OREGON STRATEGIC INVESTMENT PROGRAM AGREEMENT
"COMBINE HILLS TURBINE RANCH PHASE II"

UMATILLA COUNTY, a political subdivision of the State of Oregon (hereafter called "County") and Eurus Combine Hills II LLC, a Delaware limited liability company (the "Project Entity") hereby enter into this Strategic Investment Program Agreement (the "Agreement") as of March 23, 2009 (the "Effective Date"), for a 63 megawatt project (the "Project").

WITNESSETH:

WHEREAS, the Oregon Legislature has established the Strategic Investment Program (hereafter “SIP”) to promote industrial competitiveness and to improve employment in the area where projects are to be located by encouraging businesses engaged in projects to hire local employees. (See ORS 307.123 and ORS 285C.600 – 285C.620.; and

WHEREAS, SIP encourages local governments to enter into agreements with key industries to attract and retain long-term investment and employment; and

WHEREAS, the Project Entity proposes to build and operate a commercial wind energy generation project in Umatilla County, with 63 wind towers. The Project will have a capital cost of at least $25 million and is expected to include wind turbine generators, machinery and equipment, substation(s), meteorological towers, and an operations and maintenance facility. The Project is expected to create approximately six to eight new, permanent full-time jobs; and

WHEREAS, the Project Entity owns an interest in certain roads, collection and transmission lines, a substation, interconnection facilities and other facilities and equipment related to wind energy generation and transmission pursuant to Wind Energy Lease and Easement Agreements; and

WHEREAS, the Project Entity and County have jointly negotiated this Agreement, and following the mutual execution of this Agreement, the Project Entity will submit its SIP application (the "Application") to the Oregon Economic and Community Development Department (“OECD”). It is the intent of this Agreement to provide the competitive tax structure in the County that is essential for the Project Entity to provide a source of renewable energy in Oregon and to contribute to the State of Oregon’s quality of life; and

WHEREAS, the County and the Project Entity have provided public information and an opportunity for public input regarding the SIP generally and the Project Entity’s SIP application specifically, including a formal public hearing on this Agreement held in Umatilla County on February 23, 2009; and

WHEREAS, this Agreement provides the terms and conditions under which the County agrees to recommend to the State of Oregon that the SIP Application be approved and tax abatement be granted for the Project, as defined below, in exchange for performance by the Project Entity of the obligations herein;
NOW, THEREFORE, in consideration of the mutual covenants of the parties, each to the other giving, the parties do hereby agree as follows:

1. Project Definition and Scope. The “Project” shall consist of wind turbine generators which may be installed or placed in service in phases or stages in Umatilla County during the term of this Agreement, as well as all associated property (the “Associated Property”), including, without limitation, roads and civil construction work, underground electrical lines, meteorological monitoring towers, an operations and maintenance facility, grid interconnection facilities, one or more substations, land, and associated supporting infrastructure and facilities, to be used in connection with the 63 megawatt Combine Hills Turbine Ranch Phase II project. Overhead transmission lines are not included in this Agreement and will be taxed separately. Unless otherwise determined by the Project Entity as described below, the Project further includes repairs, replacements, modernization, renovations and remodeling of such property made during the term of this Agreement. For purposes of this Agreement, the Project shall first exist when the real market value of the foregoing property is at least $25 million. Notwithstanding the foregoing, the Project shall include only wind turbine generators and Associated Property that are installed or placed in service within Umatilla County after receipt by OECDD of the Application, and that have, in the aggregate, a nameplate capacity of 63 MW or less. Subject to the preceding sentence and subject to Site Permits for the Project and State and local land use laws, the Project Entity may add to or subtract from (but not below $25 million) the property that constitutes the Project (including repairs, replacements, modernization, renovations or remodeling). For purposes of this Agreement, “property” has the meaning assigned to that term in ORS 308.505 through 308.665. In the event that it is desired to repower or expand the Project within the SIP Exemption Period (as defined in Section 2 below), the County shall have the right to re-open negotiation for a new “Per-Megawatt-Amount” as defined in Section 4.2.3. Repowering or expansion shall not occur until satisfactory negotiation is concluded.

2. SIP Exemption Period. The “SIP Exemption Period” shall begin as defined in ORS 307.123 (1)(b), after the Project commences commercial operation and has a real market value equal to, or in excess of, $25 million, and shall continue for 15 property tax years as provided by ORS 307.123(1)(b). As used in this Agreement, “commercial operation” shall mean that the Project first produces electrical energy (excluding for testing purposes) and that electrical energy is transmitted into the regional transmission grid for delivery and sale to a power purchaser, and “property tax year” means a period of 12 months beginning July 1.

