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LEASE

between

STATE OF OREGON, ECONOMIC DEVELOPMENT COMMISSION

Lessor

and

MAYWOOD INDUSTRIES OF OREGON, INC.

Lessee

Dated as of April 1, 1976

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I N D E X

(This Index is not a part of the Lease Agreement but for convenience of reference only.)

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LEASE AGREEMENT

THIS LEASE AGREEMENT, dated as of April 1, 1976, between the ECONOMIC DEVELOPMENT COMMISSION, acting for itself and on behalf of the Department of Economic Development, a department of the State of Oregon, and as designee of the State Treasurer, and MAYWOOD INDUSTRIES OF OREGON, INC., a Texas corporation, qualified to do business in the State of Oregon.

Article I

Definitions

1. "Lessor" shall mean the Economic Development Commission, acting for itself and on behalf of the Department of Economic Development, a department of the State of Oregon, and as designee of the State Treasurer.
2. "Lessee" shall mean Maywood Industries of Oregon, Inc., a Texas corporation, qualified to do business in the State of Oregon.
3. "Bonds" shall mean and be known as the State of Oregon Economic Development Revenue Bonds, Series I (Maywood Industries of Oregon, Inc. Project), and to be issued by the State of Oregon, by the State Treasurer and through the Economic Development Commission for the purpose of financing a portion of the cost of acquisition, construction, installation, furnishing and equipping the Project as authorized by Chapter 316, Oregon Laws 1975.
4. "Leased Land" means the real estate leased under this Lease Agreement, together with the buildings and improvements thereon, and more particularly described in Exhibit A attached hereto together with such additions and substitutions thereto, and therefrom, as may be required from time to time, with the approval of the parties hereto.
5. "Leased Equipment" means those items of machinery and equipment installed in the constructed improvements or elsewhere on the Leased Land, all as described in Exhibit B attached hereto, together with such additions and substitutions thereto and therefrom, as may be required from time to time, with the approval of the parties hereto. This term does not include Lessee's own machinery and equipment.
6. "Building" means those certain buildings constructed in part from the proceeds of the Bonds, together with any other structures and facilities forming a part of the Project.
7. "Project" means the real estate as described in Exhibit A and those certain buildings and improvements constructed thereon

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from the proceeds of the Bonds and Company funds including a lumber remanufacturing plant of approximately 118,500 square feet and the Leased Equipment.

8. "Bond Revenue Fund" means the Bond Revenue Fund created in Section 6 of the Mortgage and Indenture of Trust.

9. "Mortgage and Indenture of Trust", "Indenture" or "Trust Indenture" mean the Mortgage and Indenture of Trust dated as of April 1, 1976, between the Economic Development Commission, acting for itself and on behalf of the Department of Economic Development, a department of the State of Oregon, and the First National Bank of Oregon, as Trustee, as approved and designated by the State Treasurer of the State of Oregon and authorized by the Economic Development Commission, as the same may be amended or supplemented from time to time.

10. "Determination of Taxability" means any determination or decision made by the Commissioner of Internal Revenue, or any District Director of Internal Revenue, or by any court of competent jurisdiction, that the interest on the Bonds is wholly includible in gross income for federal income tax purposes by reason of applicable provisions of the Internal Revenue Code of 1954, as amended.

11. "Guarantor" means Maywood, Inc., a Texas corporation.

12. "Trustee" means the First National Bank of Oregon as designated as Trustee to administer all funds pursuant to the Indenture.

13. "Additional Bonds" shall mean Bonds of any series, other than the Series I Bonds, duly authenticated and delivered pursuant to the Indenture.

14. "Guaranty Agreement" shall mean a certain Guaranty Agreement entered into between Maywood, Inc., a Texas corporation, the sole owner of all outstanding shares of stock of the Company, and the First National Bank of Oregon, dated as of April 1, 1976, wherein Maywood, Inc. unconditionally guarantees the prompt payment, when due, of the Bonds and all lease rentals and the prompt performance of all other agreements set forth in the Lease Agreement, in the event of the default on the part of the Company.

Article II

Representations

Section 2.01. Representations by the Lessor. The Lessor makes the following representations as the basis for the undertakings on its part:

A. The Lessor is the Economic Development Commission appointed by the Governor of the State of Oregon created by statute to establish policy for the Economic Development Department and is part of the

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Executive Department of the State of Oregon. The Lessor has the power to enter into transactions contemplated by this Lease Agreement and to carry out its obligations hereunder. The Project consists of and will consist of an "eligible project" within the meaning of Chapter 316, Oregon Laws 1975.

B. Consistent with the understandings between the Lessor and Lessee prior to the commencement of the construction of the buildings, the Lessee has caused construction of the Project to commence and has conveyed the real property and Leased Equipment to the Lessor and the Lessor hereby leases the Project on the Leased Lands to the Lessee and further, agrees to sell the Project and the Leased Lands to the Lessee upon the Lessee's exercise of its option to purchase the Project and the Leased Land, all for the purpose of reducing the occurrence of economic conditions in Klamath County, Oregon that may require more expensive remedial action and for the purpose of promoting industry and developing trade by inducing the Lessee to locate the Project in Klamath County, Oregon.

C. To finance the cost of the Project, the Lessor proposes to issue \$2,600,000 aggregate principal amount of its Economic Development Revenue Bonds, Series I (Maywood Industries of Oregon, Inc. Project), which will mature, bear interest, be redeemable and have the other terms and provisions set forth in the Mortgage and Indenture of Trust, pursuant to which the Lessor's interest in this Lease Agreement and the revenues and rental receipts derived by the Lessor from the leasing or sale of the Project and the Guaranty Agreement will be pledged as security for the payment of the principal of and the interest on the Bonds.

Section 2.02. Representations by the Lessee. The Lessee makes the following representations as the basis for its undertaking herein contained:

A. The Lessee is a corporation duly incorporated and in good standing under the laws of the State of Oregon, has the power to enter into this Lease Agreement and by proper corporate action has been duly authorized to execute and deliver this Lease Agreement.

B. Neither the execution and delivery of this Lease Agreement, the consummation of the transactions contemplated hereby, nor the fulfillment or compliance of the terms and conditions of this Lease Agreement, conflict with or result in a breach of any of the terms, conditions or provisions of any corporate restriction or any agreement or instrument to which the Lessee is now a party or by which it is bound or constitute a default under any of the foregoing.

C. The leasing by the Lessor of the Project to the Lessee has induced the Lessee to locate its lumber remanufacturing plant within Klamath County, Oregon.

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D. The Lessee intends to operate the Project as a revenue producing enterprise within the meaning of Chapter 316, Oregon Laws 1975 and in any event, as an industrial, commercial or manufacturing enterprise as authorized by law.

E. The Lessee has made no capital expenditures within Klamath County during the three years preceding the date of issue of the Bonds and will not make such expenditures during the three years following the date of issue of the Bonds which, taken together with the proceeds of the issue of the Bonds, would exceed the sum of Five Million Dollars (\$5,000,000), except as permitted by the provisions of Section 103(c)(6) of the Internal Revenue Code of 1954, as amended, and the Regulations adopted pursuant thereto.

Article III

Demising Clauses and Warranty of Title

Section 3.1. Demise of the Leased Land and Building and the Leased Equipment. The Lessor demises and leases to the Lessee, and the Lessee leases from the Lessor, the Leased Land, the Buildings and the Leased Equipment at the rental set forth in Section 5.3 hereof and in accordance with the provisions of this Lease Agreement.

Section 3.2. Warranty of Title. The Lessor warrants that it has acquired good and marketable title to the Leased Land, free from all easements and encumbrances, except permitted easements and encumbrances as specified in Section 3.3, and the Lessor has obtained or will promptly obtain an ALTA mortgagee's policy issued by a title insurance company acceptable to the Trustee in the face amount of \$2,600,000. The premiums for such insurance shall be paid from the Construction Trust Fund as provided in Section 4.4 hereof. The Lessor has acquired as of the date hereof or will acquire, prior to delivery of the Leased Equipment to the Lessee, title to the Leased Equipment.

Section 3.3. Permitted Encumbrances. Permitted Encumbrances are taxes, which are a lien, but not yet payable, and the exceptions of record as set forth in Exhibit C attached hereto.

Article IV

Acquisition, Construction and Completion of the Project; Issuance of the Bonds

Section 4.1. Agreement to Acquire, Construct and Complete the Project. (a) The Lessor agrees that, pursuant to subparagraph (b) of this Section, it will acquire the Project then in existence upon authentication and delivery of the Bonds and that it will acquire and construct, or cause to be acquired and constructed, the remaining

Project, if any, as soon as practicable thereafter. The Lessor further agrees that it will cooperate with the Lessee in such construction of the Project.

(b) The Lessee agrees that it has and will, on behalf of the Lessor, acquire or construct the Project substantially in accordance with the plans and specifications therefor prepared by the Lessee including any and all supplements, amendments and additions (or deletions) thereto (or therefrom), provided, however, that any such other revised project and property shall not materially impair the effective use of the Project contemplated by this Agreement.

