

WATER SERVICE AGREEMENT

This Water Service Agreement (the "Agreement") is dated November 26, 2007, and made by and between Desert Canyon Utility Co., a Washington corporation (the "DC Utility"), and Pro Desert LLC, a Washington limited liability company (the "Pro Desert"), with reference to the following facts:

A. Pro Desert is in the process of purchasing that certain land and improvements from General Electric Credit Equities, Inc. ("GE Credit"), known as Desert Canyon Golf Course (the "GE Property"), which is located in Douglas County, Washington. The acquisition will be financed by GE Electric Capital Corporation ("GE Capital"), and the parties anticipate that GE Capital will have a lien (the "GE Lien") against the GE Property to secure the purchase money indebtedness provided by GE Capital.

B. DC Utility is in the business of providing domestic and irrigation water to the homes and businesses surrounding the GE Property.

C. On or about May 8, 1997, DC Utility executed that certain Water Service Agreement with Desert Canyon Associates, a Washington general partnership (the "Water Agreement"). The Water Agreement was subsequently amended pursuant to that certain Amendment between said parties dated September 23, 1998. GE Credit acquired the GE Property from Desert Canyon Associates in foreclosure proceedings, including the rights of Desert Canyon Associates in the Water Agreement, as amended.

D. Pro Desert and DC Utility have agreed to amend and restate the Water Agreement in anticipation of Pro Desert's acquisition of the GE Property, as provided in this Agreement; provided, however, the effective date of this Agreement shall be the date upon which the Pro Desert acquires the GE Property.

IN CONSIDERATION of mutual promises and covenants herein contained, the parties hereto agree as follows:

1. Effective Date; Termination of Water Agreement. This Agreement shall become binding on the parties on the date (the "Effective Date") that Pro Desert acquires the GE Property, without any further documentation, and on the Effective Date, the Water Agreement shall terminate, and all claims and damages against Pro Desert, GE Credit, and GE Capital in favor of DC Utility, shall be waived.

2. Water Service. DC Utility shall supply Pro Desert with irrigation water for use by Pro Desert to irrigate the GE Property for a period of ten (10) years after the Effective Date of this Agreement. This Agreement shall be automatically extended for two additional ten (10) years, if the parties are able to agree on the fee charged by DC Utility for irrigation water prior to the commencement of each extension period provided, any changes in fees for the irrigation water shall be no less favorable than provided to other land owners (owning more than 50 acres) receiving irrigation water from DC Utility; and further provided, if they are unable to agree on such fees prior to the commencement of an extension period, the parties shall submit the matter to binding arbitration as provided herein; provided, further, DC Utility shall continue to provide Pro Desert

with irrigation water at the then current rate while the arbitration proceedings are pending and after the conclusion of the arbitration proceedings.

3. Domestic Water. DC Utility shall also supply Pro Desert with domestic water for use by Pro Desert on the GE Property. The fees for domestic water to Pro Desert shall be charged at the same rate and according to the same terms and conditions as DC Utility provides to other domestic water users in the Desert Canyon development.

4. Irrigation Water. From and after the purchase of the GE Property by Pro Desert, DC Utility shall provide irrigation water to Pro Desert for use in connection with the GE Property, at the annual rate of \$125,000 per year (the "Annual Rate"), paid in equal monthly installments on the first day of each calendar month, in arrears; provided, if the irrigation water consumed by Pro Desert in connection with the GE Property exceeds 1,000 acre feet per year, then Pro Desert shall pay to DC Utility the cost of such additional water, within ten days after receipt of a billing for such additional usage. The monthly fee due for the month in which the acquisition of the GE Property occurs, shall be prorated. Notwithstanding the foregoing, by mutual agreement of DC Utility and Pro Desert, the Annual Rate may be allocated and charged on a seasonal basis, to more accurately allocate the fees based on water usage. Moreover, the Annual Rate shall be increased for cost of living increases, on each annual anniversary date of the purchase of the GE Property, by 2.5% of the Annual Rate charged for the preceding 12 month period. Any payment made within ten days of the due date shall be deemed timely made; provided, payments received thereafter shall bear interest at the rate of 12% per annum from the due date thereof until paid in full. The Annual Rate stated above, as adjusted for cost of living increases, is an all inclusive fee and there will be no other costs charged for providing irrigation water.