3. Conditions Precedent. Except for the obligations set forth in Sections 5.1 and 6.1, the obligations set forth herein are conditioned upon a determination by the OECDD or its designee that the Project is eligible for the tax exemption provided in ORS 285C.606, ORS 307.123, and applicable administrative rules.


4.1 Each year during the SIP Exemption Period on or before October 25, the County shall submit to the Project Entity a statement describing their calculations and an invoice for the County. The Project Entity will itemize the amounts due from the Project for the year in
accordance with Sections 4.2.1 4.2.2 and 4.2.3, as applicable. The invoiced amounts shall be paid by the Project Entity to the County no later than December 1 of each tax year.

4.2 In consideration of participating in the SIP with respect to the Project, the Project Entity agrees to pay the County the amounts as set forth below:

4.2.1 Ad Valorem Property Taxes. The first $25 million in real market value of the Project, subject to annual increases at the rate of three percent (3%), shall be taxable at its assessed value as provided by ORS 307.123 and 308.146. Property taxes on such value will be payable at the County’s tax rate in accordance with ORS 311.505. The remainder of the real market value of the Project shall be exempt from taxation as provided by ORS 307.123.

4.2.2 Community Service Fee (“CSF”). For each year of the SIP Exemption Period, the Project Entity shall pay a CSF, in an amount equal to twenty-five percent (25%) of the property taxes that would, but for the exemption, be due on the exempt property in each assessment year, but not exceeding an aggregate of $500,000 in any year. The CSF will be calculated pursuant to ORS 285C.609 (4) (b) (B).

4.2.3 Additional Amount. If in any year of the SIP Exemption Period, the Statutory Amount is less than the Minimum Revenue Amount for the property tax year, then the Project Entity shall pay to the County an amount equal to the difference between the Minimum Revenue Amount and the Statutory Amount (the “Additional Amount”). The Additional Amount shall be payable in addition to any property taxes and CSF for the year. For purposes of this Agreement, the following definitions apply:

“Statutory Amount” means the sum of (i) the ad valorem property taxes due for the property tax year pursuant to Section 4.2.1, and (ii) the aggregate CSF.

“Per-Megawatt Amount” means $7,048

“Minimum Revenue Amount” means the sum of the product of (a) the nameplate capacity (in Megawatts) of the Project in the County as of January 1 of that year multiplied by (b) the Per-Megawatt Amount for the property tax year for the County.

4.2.4 Local Improvement Payments. In addition the Project Entity agrees to make the following “Local Improvement Payments.” These payments may be expended by the County on County priorities at the sole and unfettered discretion of the Governing Body of the County, provided, however, that the aggregate amounts payable to the County shall not be subject to change. These payments are not intended to create any third party beneficiary rights for any entities except as expressly designated in this Agreement. The total Local Improvement Payments for the County is $2,000,000. The Local Improvement Payment shall be paid over a twenty (20) year period, consisting of an annual installment payment of eighty thousand dollars ($80,000) for each of the first fifteen (15) property tax years following the commencement of the SIP Exemption Period, and an annual installment payment of one hundred sixty thousand dollars ($160,000) for each of the remaining five (5) property tax years (i.e., years sixteen through twenty) for the Project, without interest, with the first installment due
on December 1 of the first property tax year in which the exemption referred to in Sections 2 and 4.2 is effective and on December 1 for each of the following nineteen (19) property tax years.

4.2.5 County Cost of Preparation of SIP Agreement. In addition to the above, the Project Entity agrees to reimburse the County for its reasonable costs incurred for the preparation of this Agreement, including staff, legal, administrative, and professional fees, provided however, in no event shall the aggregate of such fees payable to the County exceed Thirty Thousand dollars ($30,000). Payment of these costs shall be made within thirty (30) days after receipt of invoice.

4.3 SIP Application. The Project Entity shall file a SIP application with the State and pay all applicable fees as provided in ORS 285C.612 and applicable administrative rules.

4.4 First-Source Hiring Agreement. The Project Entity shall enter into a first-source hiring agreement with appropriate third parties acceptable to the County in substantially the form required pursuant to OAR 123-070-1000-2400. The County is to be designated a third-party beneficiary of the agreement and is entitled to enforce its terms. The parties may designate a different provider for this service by letter agreement.

4.5 Property Tax Statements and Information. The Project Entity shall notify the County on an annual basis, at the time of the filing with the Oregon Department of Revenue ("DOR") of the annual statement for property tax purposes covering the Project, of the nameplate capacity (in Megawatts) of the Project located in the County as of January 1 of that year.