Section 4.2. Agreement to Issue Bonds; Application of Bond Proceeds. In order to provide funds for payment of the costs of acquisition, construction and installation of the Project, the Lessor agrees that it will sell and cause to be delivered to the purchasers thereof \$2,600,000, aggregate principal amount of the Economic Development Revenue Bonds, Series I (Maywood Industries of Oregon, Inc. Project), bearing interest and maturing as set forth in the Mortgage and Indenture of Trust and it will thereupon deposit in the Construction Trust Fund the principal amounts received from the sale of the Bonds, including amounts received from the sale of any Additional Bonds.

Section 4.3. Upon written request from Lessee to Lessor to issue Additional Bonds, Lessor shall give due consideration to the issuance of such Additional Bonds in one or more series in accordance with the provisions of the Indenture and Chapter 316, Oregon Laws, 1975; provided, however, that the refusal of Lessor to issue Additional Bonds shall not release Lessee or Guarantor from any of the provisions of this Lease Agreement or the Guaranty Agreement, regardless of the reason for such failure.

Section 4.4. Disbursements from the Construction Trust Fund. The Lessor will in the Trust Indenture authorize and direct the Trustee to use or direct the use of the moneys in the Construction Trust Fund for the following purposes (but, subject to the provisions of Section 4.6 hereof, for no other purposes):

(a) Payment of the fees for recording the Lease Agreement and Indenture, any financing statements, and other agreements contemplated hereby and any title curative documents needed to perfect or protect the title of the Lessor to the Leased Land, Buildings and Leased Equipment and the fees and expenses in connection with any actions or proceedings that the Lessee may deem desirable to bring in order to perfect or protect the title of the Lessor to the Leased Land, Buildings and Leased Equipment including the expenses in connection with the title insurance policy required to be provided by Section 3.2 hereof.

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(b) Payment to the Lessee and the Lessor, as the case may be, of such amounts, if any, as shall be necessary to reimburse the Lessee and the Lessor in full for all advances and payments made by them or either of them or for their accounts at any time prior to or after the execution of this Lease for expenditures in connection with the acquisition of the Leased Land; the clearing and improving the Leased Land; the preparation of plans and specifications for the Project; the construction of the Building; the acquisition and installation necessary to provide utility services or other facilities including trackage to connect the Project with public transportation facilities, if required; and the acquisition and installation of the Leased Equipment; provided, that each payment shall be made only upon receipt by the Trustee of a statement therefor approved in writing by the Lessor and the Lessee.

(c) Payment of the specifically agreed upon initial or acceptance fee of the Trustee, underwriting, legal and accounting fees and expenses and printing and engraving costs incurred in connection with the authorization, sale and issuance of the Bonds, the Trust Indenture, this Lease Agreement, the Guaranty Agreement and all other documents in connection therewith and payment of all fees, costs and expenses for the preparation of this Lease Agreement; provided, that each such payment shall be made only upon receipt by the Trustee of a statement therefor approved in writing by the Lessor and the Lessee.

(d) Payment of the fees, if any, for architectural, engineering and supervisory services with respect to the Project; provided, that each such payment shall be made only upon a written order of the Lessor and the Lessee, accompanied by a bill in the amount specified in the order approved in writing by the Lessor and the Lessee.

(e) Payment, as such payments become due, of the specifically agreed upon fees and expenses of the Trustee and of any paying agent properly incurred under the Indenture that may become due during the Construction Period.

(f) To the extent not paid by a contractor for construction or installation with respect to any part of the Project, payment of the premiums on all insurance required to be taken out and maintained during the Construction Period under this Lease and Agreement, or reimbursement thereof if paid by the Lessee under Section 6.4 hereof.

(g) Payment of the taxes, assessments and any other charges referred to in Section 6.3 hereof that may become payable during the Construction Period.

(h) Payment of expenses incurred with approval of the Lessee in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the Project.

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(i) Payment of any other costs and expenses relating to the construction of the Project that may be approved in writing by the Lessor and Lessee, including an amount to be deposited in the Bond Revenue Fund equal to one installment of principal and interest on the Bonds.

(j) All monies remaining in the Construction Trust Fund after the Completion Date and after payment of all other items provided for in the preceding subsections (a) to (j), inclusive, of this Section shall be paid into the Bond Revenue Fund, provided that amounts approved by the Lessor and the Lessee shall be retained by the Trustee in the Construction Trust Fund for payment of Project costs not then due and payable.

(k) In the case of any contract providing for the retention of a portion of the contract price, there shall be paid from the Construction Trust Fund only the net amount remaining after deduction of any such portion.

Section 4.5. Obligation of the Parties to Cooperate in Furnishing Documents to Trustee. The Lessee agrees to cooperate with the Lessor in furnishing to the Trustee the documents referred to in Section 4.4 hereof that are required to effect payments out of the Construction Trust Fund, and the Lessor agrees to cause such orders to be directed by the Lessor to the Trustee as may be necessary to effect payments out of the Construction Trust Fund in accordance with Section 4.4 hereof. Such obligation of the Lessor is subject to any provisions of the Mortgage and Indenture of Trust requiring additional documentation with respect to payments and shall not extend beyond the moneys in the Construction Trust Fund available for payment under the terms of the Mortgage and Indenture of Trust.

Section 4.6. Lessee Required to Pay Construction and Equipment Costs in Event Construction Trust Fund Insufficient. In the event that moneys in the Construction Trust Fund available for payment of the cost of the Project (including money from the proceeds of any Additional Bonds sold pursuant to the terms of the Indenture) should not be sufficient to pay the costs thereof in full, the Lessee agrees to complete the Project and to pay to the persons entitled thereto all that portion of the costs of the Project as may be in excess of the moneys available therefor in the Construction Trust Fund free and clear of all liens and encumbrances, except permitted easements and encumbrances, and the lien of the Mortgage and Indenture of Trust. The Lessor does not make any warranty, either expressed or implied, that the moneys which will be paid into the Construction Trust Fund will be sufficient to pay all the costs which will be incurred in connection with the construction and acquisition of the Project. The Lessee agrees that if after exhaustion of the moneys in the Construction Trust Fund the Lessee should pay any portion of the costs of the Project pursuant to provisions of this Section, it shall not be entitled to any reimbursement therefor (except to the extent of reimbursement from the proceeds of any Additional Bonds sold to finance completion of the Project) from the Lessor or from the Trustee or from the holders of

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any of the Bonds, nor shall it be entitled to any diminution of the rents payable under Section 5.3.

Section 4.7. Investment of Moneys. Any moneys held as a part of the Construction Trust Fund or Bond Revenue Fund shall be invested or reinvested by the Trustee at the written direction of the Lessee (upon which the Trustee is entitled to rely) in those obligations provided in the Indenture which have maturity dates, or are subject to redemption by the holder, at the option of the holder, on or prior to the dates the funds invested therein will be needed for the purposes of such funds or account. The Trustee may sell at any time and, to the extent required for payments from either such fund, any of such obligations, and the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be held in such fund. Interest and other income received on moneys or securities in any such fund shall be credited to such fund, and applied as provided in the Trust Indenture. The Trustee may make any and all investments through its own investment department.

Section 4.8. Establishment of Completion Date. The Completion Date shall be evidenced to the Trustee by a certificate signed by an officer of the Lessee stating that, except for amounts retained by the Trustee for Project costs not then due and payable as provided in Section 4.4(j), (i) construction of the Building has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in such construction have been paid for, (ii) all other facilities necessary in connection with the Project have been constructed, acquired and installed in accordance with the specifications therefor and all costs and expenses incurred in connection therewith have been paid and (iii) the Leased Equipment installed is suitable and sufficient for the efficient operation of the Project and all costs and expenses incurred in the acquisition and installation of the Leased Equipment have been paid. Notwithstanding the foregoing, such certificate shall be and shall state that it is given without prejudice to any rights of the Lessor or the Lessee against third parties which exist at the date of such certificate or which may subsequently come into being. The Lessor and the Lessee agree to cooperate one with the other in causing such certificate to be furnished to the Trustee.

Section 4.9. Arbitrage. Notwithstanding the provisions of Section 4.7 hereof, the Lessor and the Lessee each hereby covenant for the benefit of each holder of the Bonds that (i) sums credited to the various accounts pertaining to the Project or the Bonds shall not be invested, or caused to be invested, in such a manner as to result in the loss of exemption from federal income taxation of interest on the Bonds; that (ii) there shall be made no use of the proceeds of the Bonds which, if such use had been reasonably expected on the date of the issue of the Bonds, would have caused them to be arbitrage bonds; that (iii) such sums constituting in the aggregate a major portion or more of the proceeds of the Bonds shall not be invested directly or

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indirectly in taxable obligations so as to produce an adjusted yield (including permissible adjustments for any premiums, discounts and costs), i.e., an adjusted effective interest rate, which is materially higher than the adjusted yield (adjusted effective interest rate) of the Bonds, and which results in the Bonds constituting taxable "arbitrage bonds" within the meaning of §103(d), Internal Revenue Code of 1954, as amended, and the Income Tax Regulations issued thereunder; and that the covenant in this Section imposes an obligation on the Lessor and the Lessee to comply with the requirements of §103(d) of such Code and such Income Tax Regulations; but that such sums may be otherwise invested if and when such act and regulations permit the investment to be made in the manner made without causing the Bonds to become taxable "arbitrage bonds."