5. Central Nitrate Filtration System. After the date of this Agreement, DC Utility shall install a Central Nitrate Filtration System for use in connection with the domestic water provided by said company. Said system shall be installed in compliance with all federal, state, and local water quality standards and Water System Association requirements. The parties anticipate that installation will be financed in part by a loan of \$1,200,000, which will be paid over a maximum period of 20 years. DC Utility shall make its best effort to install the system prior to the time required by the Department of Health, for the State of Washington, and to remove the "yellow tag" status of the water system to allow for new development as soon as reasonably possible. If the system is not installed and operating by December 31, 2008, DC Utility shall be in default hereunder. All costs of installation shall be paid initially by DC Utility; provided, the costs thereof shall be assessed against its customers, including property owned by Pro Desert and/or its affiliates serviced by DC Utility, and provided further that such assessment against the property owned by Pro Desert shall be based only on Pro Desert's domestic water consumption. Notwithstanding the foregoing, if DC Utility is unable, by reason of any event of Force Majeure, to complete the installation of the Central Nitrate Filtration System by December 31, 2008, and upon such party giving written notice of such event as soon as practicable, after the occurrence thereof, said obligation of DC Utility, shall be extended to the extent and for the period of such Force Majeure condition. DC Utility shall use its best efforts to remedy such Force Majeure condition. The term "Force Majeure" as used herein shall mean acts of God, earthquakes, fire, flood or the elements, riots, strikes, lockouts, boycotts, wars, acts of the public enemy, explosions, breakdown or failure of transportation, compliance with any directive, order, or regulation of any governmental authority, or any other cause, whether of the kind herein enumerated or otherwise, not reasonably within the

control of DC Utility and which, by the exercise of due diligence, it is unable to prevent or overcome.

6. Collateral Assignment. DC Utility acknowledges that Pro Desert's rights under this Agreement may be assigned to GE Capital. DC Utility agrees to continue to perform all of its obligations under this Agreement in the event GE Capital acquires Pro Desert's interest under this Agreement.

7. Grant of Easement and License. DC Utility hereby grants to Pro Desert, and its successors and assigns, an irrevocable easement and license covering all facilities and properties owned, used, leased or operated by DC Utility for the express purpose of permitting Pro Desert (or its successors and assigns) to ensure a continued supply of water to the GE Property pursuant to this Agreement. The facilities and properties covered hereby include, without limitation, any and all water transmission and distribution systems, pipelines, water pumping systems and other facilities and properties necessary to provide water to the GE Property. Pro Desert, and its successors and assigns, shall have the right at all times to enter on to such facilities and properties in order to ensure the continued supply of water to GE Property. DC Utility and Pro Desert acknowledge and agree that GE Capital will be a successor of Pro Desert in the event GE Capital acquires Pro Desert's interest in the GE Property.

8. Termination/Modification. Until all of Pro Desert's obligations to GE Capital are fully paid and satisfied, DC Utility and Desert Canyon shall neither amend nor terminate this Agreement without the prior written consent of GE Capital. DC Utility acknowledges that GE Capital would not extend its loan to Pro Desert but for this Agreement, and that any amendment or termination of this Agreement without the prior written consent of GE Capital would damage GE Capital.

9. Arbitration. Any dispute concerning the interpretation of this Agreement, which cannot be resolved within 60 days after the commencement of the dispute, shall be determined by binding arbitration in accordance with the Superior Court Mandatory Arbitration Rules for the State of Washington. If the parties are not able to agree upon a single arbitrator within ten (10) days following demand therefor, then the arbitrator shall be appointed by the Washington Arbitration and Mediation Service. Any arbitrator must be independent, and shall have no prior business or personal relationship with any of the parties or their Affiliates and no prior business or personal relationship with the attorneys, accountants or other professional advisors of any of the parties or their affiliates of such nature as to cause actual bias or a reasonable appearance of bias. The decision of the arbitrator shall be final and binding upon the parties as to the question or questions submitted, and a judgment upon an award rendered in the arbitration proceedings may be entered in any court of competent jurisdiction. Each party shall pay one-half of the arbitrator's fees and costs, unless one party is ruled the prevailing party by the arbitrator, in which case the arbitrator, subsequent to the arbitration itself, may direct the non-prevailing party to pay the prevailing party's arbitrator's fees, as well as the prevailing party's attorneys fees and costs. The arbitration shall be brought in King County, Washington unless the parties mutually agree on a location outside said County.

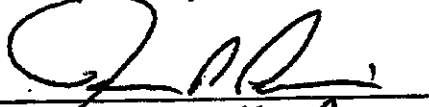
10. Memorandum. This Agreement shall run with the Land, and the Memorandum of Water Service Agreement attached hereto as Exhibit A, shall be executed at the time this

Agreement is executed, and may be recorded by either party in the real estate records of Douglas County, Washington.

11. Miscellaneous. This Agreement: (i) shall be governed by and construed in accordance with the laws of the state of Washington without reference to principles of choice or conflicts of laws; (ii) contains the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes any and all prior agreements and understandings with respect thereto; (iii) may not be amended, waived or modified except in writing signed by the party to be bound; (iv) inures to the benefit of and is binding upon the parties hereto, their heirs, personal representatives, successors and assigns; (v) is severable, so that if any provision hereof shall be deemed illegal or unenforceable, the remaining provisions hereof shall remain in full force and effect; (vi) may be executed in any number of counterparts with the same affect as if all the parties had signed the Agreement, and all counterparts shall be construed together and evidence only one agreement; and (vii) may be enforced in law or in equity by any court of competent jurisdiction, the losing party or parties in any final adjudication paying all of the costs and expenses (including reasonable attorneys fees) of the prevailing party or parties in the dispute. This Agreement is not intended to confer any rights or remedies upon any person or entity other than the parties hereto. A facsimile or e-mail transmission of any signed original hereof, and retransmission of any signed facsimile transmission, shall be the same as delivery of an original. At the request of either party, the other party or parties hereto will confirm e-mail or facsimile-transmitted signatures by signing an original hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

Desert Canyon Utility Co.

