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Docket No. W-04254A-08-0361

Docket No. W-04254A-08-0362

Arizona Corporation Commission
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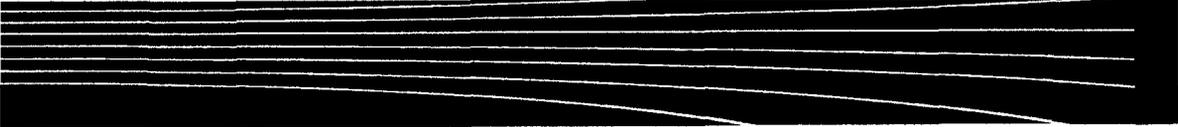
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AZ CORP COMMISSION
DOCKET CONTROL



Kevlor Design Group, LLC

430 Fitzgerald Place • Atlanta, Georgia 30349

Proposal ID: KDG012712

January 27, 2012

Patricia Olsen (928-300-3291)
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335

Déar Patricia,

Kevlor Design Group, LLC is involved in water treatment and automation projects throughout the U.S.A. With years of experience we offer solutions for arsenic removal, chemical metering, and system integration.

Products & Services

Our products and services are built around filtration technologies along with manufacturing state of the art equipment for water processing. Our objective is focused on performance and continuous improvement. This makes us a company of trust, which is where we build our relationship with customers.

Contact Kevlor for your next water treatment project. Call us at 770-653-5174 to get your project flowing.

Sincerely,

Kelvin Duffy
President



Kevlor Design Group, LLC

430 Fitzgerald Place • Atlanta, Georgia 30349

Contract for:

Arsenic Treatment System

With

Patricia Olsen

Owner/Operator of

Montezuma Rimrock Water Company, LLC



Kevlor Design Group, LLC

430 Fitzgerald Place • Atlanta, Georgia 30349

Kevlor Design Group, LLC is pleased to present this contract to Patricia Olsen owner/operator of Montezuma Rimrock Water Company, LLC for arsenic removal at well #1, 4599 E. Goldmine Rd., Rimrock, AZ 86335

Our arsenic removal system utilizes the Bayoxide Granular Ferric E33 arsenic removal media. This treatment technology provides the highest capacity in wide range of water conditions with superior kinetics, and no wastewater discharge requirement. We have based this pricing on information provided to us by Patricia Olsen, Manager of Montezuma Rimrock Water Company, LLC.

Proposal No. KDG012712

Contents

Equipment Description

System Design

- **Media Cost (___ cu. Ft)**

Design Criteria

Ancillary Services

- **Installation/Start-up**
- **Equipment Warranty**
- **Site Building**

Service Provided by Patricia Olsen

Total Project Cost

Terms and Conditions

Contract Acceptance

ADEQ Required Testing

*Any or all additional local, state, or federal fees, taxes, or permits are the responsibility of Montezuma Rimrock Water Company LLC.



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ASSUMPTIONS

We have based this information upon your well running intermittently 24 hours a day, 365 days per year.

EQUIPMENT DESCRIPTION

Kevlor will design and manufacture the arsenic removal system using 2 fiberglass vessels size 48" x 72" height. The vessels are NSF/ANSI certified for drinking water applications and will include all internal parts (bottom hub, laterals etc). The vessels will also be design with a 6-inch diameter flange on top and bottom for plumbing connections. A small stainless steel enclosure will be the operator interface for monitoring the flow readings and totalizing.

The valves will be 2" butterfly valves with easy operating levers for opening and closing the valves for water direction.

Plumbing and construction will be done on-site using schedule 80 PVC piping for inlet and outlet connections. In-line check valves, ball valves, and diaphragm valves will be used for flow control.

SYSTEM DESIGN

Maximum Flow Design – 150 GPM

Pre-treatment – The pre-treatment system will be a manual bag filtration system.

Blending System – If blended, treated water delivery must go to a storage tank.

Chlorination – Chlorination is required for these arsenic removal systems.

Media Disclosure – This system is designed to operate with Bayoxide E33 approved media only. The total amount of media to be loaded is: 74 cubic feet. The media cost is \$220.00 per cuft plus shipping. Any other media usage voids the equipment warranty.

Equipment Sizing – The system sizing is based on well volume (gpm) information provided by Montezuma Rimrock Water Company LLC and the local P.E.



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DESIGN CRITERIA	
	WELL LOCATION #1
TANK SIZE	48"X72"
NUMBER OF TANKS	2
PIPE SIZE	3" Inlet/Outlet Header
MEDIA bed depth	35
GPM/Sq.Ft per Tank	6.4
EMPTY BED CONTACT TIME	3 MINUTES
CUBIC FEET MEDIA PER TANK	37
TOTAL WELL HEAD FLOW	150 GPM
REQUIRED PSI @ WELL	50
TREATED FLOW	150
BY-PASS FLOW	0



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ANCILLARY SERVICES PROVIDED

Engineering – Provided by Customer

Installation and Start Up – This service includes installation of the arsenic removal system up to the wellhead. Kevlor will also provide tie-ins with shut-off valves, manual by-pass valves, and coupling spools or tees. **COMPLETION DATE SHALL BE BY MUTAL AGREEMENT.**

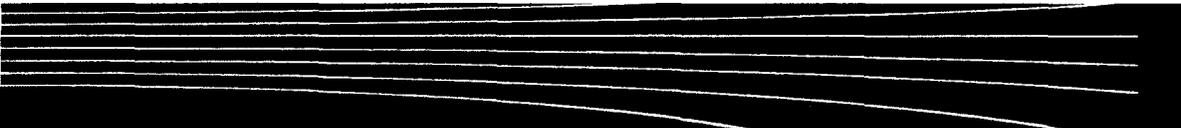
Initial Backwash – Kevlor requires a letter from Patricia Olsen, (owner/operation of Montezuma Rimrock Water Company LLC) allowing initial backwash to flow into any of the following areas of the grounds: agriculture, irrigation, pasture, or directly into sewer in Arizona.

Equipment Warranty – Unconditional for system manufacturers defects only, including all parts, labor and travel time, for one (1) year from the date of ADEQ Approval of Construction. Extended Warranty is available at an additional charge. Service charge of \$95.00 per hour with a minimum of 4 hours will be charged for any non-warranty work.

Site Building – Equipment must be covered and protected from UV rays and insulated from extreme temperatures (<35 degrees F. and >105 degrees F.) in order for the warranty to remind in effect. Shelter must have a minimum two (2) feet of clearance from top of System tank.

SERVICES PROVIDED BY PATRICIA OLSEN

Customer Requirements: To provide cement pad for equipment according to the engineering specs and 110 volt Single Phase Power to pad. (Either 110 Volt Outlet or Disconnect Box)



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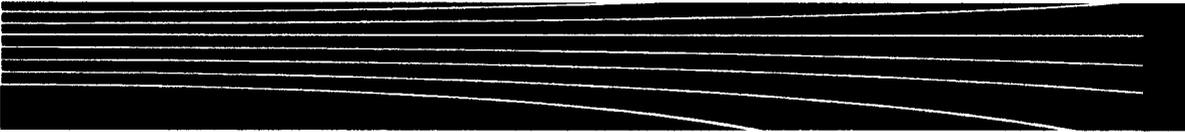
TOTAL PROJECT COST: \$46,000.00

TERMS AND CONDITIONS

Down Payment	Due at signing of contract	\$ 23,000
ADEQ Permit Fee	Due at signing of contract	\$ N/A
Engineering	Due at signing of contract	\$ N/A
Media payment	Due at System Delivery	\$ 16,280
Final Payment	Due upon System Hookup	\$

Protected Pricing – This pricing is valid through 02/28/2012

Transportation Liability – Kevlor is responsible for transportation and any damage during the delivery process. FOB is to Well Site.



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CONTRACT ACCEPTANCE FORM

I, Patricia Olsen, accept the terms and conditions of the stated proposal No: KDG012712 from Kevlor Design Group, LLC.

I, Patricia Olsen, understand all statement and warranted both written and implied and further agree to follow items as outlined in the operational manual which pertain to all original manufacturers of equipment.

