends of Deepwood 1975-1977.

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### **EDUCATION:**

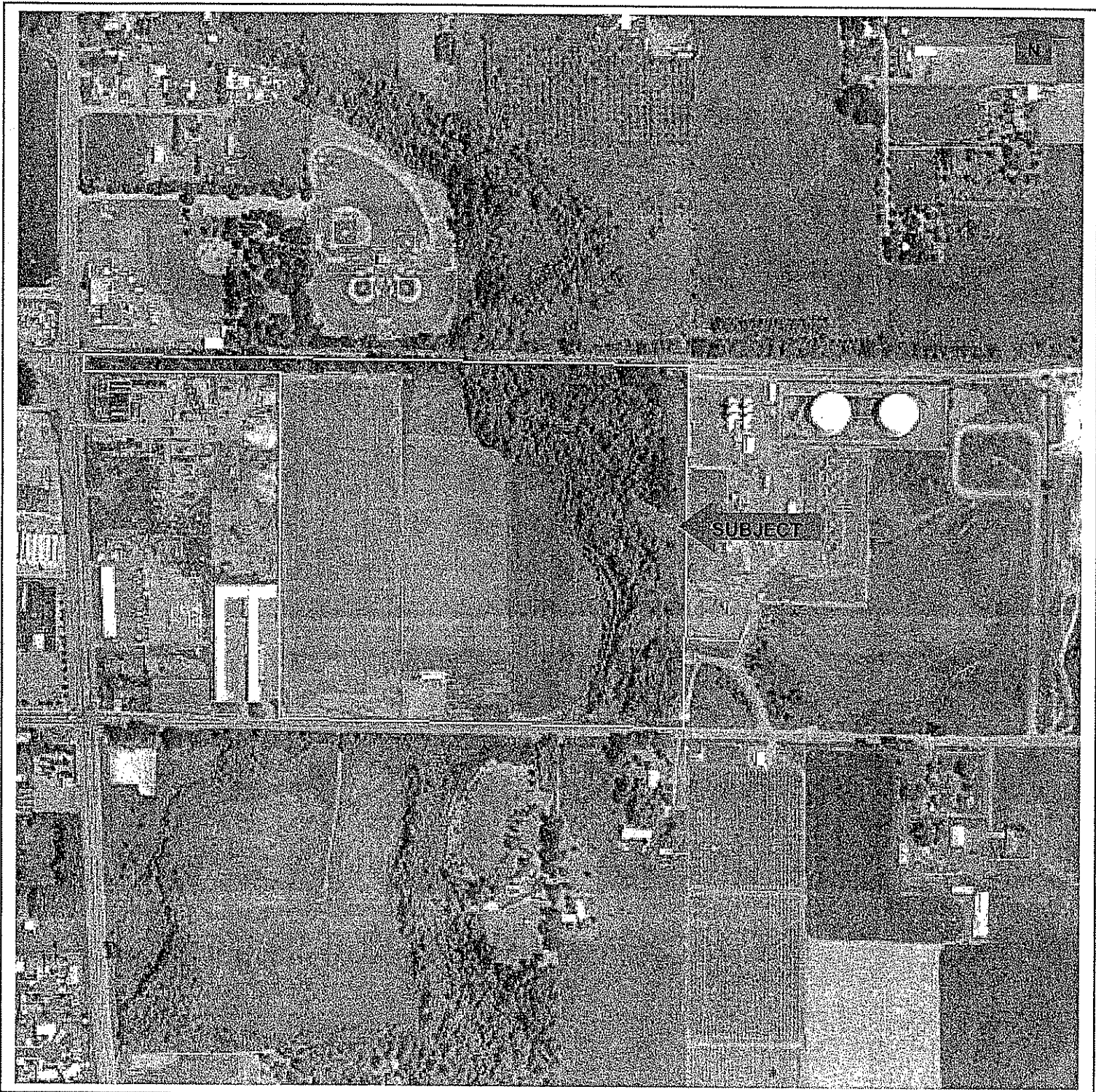
Oregon State University-Corvallis, Oregon; University of Oregon-Eugene, Oregon.  
Majored in Real Estate and Urban Studies; Bachelor of Business Administration.