5. County Obligations.

5.1 Within 15 days after the Effective Date, the County shall request that the Oregon Economic and Community Development Commission and the OECDD determine that the real and personal property constituting the Project situated in the County be granted exemption from ad valorem property taxation for the SIP Exemption Period.

5.2 The County shall establish separate tax account for the Project Entity in accordance with OAR 150-307.123(1).

5.3 The County is solely responsible for determining how to allocate the CSF and any Additional Amounts and for disposition of the CSF and the Additional Amounts, including paying any portions that are due or payable to any other jurisdictions. In no event shall the Project Entity have any liability in connection with any disagreement, error, or conflict related to the division, allocation, or distribution of such amounts by the County. In no event shall the Project Entity have any liability or obligation to any other person with respect to the respective CSFs or the Additional Amounts after the Project Entity has discharged its duty to pay as set forth in Section 4 above, and the County shall hold the Project Entity harmless with respect to any claims to the contrary to the extent allowed under the Constitution of the State of Oregon and Oregon law.
6. **Joint Obligations.** In addition to the other obligations set forth in this Agreement, the parties shall:

6.1 Cooperate with the OECDD and the DOR to secure approval of the SIP and take such steps as may, from time to time, be reasonably necessary to maintain the tax exemption.

6.2 Provide such information and resources to each other as may be reasonably necessary to ensure proper calculation of the amounts due under this Agreement.

7. **Ad Valorem Property Taxes.** Nothing herein shall govern the assessment, payment, or collection of ad valorem property taxes on the portion of the Project that is taxable as described in Section 4.2.1 of this Agreement or on property outside the Project.

8. **Miscellaneous Provisions.**

8.1 The laws of the State of Oregon shall govern this Agreement. Venue is in the Circuit Court of the State of Oregon for the County of Umatilla involving property in Umatilla County. The parties agree that in case of any disputes that arise under this Agreement they shall first attempt to resolve such disputes through good-faith negotiations between authorized representatives for both parties for a period of thirty (30) days before filing any litigation.

8.2 Unless defined herein, the terms herein shall be given their normal and customary meaning, except that terms relating to the payment of property taxes and fees provided for in this Agreement shall be construed consistently with the tax laws and rules of the State of Oregon. No provision shall be construed against a party simply because that party drafted the provision.

8.3 Failure to make payment in full of the CSFs or the Additional Amounts by the due date shall result in interest being charged on the past due balance in the same amount as is provided by law for late payment of ad valorem property taxes.

8.4 Default by the Project Entity by its failure to comply with any requirement of this Agreement can constitute default of the entire agreement and the County may enforce the terms of this Agreement at its sole discretion. All amounts due by the Project Entity to the County under this Agreement shall be considered as taxes due and unpaid and as such shall become a tax lien on the project property covered by the SIP in the event of default and subject to summary collections under ORS 311.405. Said tax lien shall not be voided or impaired. The County shall have the right to enforce payment of any and all amounts due to it by the Project Entity and/or any permitted assignee (including interest, as provided in Section 8.3), through an appropriate action to collect such amounts. In case suit or action is instituted to enforce compliance with any of the terms, covenants or conditions of this Agreement, or to collect the CSF or the Additional Amount due hereunder or any portion thereof, the party found to be in default of this Agreement agrees to pay, in addition to the costs and disbursements provided by statute, such additional sums as the court may adjudge reasonable for attorneys’ fees, and provided the County is the prevailing party, the County’s consulting fees, and other out-of-pocket County expenses to be allowed plaintiff in said suit or action. The Project Entity also
agrees to pay and discharge all reasonable costs and expenses actually incurred, including the County’s reasonable attorneys’ fees, reasonable consulting fees, and other reasonable out-of-pocket County expenses that shall arise from enforcing any provisions of this Agreement in the event of any default by the Project Entity even though no suit or action is instituted. Nothing in this Section 8.4. is intended to limit any remedies otherwise available to the County to enforce any of the provisions of this Agreement, including payment of any and all amounts due to the County by the Project Entity and/or any permitted assignee.

8.4.1 The County and the Project Entity hereby agree to this Agreement in its entirety. The parties understand and agree that the County will only get the full benefit of the bargain if it receives all payments contemplated in this Agreement. The “Default Amount” for the Project Entity shall mean the amount equal to the Project’s “Minimum Revenue Amount” for the property tax year in which the Default occurred, multiplied by the number of property tax years remaining in the SIP Exemption Period. “Default” shall mean the material breach of this Agreement by the Project Entity if it fails to cure said default within thirty (30) days after the Project Entity receives notice from the County that the breach has occurred.