I, Patricia Olsen, am authorized to enter into this legally binding contracted for arsenic removal.

If this proposal is in accordance with your request, please indicate your acceptance by signing in the space below. We are prepared to process this order upon receipt.

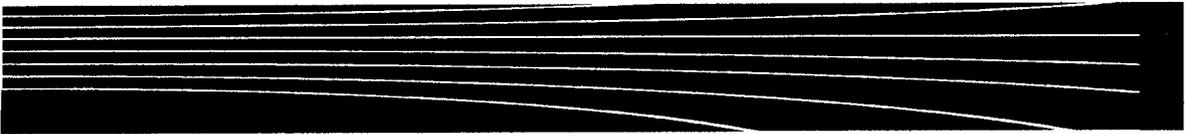
If you have any questions, please contact me at (770) 653-5174.

Kevlor Design Group, LLC
kduffy@kevlordesigngroup.com

By: _____
Kelvin Duffy,
President
Date: January 27, 2012

Accepted and Agreed:
Montezuma Rimrock Water Co.

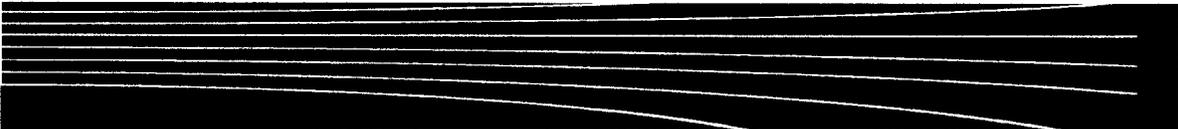
By: _____
Print Name: _____
Title: _____
Date: _____



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ADEQ REQUIRED TESTING				
WELL #	DATE	RESULTS	DATE	NOTES
DAY 1				KEEP AT SITE
DAY 2				KEEP AT SITE
DAY 3				KEEP AT SITE
DAY 4				KEEP AT SITE
DAY 5				KEEP AT SITE
DAY 6				KEEP AT SITE
DAY 7				KEEP AT SITE
WEEK 2				KEEP AT SITE
WEEK 3				KEEP AT SITE
WEEK 4				KEEP AT SITE
MONTH 1				KEEP AT SITE
QUARTER 1				KEEP AT SITE
QUARTER 2				KEEP AT SITE



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ALL TESTS MUST BE BY A 3RD PARTY LAB

WATER SERVICES AGREEMENT

THIS WATER SERVICES AGREEMENT ("Agreement"), entered into as of the latest of the dates shown opposite the signatures of the Parties to this Agreement, is made by and between Patricia D. Olsen ("Olsen"), a Certified Operator (#20172) and Montezuma Rimrock Company LLC, an Arizona Corporation ("Company") (Patricia Olsen and Company are sometimes hereinafter referred to collectively as the "Parties" and individually as "Party").

RECITALS

A. Company's Wells No. 1 and No. 4 currently produce groundwater containing arsenic ("the Contaminant") in excess of 10 micrograms per liter. The wells are located on real property depicted on *Exhibit "A"*: attached hereto.

B. Olsen represents that it possesses the requisite skill, expertise, technology, and solutions to install Facilities (described in *Exhibit "B"* attached hereto) to treat groundwater containing the Contaminant (the "Facilities"), so as to enable Company to supply water from the Wells No. 1 and No. 4 that will not exceed 9 micrograms per liter of the Contaminant.

C. Olsen represents that it has the requisite skill, expertise, and qualifications to properly operate the Facilities consistent with prudent water utility operating standards, practices and procedures, and all applicable regulatory requirements.

D. This Agreement sets forth the terms and conditions under which Olsen will construct, install, maintain and own the Facilities to treat water produced from the Wells and properly dispose of all waste derived therefrom.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

1. Treatment

1.1 Facilities

1.1(a) Olsen shall install, maintain and own the Facilities to treat the water produced by the Wells as provided in this Agreement.

1.1(b) The Facilities shall be capable of treating 150 gallons per minutes of water from Wells No. 1 and No. 4, as specified in the facility description in Exhibit B.

1.1 (c) The Facilities shall be capable of operating at a maximum operating pressure of 150 psig.

1.1 (d) On the Start-up Date, as defined in Section 7, Olsen shall operate the Facilities consistent with prudent water utility operating standards, practices and procedures, and all applicable regulatory requirements.

2. Term

2.1 Duration of Agreement. This Agreement shall commence on the date the Parties enter into this Agreement and shall continue for a period of 20 years from the Start-up Date (the "Term") unless this Agreement is earlier terminated pursuant to Section 15 below. At the end of the Term, Company shall have the option to purchase the Facilities for cash to be paid within thirty days from the expiration of the Term. Such option shall be exercised by notice given by Company to Olsen no later than sixty days prior to expiration of the Term.

2.2 Term Year. As used herein a "Term Year" is a period of twelve (12) months commencing on the Start-up Date, and ending on the day immediately preceding the anniversary of the Start-up Date.

3. Construction, and Installation of the Facilities

3.1 Olsen's Obligations. Olsen shall construct and install the Facilities in accordance with generally accepted engineering standards so as to reduce the Contaminant from the wells to comply with the water quality specification as defined in Section 4 below. Olsen shall perform all services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of Arizona and in compliance with all applicable federal, state and local statutes, laws, regulations, codes and local ordinances (collectively "Laws"). Provided Company first installs the improvements described in Section 3.2 of this Agreement that are required for operation of the Facilities, Olsen shall install the Facilities and cause them to be ready for performance testing no later than sixty (60) days thereafter. Olsen shall be responsible for all costs and expenses necessary to construct, and install the Facilities to treat the water produced by the wells to comply with the water quality specification. Olsen will perform all necessary water tests and other tests and investigations in connection with construction and installation of the Facilities. Olsen may store equipment or materials on Company's real property where Well No. 1 is located during installation of the Facilities, provided that such storage does not interfere with Company's operations and complies with all laws. The risk of loss of all stored equipment and materials and work in progress shall remain with Olsen and Olsen agrees to remove all such equipment and materials no later than thirty (30) days after the Start-up Date. Olsen agrees that Company shall not be required to provide any security for stored equipment and materials and work in progress in addition to the current fencing around the well site.

3.2 Company's Obligations. Company shall provide Olsen with: (a) all water quality data Company has for the influent water which Olsen reasonably requests as necessary for the construction, and installation of the Facilities; (b) all construction information the Company has concerning the well that Olsen reasonably requests as necessary for Olsen to design the

connection of the Facilities to the Well and from the Facilities to Company's water distribution system; (c) all external electrical equipment required to operate the Facilities (the capital cost of acquisition and installation of such equipment to be born solely by Company; (d) the license described in section 17 hereof; (e) directly or indirectly, all electrical powered required by Olsen to install the Facilities ; (f) the real property on which Olsen will install the Facilities, as depicted on Exhibit A; and (g), after issuance of ADEQ's Approval of Construction to use water treated by the Facilities, Company's written notice of acceptance of the Facilities. Olsen shall not proceed with any work which is or could be affected by discrepancies, omissions or inaccuracies in the data provided by Company or obtained independently by Olsen until all such discrepancies, omission, or inaccuracies have been resolved by written Agreement of the parties and no change order or extra cost reimbursement for the affected work will be permitted without such Agreement of the parties.

3.3 Verification rights. Each party shall have the right to verify, at its own expense, the amount and quality of the water entering and exiting the Facilities and to conduct independent testing thereof. Olsen shall monitor the operation of the Facilities to assure proper operation and performance of the Facilities and advise Company of the results of the monitoring.

4. Water Quality. After Olsen's installation of the Facilities, the Facilities shall reduce the level of the contaminant in the water produced by the Well connected to the Facilities to comply with the Treated Water Arsenic Limitation in *Exhibit "C"* attached hereto (the "Water Quality Specification"). No less frequently than annually, Company shall provide Olsen with annual reports describing influent water quality. Company shall bear the cost of complying with changes in water quality standards that require reduction of the contaminant to levels less than the water quality Specification.