Article V

Effective Date of this Lease Agreement; Duration of Lease Term; Rental Provisions

Section 5.1. Effective Date of this Lease Agreement; Duration of Lease Term. This Lease Agreement shall become effective upon its delivery, and the leasehold estate created in this Lease Agreement and the Lease Term shall then begin, and, subject to the provisions of this Lease Agreement (including particularly Articles X and XI hereof), shall expire at midnight, March 30, 1986, or if all of the Bonds have not been fully paid and retired (or provision for such payment made as provided in the Indenture), on such date as such payment or provision shall have been made.

Section 5.2. Delivery and Acceptance of Possession. The Lessor agrees to deliver to the Lessee sole and exclusive possession of the Project (subject to the right of the Lessor and the Trustee to enter thereon for inspection purposes and to the other provisions of Section 8.2 hereof) and the Lessee agrees to accept possession of the Project upon such delivery. So long as the Lessee shall not be in default under this Lease Agreement, the Lessee may peaceably and quietly hold, possess and use the Project without interference of any kind from the Lessor or any person claiming rights through the Lessor.

Section 5.3. Rentals and Other Amounts Payable.

(a) Upon execution of this Lease and issuance of the Bonds, the Lessee shall deposit as advance Lease Rental a sum equal to one installment of principal and interest due on the Bonds, such to be maintained at all times until all Bonds are fully paid as set forth in the Indenture.

(b) At least one business day before each bond payment date until March 30, 1986 or until the principal of and interest on the Bonds shall have been fully paid or provision for the payment

thereof shall have been made in accordance with the Mortgage and Indenture of Trust, whichever is earlier, the Lessee shall pay as Lease Rentals for the Project an amount which, when added to any moneys then on deposit in the Bond Revenue Fund shall be equal to the amount payable on such date as interest and principal then maturing, as provided in the Mortgage and Indenture of Trust.

If at any time the aggregate amount held by the Trustee in the Bond Revenue Fund shall be sufficient to pay at the times required the principal of and interest, if any, on all of the Bonds then remaining unpaid, the Lessee shall not be obligated to make any further rental payments under the provisions of subsection (b) of this Section 5.3.

(c) The Lessee further agrees to pay as Additional Rentals, all taxes, and assessments, general or special, concerning or in any way related to the Project, or any part thereof, during the Lease Term or any renewal thereof, taxes and any other governmental charges and impositions whatsoever, foreseen or unforeseen, and all utility and other charges and assessments, in the manner, at the times and under the conditions more specifically provided in Section 6.3 hereof.

(d) The Lessee agrees to pay to the Trustee until the principal of and interest on all of the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the provisions of the Trust Indenture, as Additional Rentals, and as specifically agreed upon, (i) the annual fee of the Trustee for the ordinary services of the Trustee rendered and its ordinary expenses incurred under the Indenture, (ii) the reasonable fees and charges of the Trustee as provided in the Mortgage and Indenture of Trust, as and when the same become due, (iii) the reasonable fees and charges of the Trustee for extraordinary services rendered by it and extraordinary expenses incurred by it for the Bonds under the Mortgage and Indenture of Trust, as and when the same become due; provided, that the Lessee may, without creating a default hereunder, contest in good faith the necessity for any such extraordinary services and extraordinary expenses and the reasonableness of any such fees, charges or expenses, (iv) the reasonable fees of the paying agent for the Bonds, and (v) the administrative expenses of the Oregon State Treasurer.

(e) The Lessee also agrees to pay the reasonable out-of-pocket expenses of the Lessor related to the Project, which are authorized by the Lessee and not otherwise required to be paid by the Lessee under the terms of this Lease Agreement.

(f) In the event the Lessee should fail to make any of the payments required in this Section, the item or installment so in default shall continue as an obligation of the Lessee until the amount in default shall have been fully paid, and the Lessee agrees to pay the same with interest thereon at the rate per annum borne by the Bonds until paid, subject to the provisions of Section 10.1 hereof.

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Section 5.4. Payees of Rental Payments. The rent provided for in Section 5.3(a) hereof shall be paid directly to the Trustee for the account of the Lessor and shall be deposited in the Bond Revenue Fund, as provided in Section 5.3(b) hereof. The Additional Rentals provided for in Section 5.3(c) hereof shall be paid directly to such taxing authorities or other public or private bodies as are entitled to receive such amounts. The additional payments to be made to the Trustee under Section 5.3(d) hereof shall be paid directly to the Trustee or the State Treasurer as appropriate. The payments to be made for expenses of the Lessor under Section 5.3(e) hereof shall be paid directly to the Lessor.

Section 5.5. Obligations of Lessee Hereunder Unconditional. The obligations of the Lessee to make the payments required in Section 5.3 hereof and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional and until such time as the principal of and interest on the Bonds shall have been fully paid or provision for the payment thereof shall have been made in accordance with the Mortgage and Indenture of Trust, the Lessee (i) will not suspend or discontinue any payments provided for in Section 5.3 hereof, (ii) will perform and observe all of its other agreements contained in this Lease Agreement and (iii) except as provided in Section 11.1 and Section 11.2 will not terminate the Lease Term for any cause including, without limiting the generality of the foregoing, defective title, failure of the Lessor or the Lessee to complete the Project, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, condemnation, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of Oregon or any political subdivision of either thereof or any failure of the Lessor to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this agreement, whether expressed or implied. Nothing contained in this Section shall be construed to release the Lessor from the performance of any of the agreements on its part herein contained; and in the event the Lessor should fail to perform any such agreement on its part, the Lessee may take such action as it may deem necessary to compel performance or recover its damages for nonperformance so long as such action will not be inconsistent with the agreements on the part of the Lessee contained in this Section 5.5. The Lessee may, however, at its own cost and expense and in its own name or in the name of the Lessor, prosecute or defend any action or proceeding or take any other action involving third persons which the Lessee deems reasonably necessary in order to secure or protect its right of possession, occupancy and use hereunder, and in such event the Lessor hereby agrees to cooperate fully with the Lessee and to take all action necessary to effect the substitution of the Lessee for the Lessor in any such action or proceeding if the Lessee shall so request.

Article VI

Maintenance, Taxes and Insurance

Section 6.1. Maintenance and Modifications of Project by Lessee.
The Lessee agrees that during the Lease Term or any renewal thereof it will at its own expense (i) keep the Project in as reasonably safe condition as its operations shall permit and (ii) keep the Building and the Leased Equipment and all other improvements forming a part of the Project in good repair and in good operating condition, making from time to time all necessary repairs thereto and renewals and replacements thereof. The Lessee shall have the right, at its own expense, to place a sign or signs in or on the Leased Land or the Building identifying the Project and its operations therein and thereon as its corporate enterprise and under its corporate or other lawful name. The Lessee may, also at its own expense, make from time to time any additions, modifications or improvements to the Project it may deem desirable for its business purposes that do not adversely affect the structural integrity of the Building. All such additions, modifications and improvements so made by the Lessee shall become a part of the Project; provided, that any real or personal property, machinery, equipment, furniture or fixtures installed by the Lessee as part of the Project without expense to the Lessor and not constituting a part of the Leased Equipment may be removed by the Lessee at any time and from time to time while it is not in default under this Lease Agreement; and provided further, that any damage to the Project occasioned by such removal shall be repaired by the Lessee at its own expense. The Lessee will not permit any mechanics' or other liens to be established or remain against the Project for labor or materials furnished in connection with any additions, modifications, improvements, repairs, renewals or replacements made by it; provided, that the Lessee may in good faith contest any mechanics' or other liens filed or established against the Project, and in such event may permit the items so contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom unless the Lessor or the Trustee shall notify the Lessee that by nonpayment of any such items, the Project will be materially endangered or will be subject to loss or forfeiture, in which event the Lessee shall promptly pay and cause to be satisfied and discharged all such unpaid items or secure such payment by posting a bond, in form satisfactory to the Lessor, with the Trustee. The Lessor will cooperate fully with the Lessee in any such contest.

Section 6.2. Removal of Leased Equipment.

(A) The Lessor shall not be under any obligation to renew, repair or replace any inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary Leased Equipment.

(B) In any instance where the Lessee in its sound discretion, determines that any items of Leased Equipment have become inadequate, obsolete, worn out, unsuitable, undesirable or unnecessary,

the Lessee may remove such items of Leased Equipment from the Building, and the Leased Land and (on behalf of the Lessor) sell, trade-in, exchange or otherwise dispose of them (as a whole or in part) without any responsibility or accountability to the Lessor or the Trustee therefor, provided that the Lessee shall, in its discretion, either:

(a) Substitute (either by direct payment of the costs thereof or by advancing to the Lessor the funds necessary therefor) and install anywhere in the Building or on the Leased Land other machinery, equipment or related property having equal or greater value and utility (but not necessarily having the same function) in the operation of the Building as a lumber remanufacturing plant (provided such removal and substitution shall not impair operating unity), all of which substituted machinery, equipment or related property shall be free of all liens and encumbrances and shall become a part of the Leased Equipment; or

(b) Not make any such substitution and installation, provided (i) that in the case of the sale of any such machinery, equipment or related property to anyone other than itself or in the case of the scrapping thereof, the Lessee shall pay into the Bond Revenue Fund the proceeds from such sale or the scrap value thereof, as the case may be, (ii) that in the case of the trade-in of such machinery, equipment or related property for other machinery, equipment or related property not to be installed in the Building or on the Leased Land, the Lessee shall pay into the Bond Revenue Fund the amount of the credit received by it in such trade-in and (iii) that in the case of the sale of any such machinery, equipment or related property to the Lessee or in the case of any other disposition thereof the Lessee shall pay into the Bond Revenue Fund an amount equal to the original cost thereof less depreciation at rates calculated in accordance with generally accepted accounting practice.