By: 
James P. Pierre, President

Pro Desert LLC

By: 
James A. Wyns, Manager

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EXHIBIT A

Memorandum of Water Service Agreement

After filing return to:

MEMORANDUM OF WATER SERVICE AGREEMENT

THIS MEMORANDUM OF AGREEMENT is made and entered into this 19 day of December, 2007, by and between the DESERT CANYON UTILITY CO., a Washington corporation ("DC Utility"), and PRO DESERT LLC, a Washington limited liability company ("Pro Desert").

1. Purpose. This Memorandum is prepared for the purpose of recordation to give notice of the an agreement between the parties, whereby DC Utility will provide irrigation water to Pro Desert, it successors and assigns.

2. Runs With The Land. ~~The parties have agreed that the Agreement runs with the land described on the attached Exhibit A.~~

EXECUTED effective as of the date first above written.

DC UTILITY:

STATE OF WASHINGTON)
)
COUNTY OF KING)

DESERT CANYON UTILITY CO., a
Washington corporation

By: [Signature]
James P. Pierre, President Pro

I certify that I know or have satisfactory evidence that James P. Pierre is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the President of the DESERT CANYON UTILITY CO. to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN TO before me this 27 day of December 2007.



[Signature]
Print Name: Terria A. Siegel
NOTARY PUBLIC in and for the State of
Washington, residing at Seattle, WA
My Commission Expires March 10, 2010

PRO DESERT:

PRO DESERT LLC,
a Washington limited liability company

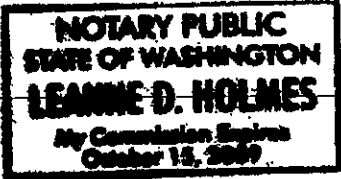
By: James Wynstra
James A. Wynstra, President
Homestead Northwest, Inc., member

STATE OF WASHINGTON)
)
COUNTY OF KING)

I certify that I know or have satisfactory evidence that James A. Wynstra is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the manager of Pro Desert LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED AND SWORN TO before me this 19 day
of December, 2007.

Leanne R. Holmes
Print Name: Leanne D. Holmes
NOTARY PUBLIC in and for the State of Washington
Washington, residing at Lynden
My Commission Expires: 10-15-09



AMENDMENT TO WATER SERVICE AGREEMENT

On or about October 16, 2007, Desert Canyon Utility Co., a Washington corporation ("DC Utility"), and Pro Desert LLC, a Washington limited liability company ("Pro Desert"), executed that certain Water Service Agreement (the "Agreement") which provided for the distribution of domestic and irrigation water by DC Utility to Pro Desert. The parties do hereby amend the Agreement as follows:

1. Notwithstanding the last sentence of paragraph 4 of the Agreement, the parties agree that in addition to the fees stated in paragraph 4 of the Agreement, Pro Desert will pay an additional \$30,000 per year to DC Utility in 2011 for irrigation water, and commencing in 2012, and each year thereafter during the term of this Agreement, as well as any extension period granted pursuant to the Agreement, the parties agree that in addition to the fees stated in paragraph 4 of the Agreement, Pro Desert will pay an additional \$60,000 per year to DC Utility for irrigation water. Such additional amounts for each such year shall be pro rated and paid monthly along with other monies due each year to DC Utility for irrigation water.

2. In the year 2011, and each year thereafter during the term of the Agreement, and any extension thereof, if and so long as Pro Desert is not in default under the terms of the Agreement, DC Utility agrees to rebate to Pro Desert, the hookup fees it charges during each such year to Pro Desert, Birdie Properties, LLC, or any other property developer serviced by DC Utility, for the connection of residential lots to the domestic and irrigation water provided by DC Utility; provided, the hookup fees refunded in 2011 shall not exceed \$30,000, and the hookup fees refunded by DC Utility shall not exceed \$60,000 per year (plus any carryovers from prior years, as discussed in the following sentence) for 2012 and each year thereafter during the term of the Agreement, and any extension thereof. If the hookup fees refundable for any year are less than the maximum amount refundable for such year (including carryovers thereto), then the shortfall shall be carried forward to the following year; provided, there shall be no carryovers beyond the last year of the Agreement (including any extensions thereof).

3. In all other respects, the parties do hereby ratify and confirm the terms and conditions of the Agreement.

DATED this ___ day of October, 2008

DESERT CANYON UTILITY CO.

By: 

James P. Pierre, President

PRO DESERT LLC

By: 

James A. Wynstra, President