5. Payments. Company shall pay Olsen the fees and charges set forth in Section 7 below for all water produced by Company and treated by the Facilities which complies with the Water Quality Specification irrespective of whether such water complies with water quality standards for constituents other than the Contaminant.

6. Measurement. Water treated pursuant to this Agreement which complies with the Water Quality Specification shall be measured each month by Olsen at the point of connection between Company's water distribution system and the Facilities. The Parties shall be bound by the measurements of the water meter at such point.

7. Treatment fees. Beginning on the later of: (a) the date that ADEQ gives Company an Approval of Construction to use the water treated by the Facilities, or (b) the date that the Facilities continuously and consistently treat water that complies with the Water Quality Specification for seven (7) consecutive days shall be called the Start-up Date. The parties shall execute a supplement to this Agreement specifying and acknowledging the Start-up Date, and Company shall commence paying the following treatment fees to Olsen:

7.1 Monthly Standby Fee. A standby fee of one thousand five hundred dollars (\$1,500) per month representing recovery of the cost of constructing the Facilities (the "Monthly Standby Fee").

7.2 Per Acre Foot Treatment Fee. For each acre foot of water treated by the Facilities that complies with the Water Quality Specification, measured as provided in section 6 above, a treatment fee representing four categories of operating and maintenance cost categorized as : (i) media replacement or regeneration costs; (ii) media replacement or regeneration service costs; and (iii) waste media or regeneration disposal costs; and (iv) other operation and maintenance costs totaling four hundred dollars (\$400.00) per acre foot (the "Per Acre Foot Treatment fee"). The four categories of costs making up the Per Acre Foot Treatment Fee are shown in *Exhibit "G"*.

7.3 Additional Treatment Fee. Company intends to deliver for processing and treatment at the Facilities up to forty-two (42) acre feet per year of water from the wells in each Term year (the "Base Quantity"). If: (a) Company delivers more than the Base Quantity for processing and treatment in any Term Year, and (b) the Facilities treat more than the Base Quantity in any Term Year, then the additional Treatment Fee for each such acre foot in excess of the Base Quantity that complies with the Water Quality Specification shall be four hundred dollars (\$400.00) per acre foot in such Term Year (the "Additional Treatment Fee"). The four categories of costs making up the additional Treatment Fee are show in *Exhibit "G"*.

7.4 Adjustment for Increase of Influent Arsenic Concentration. The Per Acre Foot Treatment Fee and Additional Treatment Fee are based on the Influent Arsenic Concentration in Exhibit D attached hereto. If, after the Start-up Date, the Influent Arsenic Concentration increases above the level in Exhibit D, the Per Acre Foot Treatment Fee and Additional Treatment Fee shall be adjusted if Olsen reasonably demonstrates to Company that Olsen has experienced higher treatment costs caused solely by such increase in Influent Arsenic Concentration.

7.5 Adjustment for Changes in Water Quality Specification. The Per Are Foot Treatment Fee and the Additional Treatment Fee are based in part on the Water Quality Specification. If the Water Quality Specification is changed during the Term, the Per Acre Foot Treatment Fee and the Additional Treatment Fee shall be adjusted if Olsen reasonably demonstrates to Company that Olsen has experienced higher or lower treatment costs caused solely by such change.

7.6 Adjustment for CPI . The Per Acre Foot Treatment Fee and the Additional Treatment Fee shall be adjusted by Olsen in its invoices to Company no sooner than the first day of any month that is at least twelve (12) months beyond the Start-up Date, and on the first day of such month in any Term Year thereafter, by the percentage change, if any, reflected in the consumer price index published by the United States Department of Labor, Bureau of Labor Statistics for all Urban Consumers, all Cities Index ("CPI-U") for the twelve (12) months preceding such change.

7.8 Suspension of Payments. Company shall be entitled to suspend the payment of all treatment fees (including the Monthly Standby Fee, which will be prorated during any month in

which a suspension of payments occurs) for a period of time starting with any day during which the Facilities fail to treat water from Well No. 1 and Well No. 4 to comply with the Water Quality Specification, and continuing until such time as the Facilities again treat water from Wells No. 1 and No. 4 to comply with the Water Quality Specification all as verified to Company's satisfaction by water quality testing procedures. Notwithstanding the provisions of Section 20.5 of this Agreement, Olsen agrees that, upon notice from Company that the Facilities have failed to treat water from the well to comply with the Water Quality Specification, Olsen will immediately take all action necessary to promptly remedy such failure.

8. Invoices. Olsen shall invoice Company within ten (10) days of the last day of the month beginning with the month of the Start-up Date. The invoice shall be substantially in the form provided in *Exhibit "E"* hereto and shall state the amount of water treated during that month, measured in accordance with Section 6 above, multiplied by the Per Acre Foot Treatment Fee and the Additional Treatment Fee, if applicable. Within thirty (30) days following Company's receipt of such invoice, Company shall, less Company's deduction for any amount of such invoice that is the subject of a dispute as set forth in Section 9(a), below, make payment to Olsen at the address on the invoice. Company and Olsen shall cooperate to effect meter reading, billing, and payments to maximize efficiency.

9. Delinquent Payments. Any invoice under this Agreement that is not paid within thirty (30) days after Company's receipt thereof shall bear interest at the lesser of twelve percent (12%) per annum or at the maximum rate permitted by law, from the date due until payment is received by Olsen. If Company fails to pay Olsen for water treated in accordance with this Agreement within one hundred twenty (120) days after receipt of the invoice, Olsen may terminate this Agreement, shut down or remove the Facilities, and receive a lump sum payment from Company of the present value of the remaining Monthly Standby Fees that would otherwise be owed to Olsen had the Agreement been completed through the Term; provided, however, that if a bona fide dispute exists between Company and Olsen, then Olsen shall not terminate this Agreement so long as: (a) Company has paid the undisputed portion of any amount due, and (b) the Parties are negotiating in good faith, are submitting to arbitration, or taking legal action to resolve the dispute.

10. Operation, Maintenance, and Repairs.

10.1 Operation. On and after the Start-up Date Olsen shall be solely responsible for operating the Facilities as required by law and in accordance with the permits (as defined in Section 12 below). The ongoing electrical usage costs, including any electrical costs related to the pumps or booster stations shall be borne by Company. Olsen shall be responsible for all other operating costs of the Facilities, including without limitation, salt to treat water from Well No. 1 and Well No. 4 and disposal of brine and other waste as set forth in section 10.4 below, but excluding any cost or expense relating to Company's operating or managerial personnel or related overhead.

10.2 Maintenance and Repairs. Olsen shall be solely responsible for, and, at its sole expense, shall promptly and diligently perform according to industry standards, all maintenance, repairs, and replacements as necessary to maintain the Facilities in good condition.

10.3 Third-Party Contracts. At its option, Olsen may contract with third parties to perform routine operational activities and maintenance of the Facilities under Olsen's direction supervision. If Olsen desires to enter into such a contract with Company, then, as a condition thereto and in recognition of the proprietary nature of the Facilities, Company agrees to execute Olsen's standard confidentiality and non-disclosure Agreement subject to Company's right to first review and propose revisions to said Agreement. Company shall allow Olsen's third party contractor reasonable access to the Facilities only after (a) adequate advance notice thereof to Company from Olsen, and (b) Company's issuance of written consent thereto.

10.4 Waste. Olsen shall be solely responsible at its sole expense, for properly and lawfully disposing of brine and all other waste incidental to the operation of the Facilities, including, but not limited to, the disposal of all hazardous waste (as defined under all applicable federal, state and local statutes and/or regulations) associated with or derived from the treatment of water from Wells No. 1 and No. 4 under this Agreement, such disposal to be in compliance with all applicable laws. Olsen shall defend Company (through counsel approved by Company) in any criminal, civil or administrative proceeding and indemnify Company against and hold it harmless from all claims, demands, penalties, fines, liabilities, losses and costs (including without limitation attorneys, paralegals' and experts' fees and costs (collectively, "Claims") arising out of or related to Olsen's acts or omissions or the acts or mission of Olsen's agents, contractors and/or employees in the handling, transportation or disposal of such brine and other waste including, but not limited to, the disposal of all hazardous waste (as defined under all applicable federal, state and local statutes and/or regulations) associated with or derived from the treatment of water from Wells No. 1 and No. 4 under this Agreement. Olsen may request assistance from others in such disposal and shall be responsible for the acts or omissions of all such others, including, but not limited to its contractors, agents and employees.