The removal from the Project of any portion of the Leased Equipment pursuant to the provisions of this Section shall not entitle the Lessee to any abatement or diminution of the rents payable under Section 5.3.

The Lessee will promptly report to the Trustee each such removal, substitution, sale and other disposition and will pay to the Trustee such amounts as are required by the provisions of the preceding subsection (d) of this Section to be paid into the Bond Revenue Fund promptly after any sale, trade-in or other disposition requiring such payment; provided, that no such payment need be made until the amount to be paid into the Bond Revenue Fund on account of all such sales, trade-ins or other disposition aggregate at least \$25,000 or one percent (1%) of the then outstanding principal amount of the Bonds, whichever is greater. The Lessee will not remove, or permit the removal of, any of the Leased Equipment from the Leased Land except in accordance with the provisions of this Section.

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Section 6.3. Taxes, Other Governmental Charges and Utility Charges. The Lessee will pay, as the same respectively become due, all taxes and governmental charges of any kind whatsoever, including ad valorem taxes, that may at any time be lawfully assessed or levied against or with respect to the Project or any machinery, equipment or other property installed or brought by the Lessee therein or thereon and any taxes levied upon or with respect to the income or profits of the Lessor, if any, from the Project which, if not paid, would become a lien against the Leased Land or a charge on the revenues and receipts therefrom prior to or on a parity with the charge under the Trust Indenture thereon and the pledge or assignment thereof to be created and made in the Trust Indenture, all utility and other charges and assessments incurred in the operation, maintenance, use, occupancy and upkeep of the Project and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by lien on the Project; provided, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the Lessee shall be obligated to pay only such installments as are required to be paid during the Lease Term or any renewal thereof.

The Lessee may, at its expense and in its own name and behalf or in the name and on behalf of the Lessor, in good faith contest the amount of any such taxes, assessments and other charges, including but not limited to payments in lieu of taxes, and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom. In the event that the Lessee shall fail to pay any of the foregoing items required by this Section to be paid by the Lessee, the Lessor or the Trustee may (but shall be under no obligation to) pay the same and any amounts so advanced therefor shall become an additional obligation of the Lessee to the one making the advance, which amounts, together with interest thereon at the rate per annum borne by the Bonds from the date thereof, the Lessee agrees to pay on demand. In connection with any administrative or judicial proceedings for determining the validity or amount of any payments in lieu of taxes, the Lessor shall appoint the Lessee to take all action which the Lessor may lawfully take in respect of such payments and all matters relating thereto and shall execute such pleadings and filings as owner, if necessary to the prosecution by the Lessee of any matter under this Section, and the Lessee shall bear and pay all costs and expenses of the Lessor thereby incurred at the request of the Lessee in behalf of the Lessor. The Lessee may at its expense and in its own name and behalf or in the name and behalf of the Lessor apply for any tax exemption allowed by the State of Oregon or any political or taxing subdivision thereof under any existing or future provision of law which grants or may grant such tax exemption.

Section 6.4. Insurance Required. During the Construction Period and throughout the Lease Term, the Lessee shall keep the Project continuously insured against such risks as are customarily insured against

by businesses of like size and type, paying, except as provided in Section 4.4(g) hereof, as the same become due and payable all premiums with respect thereto, including but not necessarily limited to:

(a) Insurance upon an actual cash value basis of the buildings and equipment constituting the Project as determined by a recognized appraiser or insurer selected by the Lessee, against loss or damage by fire and lightning, with uniform standard extended coverage endorsement limited only as may be provided in the standard form of extended coverage endorsement at the time in use in the State of Oregon.

(b) Public liability insurance (including coverage for all losses whatsoever arising from the ownership, maintenance, operation or use of any automobile, truck or other motor vehicle) in an amount not less than \$250,000 for personal injuries (including death) to any one person, not less than \$500,000 for personal injuries (including death) in any one accident and not less than \$250,000 for property damage.

Section 6.5. Application of Net Proceeds of Insurance. The Net Proceeds of the insurance carried pursuant to the provisions of Section 6.4 hereof shall be applied as follows: (i) the Net Proceeds of the insurance required in Section 6.4(a) hereof shall be applied as provided in Section 7.1 hereof and (ii) the Net Proceeds of the insurance required in Section 6.4(b) hereof shall be applied toward extinguishment or satisfaction of the liability with respect to which such insurance proceeds may be paid.

Section 6.6. Additional Provisions Respecting Insurance. All insurance required in Section 6.4 hereof shall be taken out and maintained in generally recognized responsible insurance companies selected by the Lessee and may be written with deductible amounts comparable to those on similar policies carried by other companies engaged in businesses similar in size, character and other respects to those in which the Lessee is engaged. All policies evidencing such insurance shall provide for payment of the losses to the Lessor, the Lessee and the Trustee as their respective interests may appear; provided, however, that all claims regardless of amount may be adjusted by the Lessee with the insurers, subject to approval of the Trustee as to settlement of any claim in excess of \$100,000 and such policies shall not be subject to cancellation except upon thirty (30) days notice to the Trustee.

A certificate or certificates of the insurers that such insurance is in force and effect, shall be deposited with the Lessor and Trustee; and prior to expiration of any such policy, the Lessee shall furnish the Trustee with evidence satisfactory to the latter, that the policy has been renewed or replaced or is no longer required by this Lease Agreement.

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Section 6.7. Advances by Lessor or Trustee. In the event the Lessee shall fail to maintain the full insurance coverage required by this Lease Agreement or shall fail to keep the Project in compliance with the federal Occupational Safety and Health Act of 1970, as amended from time to time, or shall fail to keep the Building and the Leased Equipment in good repair and good operating condition, the Lessor or the Trustee may (but shall be under no obligation to) obtain the required policies of insurance and pay the premiums on the same or make required repairs, renewals and replacements; and all amounts so advanced therefor by the Lessor or the Trustee shall become an additional obligation of the Lessee to the one making the advance, which amounts, together with interest thereon at the rate per annum borne by the Bonds from the date thereof, the Lessee agrees to pay on demand.

Article VII

Damage, Destruction and Condemnation

Section 7.1. Damage and Destruction. Unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(a) hereof, if prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust) the Project is destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss resulting from such destruction or damage is not greater than \$25,000, the Lessee, (i) will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction with such changes, alterations and modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair operating unity or efficiency or productive capacity of the Project as a lumber remanufacturing plant, and (ii) will apply for such purpose so much as may be necessary of any Net Proceeds of insurance resulting from claims for such losses, as well as any additional moneys of the Lessee necessary therefor.

If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Project is destroyed or damaged (in whole or in part) by fire or other casualty to such extent that the claim for loss resulting from such destruction or damage is in excess of \$25,000, the Lessee shall promptly give written notice thereof to the Trustee. All Net Proceeds of insurance, resulting from claims for such loss shall be paid to and held by the Trustee, whereupon unless the Lessee shall have elected to exercise its option to purchase pursuant to the provisions of Section 11.2(a) hereof, (i) the Lessee will promptly repair, rebuild or restore the property damaged or destroyed to substantially the same condition as existed prior to the event causing such damage or destruction, with such changes, alterations and

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modifications (including the substitution and addition of other property) as may be desired by the Lessee and as will not impair operating unity or productive capacity and (ii) the Trustee, upon receipt of a certificate of the Lessee that such payment is required for such purpose, will apply so much as may be necessary of the Net Proceeds of such insurance to payment of the costs of such repair, rebuilding or restoration, either on completion thereof or as the work progresses. In the event the Net Proceeds of insurance are not sufficient to pay in full the costs of, or reimbursement for, such repair, rebuilding or restoration, the Lessee will nonetheless complete the work thereof and will pay that portion of the costs thereof in excess of the amount of the Net Proceeds or will advance to the Lessor and the Trustee the moneys necessary to complete the work, in which case the Lessor will proceed so to complete said work.

The Lessee shall not, by reason of the payment of such excess costs (whether by direct payment thereof or advances to the Lessor or Trustee thereof), be entitled to any reimbursement from the Lessor, except to the extent of the Net Proceeds of insurance, or any abatement or diminution of the rents payable under Section 5.3.

Provided, however, if any portion of a Building or item of equipment damaged or destroyed by casualty is deemed by Lessee to be obsolete, then with the written approval of the Trustee that such damaged property will not impair the operating unity or efficiency or productive capacity of the Project, then the Lessee shall not be obligated to repair or replace the damaged property and all Net Proceeds shall be deposited in the Bond Revenue Fund.