8.4.2 In the event that the Project Entity fails to pay the amounts due pursuant to Sections 4.2.2 and 4.2.3 for two (2) consecutive property tax years, then in addition to any other remedies allowed at law or in equity, the following shall apply:

8.4.2.1. This Agreement and the SIP exemption for the Project may be terminated at the County’s election.

8.4.2.2. The Project Entity shall be obligated to pay to the County the Project’s Default Amount as “liquidated damages.” The County shall submit to the Project Entity an invoice for the amount of liquidated damages due, together with a statement setting forth its calculations.

The Project Entity shall pay such invoiced amounts on or before sixty (60) days after its receipt of the invoice; provided, however, in the event the Project Entity does not agree with the calculations, the Project Entity and the County shall attempt to resolve such disputes through good faith negotiations between authorized representatives for both parties during such sixty (60) day period.

8.4.3 In accordance with Oregon law, in the event of an overpayment of the CSF or any Additional Amount, the County shall either issue an overpayment refund check or return the incorrect payment and request that the Project Entity reissue payment in the correct amount. In the event of return payment the County Assessor shall establish a reasonable schedule for payment.

8.4.4 If the Project Entity fails to pay the CSFs or any Additional Amount by the end of the property tax year in which it is due, and such failure is not cured within 30 days after the Project Entity receives notice from the County of such failure, the tax exemption for the Project shall be revoked. The property of the Project in Default shall be fully taxable for the following year and for each subsequent property tax year for which the Default remains uncured. If the unpaid amounts are paid after the exemption is revoked, the Project
property shall again be eligible for the exemption, beginning with the tax year after the payment is made. Reinstatement of the exemption shall not extend the 15-year SIP exemption period.

8.5 All notices and other communications required or permitted under this Agreement shall be in writing and shall be either hand delivered in person, sent by facsimile, sent by certified or registered first-class mail, postage pre-paid, or sent by nationally recognized express courier service. Such notices and other communications shall be effective upon receipt if hand delivered or sent by facsimile, three days after mailing if sent by mail, and one business day after dispatch if sent by express courier, to the following addresses, or such other addresses as any party may notify the other parties in accordance with this Section 8.5:

If to Umatilla County, to:

Umatilla County Board of Commissioners
216 SE 4th Street, Pendleton Oregon, 97801
Facsimile No.: 541-278-5463
Telephone No.: 541-278-6204
Attention: Chair, Board of Commissioners

If to the Project Entity:

Eurus Combine Hills II LLC
c/o Eurus Energy America Corporation
4660 La Jolla Village Dr, Suite 400
San Diego, CA 92122
Facsimile No: 858-638-7125
Telephone No: 858-638-7115

9.  Merger. This Agreement constitutes the complete and exclusive agreement between the parties with respect to the relationship of the SIP to the Project, and supersedes all prior agreements and proposals, oral or written and any other communication between the parties on this matter. For the avoidance of doubt, however, this Agreement in no way supersedes or replaces any obligations in respect of the Eurus community benefit and assistance program described in that certain Umatilla County Board of County Commissioners letter to Eurus Energy America Corp. dated November 1, 2004. No waiver, modification, amendment or other change will be binding on either party, except as a written addendum, signed by authorized agents for both parties.

10. Assignment.

10.1 The Project Entity may not assign this Agreement without the prior written notice to the County, and provided the assignee satisfies all applicable requirements under ORS 285C.600 to 285C.626 and assumes the obligations, conditions, requirements and other terms of this Agreement; and provided further, however, that no assignment or delegation shall be permitted unless all payments due the County under this Agreement as of the time of the assignment or delegation have been paid in full. The Project Entity, however, is permitted to assign this Agreement or any of its rights and obligations under this Agreement, without the
County's consent (provided, however, the Project Entity shall provide notice of such assignment to the County and any such assignee pursuant to clause (i) through clause (iv) below shall agree to be bound by the terms and conditions of this Agreement when it acquires title to the Project): (i) to one or more of its affiliates, subsidiaries, or its parent, (ii) to any person or entity succeeding to all or substantially all of the assets of the Project Entity, (iii) to a successor entity in a merger, consolidation or acquisition transaction with the Project Entity, or (iv) to one or more lenders or other third parties in connection with a financing of the Project.

IN WITNESS WHEREOF, the parties hereto have executed this agreement in duplicate effective the 4th day of March, 2009.

UMATILLA COUNTY

[Signature]
County Commissioner

[Signature]
County Commissioner

[Signature]
County Commissioner

EURUS COMBINE HILLS II LLC

By: [Signature]
Name: Takashi Shirato
Title: Senior Vice President