11. Security; Insurance.

11.1 Facilities. Olsen agrees that the only security Company shall be obligated to provide for the Facilities is the current fencing around the well site.

11.2 Insurance

11.2.1 Coverage by Company. Company shall maintain at its sole expense, commercial general liability insurance with limits of not less than \$500,00 per occurrence and in the aggregate.

11.2.2 Coverage by Olsen. With respect to Olsen's activities under this Agreement, Olsen shall maintain or cause to be maintained, and shall provide or cause to be provided, with

evidence thereof to Company, property insurance coverage for the Facilities in an amount equal to or exceeding the replacement costs thereof.

12. Permits and Authorizations. Olsen and Company shall cooperate and use good faith efforts to obtain all permits, consents, entitlements, and approvals required under any of the Laws as of the Start-up Date, including without limitation any and all environmental permits (collectively the "Permits") necessary to enable Olsen to construct, install, maintain, own and, before the Start-up Date and during any suspension period under paragraph 7.8 above, operate the Facilities to treat water produced from Wells No. 1 and No. 4 to comply with the Water Quality Specification. Accordingly, Olsen and Company shall (a) jointly pursue, and support each other in obtaining, the permits necessary to initiate timely installation and operation of the facilities; (b) make timely application for such Permit, except for the Application for Approval of Construction which Olsen shall prepare and file with the Arizona Department of Environmental Quality, with Company's cooperation and support, as necessary, and (c) cooperate with each other in implementing the terms of this Agreement and achieving its objectives. All costs and expenses of the activities required under this section 12 shall be the responsibility of Olsen. Any permit, consent, entitlement, or approval necessary to operate the Facilities shall be issued in Company's name.

13. Time for Performance. Subject to Sections 14 and 19.18 below, Olsen and Company shall perform their respective obligations under this Agreement in a diligent, prompt, timely and professional manner and in accordance with the performance schedule attached hereto as *Exhibit "F"*.

14. Early Termination

14.1 Company's Termination Options.

14.1.1 Failure to Obtain Permits. If for any reason other than a delay caused by Company or by a force majeure event (as defined in section 19.18 below) if all requisite permits have not been secured and Olsen has not been able to install the Facilities to treat the water so that it complies with the Water Quality Specification within sixty (60 days) after the last day of the performance schedule (the "Performance Deadline") , then Company, at its option, upon written notice to Olsen may terminate this Agreement and Company and Olsen shall each have no further responsibilities to the other party under this Agreement and each shall bears its own expenditures and out of pocket costs incurred up to then in connection with this Agreement.

14.1.2 Change in Water Quality Specification. If, before the issuance of the permits, a Water Quality Specification lower than as set forth in Exhibit C is required for any reason not caused by Company, Company at its option, upon written notice to Olsen may terminate this Agreement, and Company and Olsen shall each have no further responsibilities to the other Party under this Agreement and each shall bear its own expenditures and out of pocket costs incurred up to then in connection with this Agreement.

15. Expiration of Agreement. Upon expiration of this Agreement, Company shall purchase from Olsen the Facilities for the sum of one dollar (\$1.00), provided Company has not exercised its option to purchase the Facilities in accordance with the terms in accordance with the terms Paragraph 2(2.1). Olsen shall coordinate the final purchase Company.

16. License to Enter. Effective with the Parties' execution of this Agreement, Company gives Olsen license for permission to use Company's property as mutually agreed to be necessary to install and maintain the Facilities. If Olsen so requests, the license shall be formalized by a separate written instrument consistent with the scope of the license set forth above and in Company's customary form. Such license can only be revoked upon termination of this Agreement.

17. Representations and Warranties.

17.1 Representations and Warranties of Company. Company makes the following representations, warranties, and covenants to Olsen:

17.1.1 Power and Authority to Execute and Perform this Agreement. Company has the right, power, and authority to enter into this Agreement and perform its obligations hereunder, and the person executing this Agreement on behalf of Company has the right, power, and authority to do so.

17.1.2 Enforceability. This Agreement constitutes a legal, valid, and binding obligation of Company, enforceable against Company in accordance with its terms.

17.1.3 Operational Capabilities. Upon completion of installation of the Facilities and for the Term of this Agreement, Olsen will maintain its certification (#20172) so as to properly operate the Facilities in an efficient manner and deliver water to the Facilities for treatment.

17.2 Representation of Warranties of Olsen. Olsen makes the following representations, warranties, and covenants to Company:

17.2.1 Power and Authority to Execute and Perform this Agreement. Olsen has the right, power, and authority under this Agreement to perform its obligations hereunder, and the person executing this Agreement on behalf of Olsen has the right, power, and authority to do so.

17.2.2 Enforceability. This Agreement constitutes a legal, valid, and binding obligation of Olsen, enforceable against Olsen in accordance with its terms.

17.2.4 No Conflict. The execution, delivery, and performance of this Agreement by Olsen will not breach or constitute a default under, or grounds for the acceleration of maturity of, any Agreement, indenture, or undertaking or other instrument to which Olsen is a party or by which Olsen or any of its property may be bound or affected and does not constitute a breach or default under any law, regulation, ruling, or court order.

18. Taxes. Olsen shall not be liable for taxes and governmental charges of any kind whatsoever that may at any time be assessed or levied against, or with respect to, the use, possession, occupation, and/or ownership of any property, or part thereof, involved in the implementation of this Agreement (including, but not limited to, Wells No. 1 and No. 4, the Facilities, and the real property where Well No. 1 and No. 4 and the Facilities are located and where Olsen will have a license to enter pursuant to section 17 above), or any and all general or special taxes, fees, assessment, and/or charges made by any governmental body for any improvement made to such property, or part thereof, and/or for any services or activities performed hereunder. If Olsen is assessed any such taxes, fees, assessments, or charges, said sums shall either be paid by Company within thirty days after receipt of an invoice therefor from Olsen, or, at its option, Company may contest any such assessment in the manner Company deems appropriate, provided that Company will remain ultimately responsible for the payment of any such assessments.

19. Miscellaneous Provisions.

19.1 Further Assurances. At any time and from time to time after the date hereof, the Parties agree to take such actions and to execute and deliver such documents as the other Party may reasonably request to effectuate the purposes of this Agreement.

19.2 Assignment. Neither Party shall assign any right, interest, or obligations under this Agreement without the prior written consent of the other Party. This Agreement and all provisions hereof shall be binding upon, and insure to the benefit of, the Parties and their respective heirs, successors, legal representatives, and assigns.

19.3 Amendment. Except as otherwise provided in this Agreement, neither this Agreement nor any provision hereof may be waived, modified, amended, discharged, or terminated except by an instrument in writing signed by both parties, and then only to the extent set for in such instrument.

19.4 Entire Agreement. This Agreement and the Agreements provided for herein constitute the entire understanding between the Parties with respect to the matters set forth herein, and they supercede all prior or contemporaneous understandings or Agreements between the Parties with respect to the subject matter hereof, whether oral or written.

19.5 Notices. Any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon either Party in connection with this Agreement shall be in writing. Such notice shall be personally served. Such notices shall be addressed to the Party to whom such notice is to be given at the Party's address or sent in accordance with this section.

If to Olsen:

Patricia Olsen
P.O. Box 10
Rimrock, AZ 86335

928-300-3291

If to Company:

Montezuma Rimrock Water Company LLLC
P.O. Box 10
Rimrock, AZ 86335

19.6 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State of Arizona, without given effect to any choice-of-law or conflict of law rule or principle that would result in the application of any other laws.

19.7 Headings. Headings, title, and captions are for convenience only and shall not constitute a portion of this Agreement or be used for the interpretation thereof.