Any balance of such Net Proceeds remaining after payment of, or reimbursement to the Lessee for, all the costs of such repair, rebuilding or restoration shall be paid into the Bond Revenue Fund. If the Lessee shall so direct the Lessor in writing within 90 days following the payment of any such Net Proceeds into the Bond Revenue Fund, the Lessor shall cause such funds, or such part thereof as the Lessee shall direct, to be applied by the Trustee to the redemption at the earliest practicable date of Bonds at the principal amount thereof plus accrued interest to the redemption date.

If the Bonds have been fully paid or provision for the payment thereof has been made in accordance with the provisions of the Mortgage and Indenture of Trust, all such Net Proceeds shall be paid to the Lessee.

Section 7.2. Condemnation. Unless the Lessee shall exercise its option to purchase pursuant to the provisions of Section 11.2(b) hereof, in the event that title to, or the temporary use of, the Project or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Lessee shall be obligated to continue to make the rental payments specified

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in Section 5.3 hereof. The Lessor will cause the Net Proceeds received by it and the Trustee, from any award made in such eminent domain proceedings, to be applied in one or more of the following ways as shall be directed in writing by the Lessee:

(a) The restoration of the improvements located on the Leased Land to substantially the same condition as they existed prior to the exercise of the said power of eminent domain.

(b) The acquisition, by construction or otherwise, by the Lessor of other improvements suitable for the Lessee's operations at the site of the Project (which improvements shall be deemed a part of the Project and available for use and occupancy by the Lessee without the payment of any rent other than herein provided to the same extent as if such other improvements were specifically described herein and demised hereby).

(c) The redemption at the earliest practicable date of Bonds together with accrued interest thereon to the date of redemption; provided that no part of any such condemnation award may be applied for such redemption unless (i) all of the Bonds are to be redeemed in accordance with the Trust Indenture upon exercise of the option to purchase provided for by Section 11.2(b) hereof or (ii) in the event that less than all of the Bonds are to be redeemed, the Lessee shall furnish to the Lessor and the Trustee a certificate of an engineer acceptable to the Lessor and the Trustee stating (1) that the property forming a part of the Project that was taken by such condemnation proceedings is not essential to the Lessee's use or occupancy of the Project, or (2) that the Project has been restored to a condition substantially equivalent to its condition prior to the taking by such condemnation proceedings or (3) that improvements have been acquired which are suitable for the Lessee's operation at the Project as contemplated by the foregoing subsection (b) of this Section.

Within 90 days from the date of entry of a final order in any eminent domain proceedings granting condemnation the Lessee shall direct the Lessor and the Trustee in writing as to which of the ways specified in this Section the Lessee elects to have the condemnation award applied.

Any balance of the Net Proceeds of the award in such eminent domain proceedings shall be paid into the Bond Revenue Fund. If the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Indenture) all such Net Proceeds shall be paid to the Lessee.

The Lessor shall cooperate fully with the Lessee in the handling and conduct of any prospective or pending condemnation proceeding with respect to the Project or any part thereof and will, to the extent it may lawfully do so, permit the Lessee to litigate in any such proceeding in the name and behalf of the Lessor. In no event will the Lessor

voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceeding with respect to the Project or any part thereof without the written consent of the Lessee.

Section 7.3. Condemnation of Lessee-Owned Property. The Lessee shall also be entitled to the Net Proceeds of any condemnation award or portion thereof made for damages to or takings of its own property.

Article VIII

Special Covenants

Section 8.1. No Warranty of Condition or Suitability by the Lessor. The Lessor makes no warranty, either expressed or implied, as to the condition of the Project or that it will be suitable for the Lessee's purposes or needs. The Lessee releases the Lessor from, agrees that the Lessor shall not be liable for and agrees to hold the Lessor harmless against, any loss or damage to property or any injury to or death of any person that may be occasioned by any cause whatsoever pertaining to the Project or the use thereof; provided, that the indemnity in this sentence shall be effective only to the extent of any loss that may be sustained by the Lessor in excess of the net proceeds received from any insurance carried with respect to the loss sustained and provided further, that the benefits of this Section shall not inure to any person other than the Lessor.

Section 8.2. Right of Access to the Project. The Lessee agrees that the Lessor, the Trustee and their or either of their duly authorized agents shall have the right at all reasonable times to enter upon the Leased Land and to examine and inspect the Project other than areas thereof, the examination of which in the reasonable judgment of the Lessee would result in the disclosure of trade secrets.

Section 8.3. Lessee to Maintain its Corporate Existence; Conditions Under Which Exceptions Permitted. The Lessee agrees that during the Lease Term it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that the Lessee may, without violating the agreement contained in this Section, consolidate with or merge into another domestic corporation, i.e., a corporation incorporated under the laws of one of the states of the United States of America, or permit one or more other domestic corporations to consolidate with or merge into it, or sell or otherwise transfer to another domestic corporation all or substantially all of its assets as an entirety and thereafter dissolve, provided the surviving, resulting or transferee corporation, as the case may be, assumes all of the obligations of the Lessee herein and qualifies to do business in the State of Oregon, and provided further that no consolidation, merger or sale shall take place unless the surviving, resulting or transferee corporation shall have a net worth not less than the net worth of the Lessee.

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Section 8.4. Trustee's Accounting. The Lessor agrees to cause and direct the Trustee to furnish the Lessee annually, and at such other times as the Lessee may reasonably request, an accounting of any fund held by the Trustee or any depository under the Mortgage and Indenture of Trust.

Section 8.5. Granting of Easements. If no event of default under this Lease Agreement shall have happened and be continuing, the Lessee may at any time or times (i) grant easements, licenses, rights of way (including the dedication of public highways) and other rights or privileges in the nature of easements with respect to any property included in the Project, or (ii) release existing easements, licenses, rights of way and other rights or privileges, all with or without consideration and upon such terms and conditions as the Lessee shall determine, and the Lessor agrees that it will execute and deliver and will cause and direct the Trustee to execute and deliver any instrument necessary or appropriate to confirm and grant or release any such easement, license, right of way or other right or privilege or any such agreement or other arrangement, upon receipt by the Lessor and the Trustee of: (i) a copy of the instrument of grant or release or of the agreement or other arrangement, (ii) a written application signed by an officer of the Lessee requesting the execution and delivery of such instrument and (iii) a certificate executed by an officer of the Lessee stating (1) that such grant or release is not detrimental to the proper conduct of the business of the Lessee, and (2) that such grant or release will not impair the effective use or interfere with the efficient and economical operation of the Project and will not weaken, diminish or impair the security intended to be given by or under the Indenture.

Section 8.6. Federal Income Tax Exemption. The Lessor covenants that it shall, prior to the issuance of the Bonds, duly elect to have the provisions of Section 103(c)(6)(D) of the Internal Revenue Code of 1954, as amended, apply to such issue and such election, containing information furnished by the Lessee and relied upon by the Lessor, shall be made in accordance with the applicable regulations or procedures of the Internal Revenue Service. The Lessee covenants that it shall furnish to the Lessor whatever information is necessary for the Lessor to make such election, that such information shall be accurate and that it shall file such supplemental statements and other information as are required by the applicable regulations or procedures of the Internal Revenue Service.

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The Lessee further covenants that it will not and will not permit any capital expenditures to be made or any other action to be taken which will cause the interest on the Bonds to become subject to federal income taxes pursuant to the provisions of Section 103(c) of the Internal Revenue Code of 1954, as amended, so long as any of the Bonds are outstanding under the Mortgage and Indenture of Trust, provided, that the Lessee shall not have violated this covenant if the interest on any of the Bonds becomes taxable to a person who is a substantial user of the Project or a related person pursuant to the provisions of Section 103(c) (7) of the Internal Revenue Code of 1954, as amended.

More specifically, in order to insure compliance with the \$5,000,000 limitation upon bond issuance and capital expenditures imposed by said Section 103(c), the Lessee covenants that the aggregate amount of capital expenditures (exclusive of expenditures which are not taken into account under Section 103(c) (6) (F) of said Code), whether paid or incurred and whether made from bond proceeds or any other funds, with respect to the Project located in Klamath County, Oregon, the principal user of which is or will be the Lessee or one or more related persons (as defined in Section 103(c) of said Code), for a period beginning three (3) years before the date of issuance of the Bonds and ending three (3) years after such date, shall not exceed a total of \$5,000,000, provided, however, that the limitation of this Section upon the incurring or payment of capital expenditures shall cease to be such a limitation if and to the extent subsequent United States congressional legislation amends or supersedes the provisions cited in this Section and the Lessor, the Lessee and the Trustee have each requested and received the opinion or opinions, of an attorney or attorneys at law, experienced in federal income tax, to such effect.

The Lessee further covenants that it shall furnish to the Lessor and the Trustee (i) prior to the issuance of the Bonds, a statement of the aggregate amount of capital expenditures made or incurred during

the period beginning three years before the date of such issue; (ii) within 90 days following the close of each fiscal year of the Lessee occurring within two years after the issuance of any Bonds, a statement of the aggregate amount of capital expenditures made or incurred during the period beginning with the date of the last statement filed with the Trustee and ending on the last day of the preceding fiscal year, (iii) within 90 days following the third anniversary date of the issuance of any of the Bonds, a statement of the aggregate amount of capital expenditures made or incurred during the period beginning with the date of the last statement filed with the Trustee and ending on such anniversary date and (iv) within 30 days after it has made or incurred the maximum amount of capital expenditures permitted under this Section a statement to that effect. Each such statement shall set forth (1) a description of those capital expenditures which are capital expenditures under Section 103(c)(6)(D)(ii) and shall take into account facilities referred to in Section 103(c)(6)(E) in computing such capital expenditures and (2) a description, and the reason for the exclusion, of any capital expenditures which the Lessee has not taken into account under Section 103(c)(6)(F) of the Internal Revenue Code of 1954, as amended.