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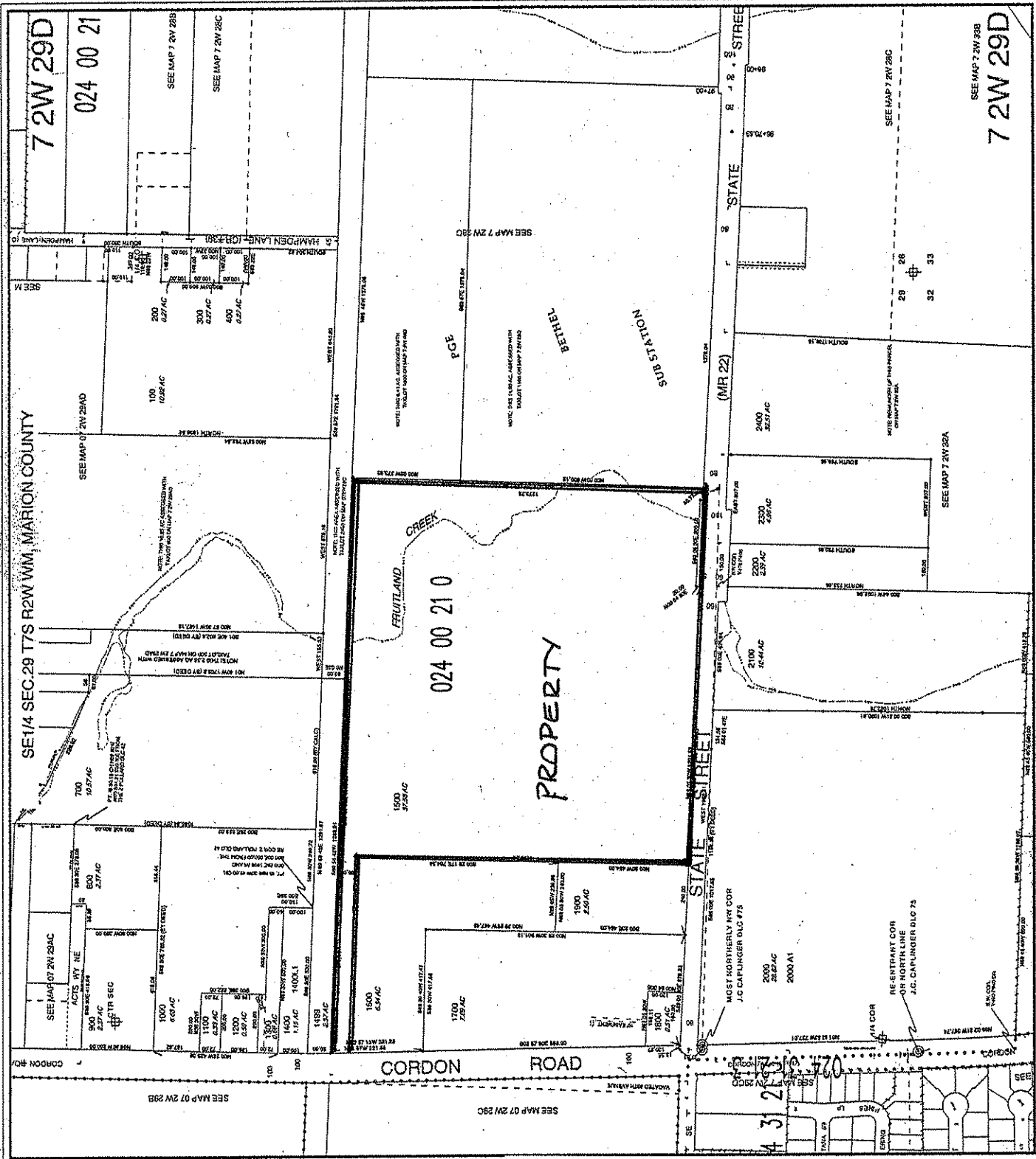
### **EXPERIENCE**

A real estate appraiser since 1971, an independent appraiser and consultant since 1973.

# AERIAL PHOTOGRAPH







**LEGEND**

**LINE TYPES**

- OLD PROPERTY LINE
- VACATED RIGHT-OF-WAY
- RAILROAD RIGHT-OF-WAY
- STREAM, LAKE, ETC. NON-BOUNDARY
- PARTITION PLAT BKT.
- SECTION BOUNDARY
- FEET CORNER BOUNDARY

**SYMBOL TYPES**

- CONTROL POINTS
- SURVEY MONUMENTS
- CLASS CORNERS
- SECTION CORNER
- 1/4 SEC.
- 1/2 SEC.
- 3/4 SEC.
- 1/8 SEC.