19.8 Cumulative Rights; Waiver. The rights created under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by either party to exercise and no delay in exercising any rights, shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any Party preclude any other or future exercise thereof or the exercise of any other right. Any waiver of any provision or of any breach of any provision of this Agreement must be in writing and any waiver by any party of any breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Agreement. The failure of any party to insist upon strict adherence to any term of the Agreement on one or more occasions shall not be considered or construed or deemed a waiver of any provision or any breach of any provision of this Agreement or deprive that Party of the right thereafter to insist upon strict adherence to that term or provision or any other term or provision of this Agreement. No delay or omission on the part of any Party in exercising any right under this Agreement shall operate as a waiver of any such right or any other right under this Agreement.

19.9 Liberal Construction. This Agreement constitutes a fully-negotiated agreement among commercially sophisticated Parties, each assisted by legal counsel, and the terms of this agreement shall not be construed or interpreted for or against any Party because that Party or its legal representative drafted or prepared such provision.

19.10 Severability. If any provision of this Agreement is invalid, illegal, or unenforceable, such provision shall be deemed to be severed or deleted from this Agreement and the balance of this Agreement shall remain in full force and effect notwithstanding such invalidity, illegality, or unenforceability.

19.11 Good Faith and Fair Dealing. The Parties acknowledge and agree that the performances required by the provisions of this Agreement shall be undertaken in good faith, and with each of the parties dealing fairly with each other.

19.12. No Third-Party Beneficiaries. Subject to section 19.2 above, this Agreement does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability Company or other form of organization or association of any kind that is not a Party, except to the extent that a Party's rights may be enforced by a parent company or a subsidiary of such Party.

19.13 Counterparts; Facsimile Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto except for having an additional signature page executed by any other Party. Each Party agrees that each other Party may rely upon the facsimile signature of any Party on this Agreement as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement as fully as if this Agreement contained the original ink signature of the Party supplying a facsimile signature.

19.14 Time of the Essence. Time is of the essence, of each and every provision of this Agreement. Unless business days are expressly provided for, all reference to "days" herein shall refer to consecutive calendar days. If any date or time period provided or in this Agreement is or ends on a Saturday, Sunday or federal, state, or legal holiday, then such date automatically shall be extended to the next day which is not a Saturday, Sunday, or federal, state, or legal holiday.

19.15 Number and gender. As used herein, and as the circumstances require, the plural term shall include the singular, the singular shall include the plural, the neuter term shall include the masculine and feminine genders, the masculine term shall include the neuter and the feminine genders, and the feminine term shall include the neuter and the masculine genders.

19.16 Disputes.

19.16.1 Arbitration. Any dispute or controversy arising out of, under, or in connection with, or in relation to, this Agreement and/or any amendments thereto, or the breach thereof, which is not resolved informally by prior mutual Agreement of the Parties, shall be submitted to arbitration in accordance with the procedures set forth in the Arizona Uniform Arbitration Act (ARS 12-1501, *et seq.*), unless otherwise waived and/or modified in writing by the parties. The cost of such arbitration shall be paid by the Parties equally; however, the prevailing Party in the arbitration shall be entitled to reimbursement of its attorneys fees and other costs and expenses incurred in connection therewith.

19.16.2. Attorneys Fees. If a dispute arises which is not resolved by arbitration pursuant to Section 19.16.1 above, and any party reasonably retains counsel for the purpose of enforcing any provision of this Agreement, including without limitation the institution of any action or proceeding to enforce any provision of this Agreement, or to recover damages if otherwise available hereunder, or to obtain injunctive or other relief by reason of any alleged

breach of any provision of this Agreement, or for a declaration based on demonstrated necessity of such Party's rights or obligations under this Agreement, or for any other judicial or equitable remedy, then if the matter is settled by judicial or quasi-judicial determination, the prevailing party shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing Party for all costs and expenses incurred including, without limitation, all attorneys' fees and costs for services rendered to the prevailing Party and any attorneys' fees and costs incurred in enforcing any judgment or order entered. The prevailing Party shall be as determined by the court in the initial or any subsequent proceeding.

19.17 Governing Law. The validity, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of Arizona.

19.18 Force Majeure. If any performance other than the payment of money due hereunder) of this agreement is prevented, delayed, or made impracticable due to drought, flood, fire, earthquake, or other natural disaster, strike, insufficiency of electrical power or fuel, civil rioting, terrorist attack, war or military conflict, inability of Olsen to obtain all necessary permits or approvals (including any and all environmental approvals), or if the cost of complying with environmental or safe drinking water requirements renders such performance economically impractical (collectively a "Force Majeure Event"), then such performance (except for the payment of money due hereunder) of this Agreement shall be excused for the period of prevention, delay, or impracticability resulting from the Force Majeure Event.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the last date below written.

Dated: _____

Olsen

By: _____

Dated: _____

Montezuma Rimrock Water Company LLC

By: _____

EXHIBIT "B"

Montezuma Rimrock Water Company, LLC

Wells No. 1 and No. 4

Arsenic Removal Facilities

Description of Facilities

- **Treatment Module (150 gpm capacity)**
 - **2 bed configuration**
 - **Internal media system**

- **Pre-Treatment filter system**
 - **Bag filters**
 - **Inlet, outlet, filter header system**

- **Waste storage tanks**
 - **1 polypro tank**
 - **3" Waste discharge system**

EXHIBIT "C"

**Montezuma Water Company
Wells No. 1 and No. 4
Arsenic Treatment Facility
Water Quality Specification**

Treated Water Arsenic Concentration: Not greater than 9 micrograms per liter

EXHIBIT "D"

Montezuma Rimrock Water Company

Wells No. 1 and No. 4

Arsenic Removal Facility

Influent Arsenic Concentration

Influent Arsenic Concentration: Not greater than 45 micrograms per liter.

EXHIBIT "E"

INVOICE			INV. #XXXXXXXX
Patricia Olsen P.O. Box 10 Rimrock, AZ 86335 928-300-3291			
BILL TO: Montezuma Rimrock Water Company P.O. Box 10 Rimrock, AZ 86335		SERVICE ADDRESS: Well No. 1 Rimrock, AZ	
PO/Contract Number: Invoice Date: 3/25/2012 Billing Cycle: 3/30/2012 - 4/30/2012 Days of Service: 31	Previous Meter Reading: Current Meter Reading: Total Flow (gallons): Total Flow (Acre-ft):	3/30/12 12:00AM 4/30/12 12:00AM	0.0 0.0 0.0 0.00000
Previous Charges and Credits:	Amount of Previous Bill Payment Received		\$0.00 \$0.00
New Charges and Credits:	Standby Fee: Treatment Fee:	\$0.00/ month \$0.00 /acre-ft x 0.0 acre-ft	\$0.00 \$0.00

Total Due	\$0.00
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Please Remit to:

Patricia Olsen

P.O. Box 10

Rimrock, AZ 86335

EXHIBIT "F"

**Montezuma Rimrock Water Company
Well No. 1 and No. 4
Arsenic Removal Facility**

Performance Schedule

- **Week 1**
 - Company begins on-site and off-site preparation
 - Olsen begins unit assemble

- **Week 6**
 - Company completes on-site and off-site preparations
 - Olsen begins on-site mobilization

- **Week 8**
 - Olsen begins installation of Arsenic Removal Facility

- **Week 10**
 - Olsen completes installation of Arsenic Removal Facility
 - Olsen begins startup tests
 - Olsen completes startup tests
 - Arsenic Removal Facility ready for permitting

EXHIBIT "G"

PER ACRE FOOT TREATMENT FEE

CATEGORY	%	Fee Per Acre Foot
Media Replacement or Regeneration Costs		
Media Replacement or Regeneration Service Costs		
Waste Media Regeneration Disposal Costs		
Other Operation and Maintenance Costs		
<u>TOTAL</u>		

ADDITIONAL TREATMENT FEE

CATEGORY	%	Fee Per Acre Foot
Media Replacement or Regeneration Costs		
Media Replacement or Regeneration Service Costs		
Waste Media Regeneration Disposal Costs		
Other Operation and Maintenance Costs		
<u>TOTAL</u>		

LEASE AGREEMENT

For Internal use only.