Section 8.7. Mandatory Project Purchase Upon Loss of Federal Income Tax Exemption. Should there occur a Determination of Taxability, then, notwithstanding any other provision of this Lease, the Lessee shall purchase the Project at a purchase price at least equal to the outstanding principal and interest on the Bonds to be deposited with the Trustee, for payment of the Bonds in whole within 120 days from the Determination of Taxability. Upon receipt of such purchase price, the Lessor shall make the same deliveries to the Lessee as are provided in Section 11.5 hereof.

Article IX

Assignment, Subleasing, Mortgaging and Selling; Redemption; Rent Prepayment

Section 9.1. Assignment and Subleasing. This Lease Agreement may be assigned in whole or in part, and the Project may be subleased as a whole or in part, by the Lessee without the necessity of obtaining the consent of either the Lessor or the Trustee, subject, however, to each of the following conditions:

(a) No assignment shall relieve the Lessee from primary liability for any of its obligations hereunder, and in the event of any such assignment the Lessee shall continue to remain primarily liable for payment of the rents specified in Section 5.3 and Section 10.2(a) hereof and for performance and observance of the other agreements on its part herein provided to be performed and observed by it.

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(b) The assignee or sublessee shall assume the obligations of the Lessee hereunder to the extent of the interest assumed or subleased.

(c) The Lessee shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Lessor and to the Trustee a true and complete copy of each such assignment or sublease, as the case may be.

(d) The Guarantor shall reaffirm that the Guaranty Agreement shall continue in full force and effect following such assignment or subleasing.

Section 9.2. Restrictions on Sale of Project by Lessor. During the Lease Term, the Lessor agrees that, except to secure the Bonds to be issued pursuant to the Mortgage and Indenture of Trust and subject to Article XI hereof, it will not sell, assign, transfer or convey the Project during the Lease Term.

Section 9.3. Redemption of Bonds. If the Lessee is not in default in the payment of rent under Section 5.3 hereof, the Lessor, at the request of the Lessee, at any time the aggregate moneys in the Bond Fund are sufficient to effect such redemption and if the same are then redeemable under the provisions of Section 4 of the Mortgage and Indenture of Trust, shall forthwith take all steps that may be necessary under the applicable redemption provisions of the Mortgage and Indenture of Trust to effect redemption of all of the then outstanding Bonds as may be specified by the Lessee, on the earliest redemption date of which such redemption may be made under such applicable provisions; but nothing herein shall be construed to limit the provisions of Section 8.7 hereof.

Section 9.4. Prepayment of Rents. There is expressly reserved to the Lessee the right, and the Lessee is authorized, at any time it may choose, to prepay any part of the rents payable under Section 5.3 hereof, and the Lessor agrees that the Trustee may accept such prepayment of rents when the same are tendered by the Lessee. All rents so prepaid shall be deposited in the Bond Revenue Fund and credited on the rental payments specified in Section 5.3 hereof in the order of their due dates, and at the election of the Lessee shall be used for the redemption or purchase of outstanding Bonds in the manner and to the extent provided in the Mortgage and Indenture of Trust.

Section 9.5. Installation of Lessee's Own Machinery and Equipment. In addition to the machinery and equipment installed by the Lessee under the provisions of Section 6.1 hereof which does not become part of the Leased Equipment thereunder, the Lessee may from time to time, in its sole discretion and at its own expense, install additional machinery and equipment in the Building or on the Leased Land. All machinery and equipment so installed by the Lessee shall remain the sole

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property of the Lessee in which neither the Lessor nor the Trustee shall have any interest, may be modified or removed at any time while the Lessee is not in default hereunder and shall not be subject to the Mortgage and Indenture of Trust. Nothing contained in the preceding provisions of this Section shall prevent the Lessee from purchasing machinery and equipment on conditional sale contract or lease sale contract, or subject to vendor's lien or purchase money mortgage, as security for the unpaid portion of the purchase price thereof, provided, however, that any lien shall not attach to Leased Equipment. The Lessee agrees to pay, unless in good faith contested by it, as due, the purchase price of and all costs and expenses with respect to the acquisition and installation of any machinery and equipment installed by it pursuant to this Section.

Section 9.6. References Ineffective After Bonds Paid. Upon payment in full of the Bonds and interest (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and all fees and charges of the Trustee, the paying agents, the Lessor and the State Treasurer, all references in this Lease Agreement to the Bonds and the Trustee shall be ineffective and neither the Trustee nor the holder of any of the Bonds shall thereafter have any rights hereunder, saving and excepting those that shall have theretofore vested.

Article X

Events of Default and Remedies

Section 10.1. Events of Default Defined. The following shall be "events of default" under this Lease Agreement and the terms "event of default" or "default" shall mean, whenever they are used in this Lease Agreement, any one or more of the following events which is not cured by the Guarantor as provided in the Guaranty Agreement:

(a) Failure by the Lessee to pay or cause to be paid within one business day after they are due the amounts required to be paid under Section 5.3(b) of this Lease Agreement.

(b) Failure by the Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section, for a period of 45 days after written notice, specifying such failure and requesting that it be remedied, given to the Lessee by the Lessor or the Trustee, unless the Lessor and the Trustee (with any required consent of Bondholders under the provisions of the Mortgage and Indenture of Trust)

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shall agree in writing to an extension of such time prior to its expiration, or unless the Lessee has commenced and continues diligently to remedy the failure stated in the notice; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, it shall not constitute an event of default or a default if corrective action is instituted by the Lessee within the applicable period and diligently pursued until the default is corrected.

(c) The dissolution or liquidation of the Lessee or the filing by the Lessee of a voluntary petition in bankruptcy, or failure by the Lessee within thirty (30) days to lift any execution, garnishment or attachment of such consequence as will impair its ability to carry on its operations at the Project, or the commission by the Lessee of any act of bankruptcy, or adjudication of the Lessee as a bankrupt, or assignment by the Lessee for the benefit of its creditors, or the entry by the Lessee into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Lessee in any proceeding for its reorganization instituted under the provisions of the general bankruptcy act, as amended, or under any similar act which may hereafter be enacted. The term "dissolution or liquidation of the Lessee," as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Lessee resulting either from a merger or consolidation of the Lessee into or with another corporation or a dissolution or liquidation of the Lessee following a transfer of all or substantially all of its assets as an entirety, under the conditions permitting such actions contained in Section 8.3 hereof. A default under this Section 10.1(c) shall not constitute an event of default so long as the Guarantor continues to make the payments called for under the Guaranty Agreement.

(d) The occurrence of a default under the Guaranty Agreement.

The foregoing provisions of this Section are subject to the following limitations: if by reason of force majeure the Lessee is unable in whole or in part to carry out the agreements on its part herein contained, other than the obligations on the part of the Lessee contained in Article V and Sections 4.9, 6.3, 8.6 and 8.7 hereof, the Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall include without limitation, acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States of America or of the State of Oregon or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots, epidemics; landslides; lightning; earthquake; fire, hurricanes; tornadoes, storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities;

or any other cause or event not reasonably within control of the Lessee or the Guarantor. The Lessee agrees, however, to remedy with all reasonable dispatch the cause or causes preventing the Lessee from carrying out its agreements; provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the Lessee or the Guarantor, and the Lessee or the Guarantor shall not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is in the judgment of the Lessee or the Guarantor unfavorable to the Lessee or the Guarantor.

Section 10.2. Remedies on Default. Whenever any event of default referred to in Section 10.1 hereof shall have happened and be continuing, the Lessor, or the Trustee where so provided, may take any one or more of the following remedial steps:

(a) The Lessor or the Trustee as provided in the Mortgage and Indenture of Trust may, at its option, declare all installments of rent payable under Section 5.3 hereof for the remainder of the Lease Term, to be immediately due and payable, whereupon the same shall become immediately due and payable.

(b) The Lessor, with the prior written consent of the Trustee, may re-enter and take possession of the Project without terminating this Lease Agreement, and sublease the Project for the account of the Lessee, holding the Lessee liable for the difference in the rent and other amounts payable by the sublessee in such subleasing and the rents and other amounts payable by the Lessee hereunder.

(c) The Lessor, with the prior written consent of the Trustee, may terminate the Lease Term, exclude the Lessee from possession of the Project and use its best efforts to lease the Project to another party for the account of the Lessee, holding the Lessee liable for all rent and other amounts due under this Lease Agreement and not paid by such other party.

(d) The Lessor or the Trustee may take whatever action at law or in equity may appear necessary or desirable to collect the rent then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Lessee under this Lease Agreement.

(e) The Lessor or the Trustee may exercise any remedies provided for in the Mortgage and Indenture of Trust or the Guaranty Agreement.

Any amounts collected pursuant to action taken under this Section shall be paid into the Bond Fund and applied in accordance with the provisions of the Mortgage and Indenture of Trust or, if the Bonds have been fully paid (or provision for payment thereof has been made in accordance with the provisions of the Mortgage and Indenture of Trust) to the

Lessor unless all sums owing hereunder by the Lessee to the Lessor shall have been paid, in which case such amount shall be paid to the Lessee.

Section 10.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Lessor or Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Lease Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Lessor or the Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Section 10.4. Agreement to Pay Attorneys' Fees and Expenses. In the event the Lessee should default under any of the provisions of this Lease Agreement and the Lessor or the Trustee should employ attorneys or incur other expenses for the collection of rent or the enforcement of performance or observance of any obligation or agreement on the part of the Lessee herein contained, the Lessee agrees that it will on demand therefor pay to the Lessor or the Trustee the reasonable fee of such attorneys and such other expenses so incurred.

Section 10.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Lease Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Article XI

Options in Favor of Lessee

Section 11.1. Options to Terminate. The Lessee shall have the following options to cancel or terminate the Lease Term:

(a) At any time and prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust), the Lessee may terminate the Lease Term by paying to the Trustee, for the account of the Lessor, for deposit in the Bond Revenue Fund an amount which, when added to the amount on deposit in the Bond Revenue Fund will be sufficient to pay, retire and redeem all the outstanding Bonds in accordance with the provisions of the Mortgage and Indenture of Trust (including, without limiting the generality of the foregoing, principal, interest to maturity or redemption date specified by the Lessee, as the case

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may be, expenses of redemption and Trustee's and paying agents' fees and expenses and the administrative expenses of the State Treasurer), and in case of redemption making arrangements satisfactory to the Trustee for the giving of the required notice of redemption.

(b) At any time and after full payment of the principal and interest on the Bonds and all expenses and fees as stated in subparagraph (a) above, (or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust), the Lessee may terminate the Lease Term by giving the Lessor notice in writing of such termination and such termination shall forthwith become effective.

Upon compliance with the foregoing and the giving of notice to the Lessor in writing of such termination, such termination shall forthwith become effective.

Section 11.2. Option to Purchase Project Prior to Payment of the Bonds. The Lessee shall have, and is hereby granted, the option to purchase the Project prior to the full payment of the principal and interest on the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust), if any of the following shall have occurred:

(a) The Project shall have been damaged or destroyed as set forth in Section 7.1 hereof to such extent that, in the opinion of the Lessee and an opinion of an independent engineer expressed in a certificate, in each case, filed with the Lessor and the Trustee, (i) it cannot be reasonably restored within a period of six months to the condition thereof immediately preceding such damage or destruction, or (ii) the Lessee is thereby prevented or likely to be prevented from carrying on its normal operations for a period of six months, or (iii) the cost of restoration thereof would exceed \$2,600,000.

(b) Title to, or the temporary use of, all or substantially all of the Project shall have been taken under the exercise of the power of eminent domain by any governmental authority, or person, firm or corporation acting under governmental authority.

(c) As a result of legislative or executive action of the State of Oregon or any political subdivision thereof or of a final decree or judgment of any court after the Company's contest thereof, the Lease becomes void or unenforceable or impossible of performance in accordance with the intent and purpose of the parties as expressed in the Lease, or unreasonable burdens or excessive liabilities are imposed upon the Lessee.

To exercise such option, the Lessee shall, within three months following the event authorizing the exercise of such option, or such shorter period as shall be required by the provisions of Section 7.2 hereof,

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give written notice to the Lessor, and to the Trustee if any of the Bonds shall then be unpaid and provision for the payment thereof has not been made in accordance with the provisions of the Mortgage and Indenture of Trust, and shall specify therein the date of closing such purchase ("Closing Date"), which date shall be not more than 30 days from the date such notice is mailed, and in case of a redemption of the Bonds in accordance with the provisions of the Mortgage and Indenture of Trust shall make arrangements satisfactory to the Trustee for the giving of the required notice of redemption. The purchase price payable by the Lessee in the event of its exercise of the option granted in this Section shall be the sum of the following:

- (1) An amount of money to be paid into the Bond Revenue Fund which, when added to the amount then on deposit in the Bond Revenue Fund for payment of the Bonds, will be sufficient to retire and redeem all the then outstanding Bonds,
- (2) An amount of money equal to the Trustee's and paying agents' fees and expenses and the administrative expenses of the State Treasurer under the Mortgage and Indenture of Trust and the expenses of the Lessor accrued and to accrue until such final payment and redemption of the Bonds, plus
- (3) The sum of One Hundred Dollars (\$100).

In the event the Lessee elects to exercise such option, the Lessee may direct the Trustee to pay into the Bond Revenue Fund any Net Proceeds of insurance or condemnation award which the Trustee may then hold. Upon the exercise of the option granted in this Section the Lease Term shall thereupon be terminated. At the closing of the foregoing purchase, the Lessor will deliver to the Lessee the documents referred to in Section 11.5 hereof.

Section 11.3. Option to Purchase Project or Any Part Thereof Subsequent to Payment of the Bonds. The Lessee shall have, and is hereby granted, the option to purchase, and the Lessor hereby agrees to sell the Project or any part thereof for \$100 at the expiration or sooner termination of the Lease Term following full payment of the principal and interest on the Bonds or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust, and payment of an amount of money equal to the Trustee's and paying agents' fees and expenses under the Mortgage and Indenture of Trust and the expenses of the Lessor accrued to such full payment of the Bonds. At the closing of the foregoing purchase, the Lessor will deliver to the Lessee the documents referred to in Section 11.5 hereof.

Section 11.4. Option to Purchase Land. The Lessee shall have, and is hereby granted, the option to purchase any part of the Leased Land at any time and from time to time at and for a purchase price equal to the cost thereof to the Lessor, provided that, such purchase does not unreasonably impair the security under the Indenture and that it furnishes the Lessor with the following:

(a) A notice in writing containing (i) an adequate legal description of that portion of the Leased Land with respect to which such option is to be exercised, and (ii) a statement that the Lessee intends to exercise its option to purchase such portion of the Leased Land on a date stated, which shall not be less than 45 nor more than 90 days from the date of such notice and (iii) a statement that the use to which the Lessee or any assignee of the Lessee intends to devote such portion of the Leased Land will further promote industry and develop trade in the State of Oregon.

(b) A certificate of an engineer, who is acceptable to the Trustee, dated not more than 90 days prior to the date of the purchase and stating that, in the opinion of the person signing such certificate, (i) the portion of the Leased Land with respect to which the option is exercised is not needed for the operation of the Project for the purposes hereinabove stated and (ii) the purchase will not impair the usefulness of the Project as an industrial facility or other industrial enterprise permitted by the Act and will not destroy the means of ingress thereto and egress therefrom.

(c) An amount of money equal to the purchase price provided for in this Section.

The Lessor agrees that upon receipt of the notice, certificate and money required in this Section to be furnished to it by the Lessee, the Lessor will promptly deliver the same to the Trustee for deposit of such money in the Construction Trust Fund or the Bond Revenue Fund, as the case may be. In the event the Lessee shall exercise the option granted to it under this Section the Lessee shall not be entitled to any abatement or diminution of the rents payable under Section 5.3 hereof and if such option relates to Leased Land on which transportation or utility facilities are located, the Lessor shall retain an easement to use such transportation or utility facilities to the extent necessary for the efficient operation of the Project.

Section 11.5. Conveyance on Exercise of Option to Purchase. At the closing of any purchase pursuant to any option to purchase granted herein, the Trustee will, upon receipt of the purchase price, deliver to the Lessee the following: documents from the Lessor and deposited in escrow with the Trustee upon execution of this Lease Agreement conveying to the Lessee good and marketable title to the property being purchased, as such property then exists, subject to the following: (i) those liens and encumbrances, if any, to which title to the property was subject

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when conveyed to the Lessor; (ii) those liens and encumbrances created by the Lessee or to the creation or suffering of which the Lessee consented; (iii) those liens and encumbrances resulting from the failure of the Lessee to perform or observe any of the agreements on its part contained in this Lease Agreement; and (iv) if the option is exercised pursuant to the provisions of Section 11.2(b) hereof, the rights and title of the condemning authority.

Article XII

Indemnification Covenants

Section 12.1. Lessee to Indemnify Lessor. The Lessee agrees to indemnify and hold harmless the Lessor from and against any liability for loss or damage to property or any injury to or death of any person that may be occasioned by any defect in the Project or by any cause pertaining to the Project or the Lessee's operation of the Project hereunder, except as may arise through the willful misconduct or negligence of the Lessor.

(a) It is the intention of the parties that the Lessor shall not incur pecuniary liability by reason of the terms of this Lease Agreement or the undertakings required of the Lessor hereunder by reason of the performance of any act required of it by this Lease Agreement, or by reason of the performance of any act requested of it by the Lessee, including any claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing. Nevertheless, if the Lessor should incur any such pecuniary liability, then in such event the Lessee shall pay and indemnify and hold harmless the Lessor against all claims by or on behalf of any person, firm or corporation, arising out of the same, and all costs and expenses incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from the Lessor, the Lessee shall defend the Lessor in any such action or proceeding.