LEASE #: _____

LESSEE
 BILLING ADDRESS:

 COUNTY:

VENDOR/SUPPLIER
 PRIVATE PARTY SELL

EQUIPMENT DESCRIPTION (Attach separate Equipment List if needed) new used

SEE EQUIPMENT LIST

EQUIPMENT LOCATION Complete only if Equipment will not be located at Lessee's address above.

ADDRESS:

SCHEDULE OF LEASE PAYMENTS

Lease Term (Months)	Number of Payments	Amount of Each Lease Payment			Number Prepayment(s)	+ Administrative Fee.	+ Security Deposit	= Initial Amount Due	Option Price/ Guaranteed Purchase
		Rental	Tax	Total Payment					

Payment Due Date: Pro rata rental is calculated as follows: (Monthly Rental Payment divided by 30 days = Daily Rate) x (# of Days
 1st 15th Between Acceptance Date And First Payment Date) = Total. Pro rata rental is billed on your first invoice.

THIS LEASE AGREEMENT ("Lease") IS SUBJECT TO THE TERMS AND CONDITIONS PRINTED HEREON AND ON THE FOLLOWING PAGES, ALL OF WHICH ARE MADE A PART HEREOF AND WHICH LESSEE ACKNOWLEDGES HAVING READ. PLEASE READ CAREFULLY BEFORE SIGNING.

THIS LEASE, WHICH CONSISTS OF 5 PAGES, IS NOT BINDING UNTIL ACCEPTED BY LESSOR.

LESSEE:

 X _____
 AND INDIVIDUALLY

LESSOR: FINANCIAL PACIFIC LEASING, LLC

 By _____
 (Signature Only)

 (Date)

 (Title)

THIS IS A NON-CANCELABLE LEASE FOR THE TERM INDICATED

Lessor hereby Leases to Lessee, and Lessee hereby hires and takes from Lessor all property described in this Lease or hereafter and made a part hereof (collectively, together with any substitutions or replacements thereto, the "Equipment").

1. **ENTIRE AGREEMENT.** This Lease constitutes the entire agreement between Lessor and Lessee. No oral agreement, guarantee, promise, condition, representation or warranty shall be binding on Lessor. All prior conversations, agreements or representations related hereto and/or to the Equipment are integrated herein. No modification hereof shall be binding unless in writing and signed by Lessor.

CONTINUED ON FOLLOWING PAGES

2. LESSEE REPRESENTATIONS. Lessee acknowledges that no salesman or agent of the supplier of the equipment is authorized to waive or alter any term or condition of this Lease and no representation as to the Equipment or any matter by the Supplier shall in any way effect Lessee's duty to pay the Lease payments and perform its other obligations as set forth in this Lease. Lessee represents that its exact legal name, state of formation, location of its chief executive office and/or its place of residence as applicable have been correctly identified to Lessor.

3. STATUTORY FINANCE LEASE. Lessee agrees and acknowledges that it is the intent of both parties to this Lease that it qualify as a statutory finance Lease under Article 2A of the Uniform Commercial Code. Lessee acknowledges and agrees that Lessee has selected both: (1) the Equipment; and (2) the Supplier from whom Lessor is to purchase the Equipment. Lessee acknowledges that Lessor has not participated in any way in Lessee's selection of the Equipment or of the Supplier, and Lessor has not selected, manufactured, or supplied the Equipment.

LESSEE IS ADVISED THAT IT MAY HAVE RIGHTS UNDER THE CONTRACT EVIDENCING LESSOR'S PURCHASE OF THE EQUIPMENT FROM THE SUPPLIER CHOSEN BY LESSEE AND THAT LESSEE SHOULD CONTACT SUCH SUPPLIER FOR A DESCRIPTION OF ANY SUCH RIGHTS.

4. ASSIGNMENT BY LESSEE PROHIBITED WITHOUT LESSOR'S PRIOR WRITTEN CONSENT. LESSEE SHALL NOT ASSIGN THIS LEASE OR ANY INTEREST THEREIN, OR SUBLEASE THE EQUIPMENT, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.

5. APPLICABLE LAW AND VENUE. ALL MATTERS INVOLVING THE CONSTRUCTION, VALIDITY, PERFORMANCE, OR ENFORCEMENT OF THIS LEASE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON. LESSEE CONSENTS TO THE PERSONAL JURISDICTION OF THE COURTS OF THE STATE OF WASHINGTON AND AGREES THAT AT LESSOR'S SOLE OPTION, JURISDICTION AND LOCATION FOR ANY DISPUTE, SUIT OR ACTION ARISING UNDER OR IN RELATION TO THE LEASE, AND ALL DOCUMENTS EXECUTED IN CONNECTION THEREWITH, SHALL BE IN KING COUNTY, STATE OF WASHINGTON. LESSEE WAIVES THE RIGHT OF JURY TRIAL. LESSOR SHALL HAVE THE OPTION OF COMMENCING AN ACTION IN ANY COURT HAVING JURISDICTION OVER THE SUBJECT MATTER AND PARTIES TO THE TRANSACTION.

6. NO WARRANTY. Lessor, not being the manufacturer of the equipment, nor manufacturer's agent, MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE FITNESS FOR A PARTICULAR USE OR OTHERWISE, QUALITY, DESIGN, CONDITION, CAPACITY, SUITABILITY, MERCHANTABILITY OR PERFORMANCE OF THE EQUIPMENT OR OF THE MATERIAL OR WORKMANSHIP THEREOF, IT BEING AGREED THAT THE EQUIPMENT IS LEASED "AS IS" AND THAT ALL SUCH RISKS, AS BETWEEN LESSOR AND LESSEE, ARE TO BE BORNE BY LESSEE AT ITS SOLE RISK AND EXPENSE. Lessee accordingly agrees not to assert any claim whatsoever against Lessor based thereon. In addition, Lessee waives any and all rights and remedies conferred by UCC 2A-508 through 2A-522, including, but not limited to, Lessee's right to (a) cancel or repudiate the Lease; (b) reject or revoke acceptance of the Equipment; (c) deduct from rental payments all or any part of any claimed damages resulting from Lessor's default under the Lease; (d) recover from Lessor any general, special, incidental, or consequential damages, for any reason whatsoever. Lessee further waives any and all rights, now or hereafter conferred by statute or otherwise, that may require Lessor to sell, re-lease, or otherwise use or dispose of the Equipment in mitigation of Lessor's damages or that may otherwise limit or modify any of Lessor's rights or remedies hereunder.

7. TERM. The initial term of this Lease is set forth on the first page of this Lease. The term begins on the earlier of the following dates: (a) the date Lessee requests Lessor to make payment to the Supplier; or (b) the Acceptance Date as indicated on the Inspection/Verification Certificate.

8. END OF TERM OPTIONS. If the option exists and so long as no Event of Default exists, Lessee may, at the end of the original or any renewal term, purchase all (but not less than all) the Equipment by paying the option price set forth in the Schedule of Lease Payments plus any applicable taxes and fees. If option price is designated as a Guaranteed Purchase, Lessee shall be required to purchase the Equipment, rather than have an option to do so. If no option price is indicated, Lessor will use its reasonable judgment to determine the Equipment's fair market value. Upon payment of the Fair Market Value price and applicable taxes and fees, Lessor's interest in the Equipment shall terminate and Lessee shall accept the Equipment "AS IS, WHERE IS" without any representation of warranty whatsoever.

9. LEASE PAYMENT; SECURITY DEPOSIT. The lease payments for the Equipment leased shall be in the amount designated in the schedule of payments and shall commence on the indicated payment due date immediately following the Equipment Acceptance Date. Lessee shall pay Lessor said lease payments on or before the due date, at the office of Lessor or to such other person or place as Lessor may designate in writing. Lessee agrees to pay pro rata rental (based on the monthly lease payments) for the period from the Acceptance Date, to the due date of the first payment. Said pro rata rental shall be in addition to the first payment and shall be made simultaneously with the first payment. Prepayments are credited with one payment being applied to the first month's rental and any other prepayments then applied to the last month(s) rental(s). Any security deposit shall remain as security for performance of all the terms and conditions of this Lease. In the event any default shall be made in the performance of any of Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. On the expiration or earlier termination or cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rental called for and fully performed all other provisions of this Lease, Lessor will return to Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.