(b) The Lessor shall notify the Lessee in writing within ten days after the filing with the Lessor of any claim in writing arising under this Section.

Article XIII

Miscellaneous

Section 13.1. Surrender of Project. Except as otherwise expressly provided in this Lease Agreement, at the expiration or sooner termination of the Lease Term, the Lessee agrees to surrender possession of the Project peaceably and promptly to the Lessor in as good condition as at the commencement of the Lease Term, loss by fire or other casualty covered by insurance, condemnation and ordinary wear, tear and obsolescence only excepted.

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Section 13.2. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given on the second day following the day on which the same are mailed by registered or certified mail, postage prepaid, addressed as follows:

To the Lessor: 317 S.W. Alder Street
Portland, Oregon 97204
Attention: Director

To the Lessee: 900 East Second Street
Amarillo, Texas 79101
Attention: John C. Maynard

To the Trustee: 1300 S.W. 5th Avenue
Portland, Oregon 97201
Attention: Corporate Trust Department

A duplicate copy of each notice, certificate or other communication given hereunder by either the Lessor or the Lessee to the other shall also be given to the Trustee. The Lessor, the Lessee, the Trustee and the original purchasers of the Bonds may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 13.3. Investment Tax Credit. The Lessor acknowledges and agrees that the Lessee may use for its own benefit any investment tax credit available with respect to the Project, and the Lessor will fully cooperate with Lessee to any extent necessary to establish such investment tax credit.

Section 13.4. Binding Effect. This Lease Agreement shall inure to the benefit of and shall be binding upon the Lessor, the Lessee and their respective successors and assigns, subject, however, to the limitations contained in Sections 8.3, 9.1 and 9.2 hereof.

Section 13.5. Severability. In the event any provision of this Lease Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 13.6. Amounts Remaining in the Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Revenue Fund, upon expiration or sooner termination of the Lease Term, as provided in this Lease Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Mortgage and Indenture of Trust) and the fees, charges and expenses of the Trustee and paying agents and the Lessor in accordance with the Indenture shall belong to and be paid to the Lessee by the Trustee as overpayment of Rentals.

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Section 13.7. Amendments, Changes and Modifications. Except as otherwise provided in this Lease Agreement or in the Mortgage and Indenture of Trust, subsequent to the issuance of Bonds and prior to the payment in full of the Bonds (or provision for the payment thereof having been made in accordance with the provisions of the Indenture), this Lease Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, given in accordance with the provisions of the Indenture.

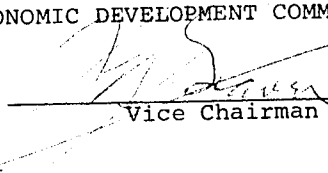
Section 13.8. Execution of Counterparts. The Lease Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 13.9. Recording. This Lease Agreement and every assignment and modification hereof or an appropriate and sufficient memorandum thereof shall be recorded in the office of the County Clerk and Recorder of Klamath County, Oregon.

IN WITNESS WHEREOF, the Lessor and the Lessee have caused this Lease Agreement to be executed in their respective names and behalf and their respective corporate seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

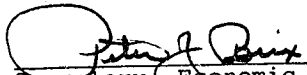
ECONOMIC DEVELOPMENT COMMISSION

By


Vice Chairman

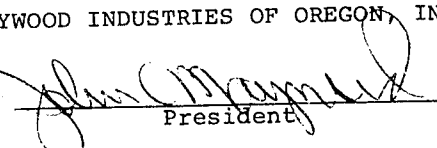
(SEAL)

Attest:


Secretary, Economic Development
Commission

MAYWOOD INDUSTRIES OF OREGON, INC.

By


President

Attest:


Secretary

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STATE OF OREGON)
County of Polk) ss.

The foregoing instrument was acknowledged before me this
day of April, 1976, by John Maynard as Vice Chairman,
and John Maynard as Secretary of the Economic Development
Commission.

Witness my hand and official seal.

My Commission expires June 1, 1977.

John Maynard
Notary Public for Oregon

(SEAL)

STATE OF TEXAS)
County of Potter) ss.

The foregoing instrument was acknowledged before me this 16th
day of April, 1976, by John Maynard as and
President of Maywood Industries of Oregon,
Inc., a Texas corporation.

Witness my hand and official seal.

My Commission expires June 1, 1977.

Frances Morrow
Notary Public for Texas, Potter County.

(SEAL)

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THE STATE OF TEXAS)
 ss.
COUNTY OF POTTER)

The foregoing instrument was acknowledged before me this 16th
day of April, 1976, by Don B. Cooney as Secretary of
Maywood Industries of Oregon, Inc., a Texas corporation.

Witness my hand and official seal.

My Commission expires June 1, 1977.

Brenda S. Hicks
Notary Public, Potter County, Texas

BRENDA S. HICKS

(SEAL)

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EXHIBIT A

REAL PROPERTY

A 20-acre tract of land situated in the E1/2, Section 4, Township 39 S., R. 9 E.W.M., including a portion of Lot 2, Block 2, Tract 1080, WASHBURN PARK, more particularly described as follows: Beginning at a point on the westerly line of an existing 10-foot South Suburban Sanitary District sewer easement, from which the SW corner of Lot 2, Block 2, said Tract 1080, bears N. 08°08'39" E. a distance of 270.55 feet and the E. quarter corner of said Section 4 bears N. 77°03'46" E. a distance of 562.46 feet; thence N. 00°06'43" W. along the said W. easement line 973.79 feet to a point which is 230.00 feet from, measured at right angles to, the southerly right of way line of the O.C. & E. Railroad; thence N. 66°51'15" W. parallel to and 230.00 feet from the said southerly right of way line 973.79 feet; thence S. 00°06'43" E. parallel to said sewer easement 973.79 feet; thence S. 66°51'15" E. parallel to said southerly railroad right of way line 973.79 feet to the point of beginning, with bearings based on said Tract 1080, Washburn Park.

TOGETHER WITH a non-exclusive right of way for ingress to and exit from the above-described real property along and upon a 60-foot wide strip of land, more particularly described as follows: Beginning at the SW corner of Block 2, Tract 1080, Washburn Park; thence along the arc of a curve to the right (radius point bears N. 00°04'50" W. 27.14 feet, central angle = 84°48'27") 42.54 feet to the easterly right of way line of a sewer easement; thence N. 00°06'43" W. along said easement 255.37 feet; thence S. 89°53'17" W. 10.00 feet to a 5/8 inch iron pin; thence N. 66°51'15" W. 54.42 feet; thence S. 00°06'43" E. 363.71 feet; thence S. 89°55'10" E. 86.85 feet to the NW corner of Block 6, said Tract 1080; thence N. 00°04'50" E. 60.00 feet to the point of beginning, with bearings based on said Tract 1080.

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EXHIBIT B

LEASED EQUIPMENT

GENERAL DESCRIPTION OF LEASED EQUIPMENT

The Leased Equipment will be located at the Lessee's lumber remanufacturing plant in Klamath County, Oregon, and will be used in connection with the operation of the following sections of the plant, with the equipment listed in parenthesis:

1. Lumber Cut-Up (saws, tables, conveyors);
2. Milling and Machining (drills, planers, slotters, moulders, sanders, finger jointers, tables, conveyors);
3. Assembly (clamps, gluers, presses, tables, conveyors);
4. Warehousing and Shipping (trucks, conveyors, tables, stacking buggies, pallets);
5. Maintenance (shop equipment, tractor, tables, tools);
6. Office (desks, chairs, office equipment);
7. Other equipment and facilities necessary and incident to the operation of the plant generally.

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EXHIBIT C

TITLE EXCEPTIONS

1. Provisions in the dedication of Enterprise Tracts providing that Dedicators reserve the perpetual right to construct utility lines in roads and streets shown on the plat, including any vacated streets therein.
2. Easements granted to California Oregon Power company permitting control of water level of Klamath River and Lake Ewauna, including the terms and provisions thereof, as set forth in Deed Books 96 at page 432 and 104 at page 350.
3. Reservations and conditions, including the terms and provisions thereof, as set forth in deed from Enterprise Land and Investment to S. O. Johnson, recorded in Deed Book 59 at page 387. These provisions were modified by releases recorded in Deed Books 99 at page 18 and 97 at page 604.
4. Sixty foot and one hundred foot access road easements, including the terms and provisions thereof, granted to South Suburban Sanitary District by Deed recorded November 5, 1958, in Deed Book 306 at page 84.
5. Covenants, easements and restrictions, but omitting restrictions, if any, based on race, color, religion or national origin, imposed by instrument, including the terms thereof,
Recorded : June 17, 1952 Book: 255 Page: 251
6. An easement created by instrument, including the terms and provisions thereof,
Dated : January 30, 1976
Recorded : February 20, 1976 Book: M-76 Page: 2367
In favor of : Pacific Power and Light Company
For : Electric transmission and distribution

State of Oregon, } ss.
County of Klamath }

I hereby certify that the within instrument was
received and filed for record on the 21st
day of APRIL, 19 76, at 8:47
o'clock A.M. and recorded on Page 5748
in Book M 76 Records of DEEDS
of said County.

WM. D. MILNE, County Clerk

By Hazel D. Dwyer Deputy

Fee \$ 129.00

Sub Transfer