10. LATE CHARGES AND COLLECTION CHARGES. A late charge of 10% of the total monthly lease payment, or \$10, whichever is greater, will be assessed when a payment is not received on or before the due date. An additional late charge will be assessed for each month a payment remains unpaid. If Lessee's delinquency requires additional collection efforts, a charge will be assessed in accordance with Lessor's collection charge schedule. In addition, Lessee shall be assessed for any charges levied by an outside collection agency following Lessee's default.

11. LOCATION AND USE OF EQUIPMENT. Lessee shall keep the equipment at the location designated in the Lease, unless Lessor, in writing, permits its removal. The Equipment shall be used solely in the conduct of Lessee's business. Lessee shall notify Lessor if equipment is used for transporting or storing product considered hazardous material. Lessee warrants that Equipment is leased for commercial or business purposes and not for consumer, personal, home or family purposes.

12. SURRENDER OF EQUIPMENT. At the expiration of the term of this lease, or upon demand by Lessor pursuant to Paragraph 19 of this Lease or in the event of an option price pursuant to paragraph 8 of this Lease, Lessee at its expense shall return the Equipment in proper working order, condition and repair by delivering it packed and ready for shipment to such place or on board such carrier as Lessor may specify. **WARNING: FAILURE TO RETURN THE EQUIPMENT MAY RESULT IN CRIMINAL PROSECUTION AND/OR ADDITIONAL RENTAL CHARGES, ON A MONTH TO MONTH BASIS, UNTIL THE EQUIPMENT IS RECOVERED BY LESSOR.**

13. NOTICES. Services of all notices under this agreement shall be sufficient if given personally or mailed to Lessor at 3455 S. 344th Way, Suite 300, Federal Way, WA 98001, or P.O. Box 4568, Federal Way, WA 98063, or to Lessee at Lessee's address set forth above or at such other address as a party may provide in writing from time to time. Any notices required by this Lease shall be deemed to be delivered when a record properly directed to the

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intended recipient has been (a) deposited with the US Postal Service, (b) transmitted by facsimile, (c) transmitted through the Internet, or (d) has been personally delivered.

14. LIABILITY AND INDEMNITY; LOSS AND DAMAGE. Lessee shall indemnify and hold Lessor harmless from liability expense of every kind or nature from whatever cause, including, but not limited to, the liability arising under any statute, ordinance or regulation in connection with the use of the Equipment and from all liability on account of any claim for personal injury, death, or property damage to any person or party whatsoever, including Lessee, arising out of the manufacture, selection; operation, use, maintenance, or delivery of the Equipment. Such indemnification shall survive the expiration, cancellation, or termination of this Lease. Lessee hereby assumes and shall bear the entire risk of loss and damage to the Equipment from any cause whatsoever, regardless of whether the loss is insured. In the event of loss or damage to the Equipment, or to any part thereof, Lessee, at the option of the Lessor, shall (a) Replace the same in good condition, repair and working order; or (b) Replace the same, with like property of the same or greater value; provided, however, at Lessee's option, the remaining obligation under this Lease can be satisfied by the payment of the remaining unpaid lease payments and the estimated value of the Equipment at the expiration of this Lease, and other amounts due under the Lease, less the net amount of the recovery, if any, actually received by Lessor from insurance or otherwise for such loss or damage. Except as expressly provided in this paragraph, total or partial destruction of any of the Equipment or total or partial loss of use or possession thereof to Lessee shall not release or relieve Lessee from the duty to pay the lease payments herein provided.

15. INSURANCE. Lessee, at its own expense, shall keep the Equipment insured for the full term of this Lease and any renewals or extensions thereof, for the full insurable value thereof against all risks of loss or damage, and against such other risks in such amounts as Lessor may specify, including liability insurance, with limits not less than \$500,000 unless Lessor specifies an increased amount due to the equipment location or use of equipment (bodily injury and property damage) combined single limit. Provided, however, in those instances where Lessee is leasing the Equipment defined by Lessor as "mobile Equipment," Lessee shall procure and maintain, for the full lease term, all risk physical damage insurance as opposed to insurance against fire and theft, with extended or combined coverage. All insurance policies must provide that no cancellation shall be effective without thirty (30) days' prior written notice to Lessor. Lessee shall deliver to Lessor the policies or evidence of insurance with a standard form of endorsement attached thereto showing Lessor to be named as an additional insured, together with receipts for the premiums thereunder. Lessee shall, at the request of Lessor, name as Loss Payee such party who may have a security interest in the Equipment. Lessee agrees that any dispute regarding insurance charges will be determined by arbitration conducted under the rules of the American Arbitration Association in Seattle, Washington.

16. LESSEE'S FAILURE TO PAY TAXES, INSURANCE, ETC. Should Lessee fail to make any payment or do any act as herein provided, then Lessor shall have the right, but not the obligation without notice to or demand upon Lessee, and without releasing Lessee from any obligation hereunder, to make or do the same and to pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of Lessor appears to affect the Equipment, and in exercising such rights, incur any liability and expend whatever amounts in its absolute discretion it may deem necessary therefore. Should Lessee fail to provide Lessor the policies or evidence of insurance described herein, Lessor shall have the right, but not the obligation, to secure insurance on the Equipment in such form and amount as Lessor deems reasonable to protect Lessor's interests. Lessee understands that, if Lessor secures insurance on the Equipment the insurance may not name Lessee as an insured and may not fully protect Lessee's interests. Lessee agrees that, if Lessor secures insurance on the Equipment, Lessee will pay an insurance charge that may be substantially higher than the premium that Lessee would pay if Lessee placed said insurance independently. Lessee agrees that, in addition to the premium, the insurance charge Lessee is required to pay Lessor will include an interest charge, administrative and processing fees, which will result in profit to Lessor and its agents. All sums so incurred or expended by Lessor shall be without demand immediately due and payable by Lessee and shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful contract rate.

17. AUTHORITY TO SIGN. If Lessee is a Limited Liability Company ("LLC"), partnership or corporation, the person signing the Lease on behalf of such partnership or corporation hereby warrants that (s)he has full authority from the LLC, partnership or corporation to sign this Lease and obligate the LLC, partnership or corporation.

18. DEFAULT REMEDIES.

a) An event of default shall occur if:

- (1) Lessee fails to pay any Lease installment and such failure continues for a period of ten (10) days;
- (2) Lessee shall fail to perform or observe any covenant, condition or obligation to be performed or observed by it hereunder and such failure continues uncured for fifteen (15) days;
- (3) Lessee or any guarantor has made any misleading or false statement, or representation in connection with application for performance of this Lease;
- (4) Lessee or any guarantor becomes insolvent or is the subject of a petition in bankruptcy or under any other insolvency law or law providing for relief of debtors, either voluntary or involuntary, or makes an assignment for the benefit of creditors, or is named in, or the Equipment becomes subjected to a suit for the appointment of a receiver, or any action is taken for the dissolution of Lessee, if Lessee be a corporation;
- (5) If the Equipment is seized or levied upon under any legal or governmental process;
- (6) Lessee attempts to remove, sell, transfer, encumber, part with possession or sublet the Equipment or any item thereof without first obtaining Lessor's consent;
- (7) Lessee or any guarantor defaults in the performance of any obligation owed to Lessor under the provisions of any other agreement with the Lessor.

b) Upon the occurrence of an event of default, Lessor shall have the right to exercise any one or more of the following remedies:

- (1) To declare the entire unpaid lease payments and other sums payable by Lessee hereunder to be immediately due and payable;
- (2) Cause Lessee, at Lessee's expense, promptly to return any or all of the Equipment to Lessor, all without demand or legal process, and to allow Lessor to enter into the premises where the Equipment may be found and take possession of or remove the same, whereupon all rights of Lessee in the Equipment shall terminate absolutely; and
 - (i) Retain the Equipment and all lease payments made hereunder, or
 - (ii) Retain all prior lease payments and sell the Equipment at public or private sale, with or without notice to Lessee. The sale price, less 10% to cover Lessor's internal costs, will be credited against the remaining unpaid lease payments, unpaid late charges, estimated value of Equipment at the expiration of the lease term, charges for retaking, storage, repairing and reselling the Equipment, reasonable attorney's fees incurred by Lessor and other amounts due under the Lease in such order as Lessor in its sole discretion shall determine. Lessee shall remain liable for the deficiency and any surplus remaining after such application of proceeds of sale shall be paid to whosoever may be lawfully entitled to receive the same; or
 - (iii) Retain the Equipment and all prior payments, with Lessee remaining liable for the unpaid lease payments, unpaid late charges,

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charges for retaking and restoring Equipment to proper order and working condition, reasonable attorney's fees incurred by Lessor, together with other amounts due under the Lease; or

- (iv) Lease the Equipment, or any portion thereof, for such period, rental, and to such persons as Lessor shall select, and credit Lessee with an amount equal to Lessor's capital cost of this new lease, less ten percent (10%) after declaring all costs and expenses incurred in connection with the recovery, repair, storage and leasing of the Equipment against obligations due from Lessee to Lessor hereunder, with Lessee remaining responsible for any deficiency. It is agreed that the amounts to be retained by Lessor and the balance to be paid by Lessee under this paragraph (2) shall not be a penalty but shall be as and for liquidated damages for the breach of this Lease and as reasonable return for the use of the Equipment and for the depreciation thereof.
- (3) No remedy hereon conferred upon or reserved to Lessor is intended to be exclusive of any other remedy herein or by law provided, but shall be cumulative and in addition to every other remedy available to Lessor. The forbearance on the part of Lessor to exercise any right or remedy available hereunder in the event of Lessee's default, or Lessor's failure to demand punctual performance or any obligation of Lessee shall not be deemed a waiver (A) of any such right or remedy, or (B) the requirement of punctual performance, or (C) of any subsequent breach or default on the part of Lessee.

19. ATTORNEY'S FEES AND EXPENSE. In the event Lessor is required to retain an attorney to assist in the enforcement of its rights under this Lease, it shall be entitled to a reasonable attorney's fee, however incurred, in addition to costs and necessary disbursements, whether or not suit becomes necessary, including fees incurred on appeal or in connection with a bankruptcy proceeding.

20. OPERATION, MAINTENANCE AND REPAIR. Lessor shall not be obligated to install, erect, test, adjust, service or make repairs or replacements to the Equipment. Lessee shall bear the expense of all necessary repairs, maintenance, operation, and replacements required to be made to maintain the Equipment in proper working condition, using as a guide the maintenance program described in the owner's manual, if any, for each item of Equipment and shall perform all maintenance required to insure full validation of a manufacturer's warranty on the Equipment. Lessee shall comply with all laws and regulations relating to ownership, possession, operation, use and maintenance of the Equipment. No Equipment shall be used contrary to its intended use, or the provisions of any insurance policy covering the Equipment.

21. TAXES. Lessee shall pay and discharge all sales, use, property and other taxes now or hereafter imposed by any taxing authority upon the Equipment based upon the ownership, leasing, renting, sale, possession or use thereof, whether the same be assessed to Lessor or Lessee, together with any penalties or interest in connection therewith, and will submit written evidence of the payment at Lessor's request. Sales or use tax due on rental payments shall be due at the same time as the rental payment. For those property taxes required to be filed by Lessor, Lessor will include the Equipment as property in the possession of Lessee for purposes of tax assessments. A processing fee of the greater of \$10.00 or 10% of the tax will be collected from Lessee for managing the payment of any taxes which are the responsibility of Lessee. Upon termination of the Lease, Lessee will pay Lessor personal property taxes, reasonably estimated, for every year assessed by the taxing authority but unpaid as of termination. In the event that the actual personal property tax bill is within \$500 of such estimate, then Lessor shall not seek reimbursement from Lessee for any underpayment, and Lessor may retain any overpayment. If the difference between such estimate and the actual tax bill exceeds \$500, Lessor shall refund or Lessee shall remit the entire difference.

22. LESSOR'S ASSIGNMENT. Lessor may assign all or any of Lessor's other rights hereunder. After such assignment, Lessee waives any right Lessee may have to claim or assert any defenses, setoffs or counterclaims against assignee of Lessor. Lessee will settle all claims arising out of alleged breach of warranties, defenses, setoffs and counterclaims it may have against Lessor directly with Lessor and not set up any such against Lessor's assignee. An assignee of Lessor shall not be obligated to perform any of Lessor's obligations under this Lease. Lessee, on receiving notice of any such assignment, shall abide thereby and make payment as may therein be directed. Following such assignment, solely for the purpose of determining assignee's rights hereunder, the term "Lessor" shall be deemed to include or refer to Lessor's assignee. Lessee acknowledges that the Equipment may be subject to a security interest which is prior to Lessee's interest in the Equipment.

23. TITLE; LESSEE'S INTEREST; GRANT OF SECURITY INTEREST. The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title or interest therein or thereto except as expressly set forth in this Lease. The Equipment is, and shall at all time be and remain, personal property notwithstanding that the Equipment or any part thereof may now be, or hereafter become, in any manner affixed or attached to real property. Lessee shall keep the equipment free of any liens, claims or encumbrances other than those in favor of Lessor. Lessee shall obtain the necessary permission from the owner of any real property where the Equipment is to be affixed to the realty or be deemed a fixture in order that the Equipment shall at all times be severable and removable there from by Lessor, free of any right, title, claim or interest of the property owner and of Lessee except as herein provided. In addition to all of the other rights of Lessor under this Lease, Lessee grants to Lessor a security interest in and to the Leased Property and all proceeds thereof (including insurance proceeds) as security for performance of all of Lessee's obligations to Lessor of every kind and nature, now existing or hereafter arising, including, but not limited to, Lessee's obligations under this Lease and under any other agreement with Lessor.

24. LIMITED PREARRANGED AMENDMENTS; AUTHORIZATION; SPECIFIC POWER OF ATTORNEY. In the event it is necessary to amend this Lease to correct an obvious error or to reflect a change in one or more of the following: (a) Lessor's actual cost of procuring the Equipment, or (b) Lessor's actual cost of providing the equipment to Lessee, or (c) a change in rental payments as a result of (a) or (b) above or (d) description of the Equipment, Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee further grants to Lessor a specific power of attorney for Lessor to sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.

25. FINANCIAL STATEMENTS; CREDIT REPORTS. Lessor may require from time to time, and Lessee agrees to furnish, statements setting forth the financial condition and operations of Lessee. Lessee authorizes Lessor, its successors, assigns and perspective assigns, to obtain a personal credit profile on Lessee or any guarantor from any credit reporting company.

26. MISCELLANEOUS. Lessee will not change or remove any insignia or lettering on the Equipment and shall conspicuously identify each item of the Equipment by suitable lettering thereto to indicate Lessor's ownership. Lessor and Lessee agree that facsimile signatures on any document pertaining to this lease agreement shall be accepted by Lessor, Lessee and all guarantors as binding and enforceable and to have the same force and effect as original signatures. Lessee authorizes Lessor to communicate with Lessee through electronic means. All Lessee email addresses provided to Lessor will be confidential, and will not be shared, sold or spammed. Delinquent lease installments and other sums due under this Lease shall bear interest at eighteen percent (18%) per annum if not prohibited by law, otherwise at the highest lawful contract rate. If there is more than one Lessee, Lessor may, with the consent of any one of the Lessees, modify, extend, or change any one of the terms hereof without consent or knowledge of the others; without in any way releasing, waiving, or impairing any right granted to Lessor against the others. Lessees and each of them are jointly and severally responsible, and liable to Lessor under this Lease. If Lessor is required by law to discount any unpaid lease payment or other sums payable by Lessee hereunder, then the parties hereto agree that the discount rate used shall be five percent (5%) annually. If any provision of this Lease is contrary to, prohibited by, or held invalid under applicable laws or regulations or any jurisdiction in which it is sought to be enforced, then such provision shall be considered severable and inapplicable, but shall not invalidate the remaining provisions of this Lease.

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