

(5) The properties comprising the Project are of a character subject to the allowance for depreciation provided in Section 167 of the Internal Revenue Code of 1954, as amended.

ARTICLE III

Completion of Project

Section 3.01 Construction and Installation of Equipment by the Corporation. The Corporation agrees that it will:

(1) Cause the Project to be constructed substantially in accordance with the Plans and Specifications, provided, that the Corporation may at any time and from time to time prior to the Completion Date modify or add to the Plans and Specifications, to the end that expenditures for the Project will substantially exhaust the Construction Fund; provided, however, that no change in the Plans and Specifications shall be made if, as a result thereof, the Corporation could not continue to make the representations contained in Section 2.02 hereof; and

(2) Complete the Project as promptly as practicable with all reasonable dispatch, except only as completion may be delayed by strikes, riots or acts of God or the public enemy or other events beyond the reasonable control of the Corporation; it is estimated by the Corporation that the Project will be completed by December 31, 1978, but if the Project is not completed by that date there shall be no resulting liability on the part of the Corporation and no abatement or diminution in the payments required to be paid by the Corporation under Article 4.

Section 3.02. Payment of Cost by the Corporation. In the event the proceeds of the bond sale are insufficient to pay all Cost of the Project, the Corporation agrees that it will provide promptly any and all sums of money required to complete the Project, including all of the following items of Cost which the Issuer agrees shall be reimbursable to the extent and in the manner provided in Sections 3.04 and 3.05 hereof:

(1) The initial or acceptance fee and expenses of the Trustee and the administrative expenses of the Oregon State Treasurer;

(2) The expense of preparation of the Plans and Specifications, and of all other architectural, engineering and supervisory services incurred and to be incurred in the planning, construction and completion of the Project;

(3) All legal, financial, accounting and recording fees and expenses, underwriting commissions and expenses, printing and engraving costs, and expenses incurred in connection with the establishment of title to the Project, including title reports, if any, and the authorization, sale and issuance of the Bonds, and the preparation of this Contract, the Indenture and all other documents relating to the Project;

(4) All fees and expenses incurred in applying for and obtaining a rating, if one is sought, on the Bonds from a rating agency;

(5) All fees and expenses incurred for any "Blue Sky Memorandum" and "Legal Investment Survey", if any, prepared with respect to the Bonds;

(6) Premiums on all insurance required herein to be taken out and maintained during the period before the Completion Date, to the extent that such premiums are not paid by a contractor;

(7) The contract price of all labor, services, materials, supplies and equipment furnished under any contract for construction of any part of the Project in accordance with the Plans and Specifications;

(8) All expenses incurred in seeking to enforce any remedy against any contractor, its surety, or any subcontractor in respect of any default under any contract for construction of the Project;

(9) All fees and expenses of the Trustee and Paying Agent that become due before the Completion Date;

(10) All interest accruing on money borrowed by the Corporation for temporary financing of the Cost, including interest on the Bonds during construction to the extent not payable from proceeds of Series II-D Bonds credited to the Bond Fund;

(11) Without limitation by the foregoing, all other expenses which under accepted accounting practice constitute necessary capital expenditures for the completion of the Project, not including working capital or expendable supplies, or taxes, or other charges referred to in Section 5.04 hereof (all of which are nevertheless to be supplied by the Corporation from its own funds without reimbursement); and

(12) All advances, payments and expenditures made or to be made by the Issuer, the Trustee and any other person with respect to any of the foregoing expenses.

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Section 3.03. Issuance of Series II-D Bonds. The Issuer has contracted for the sale of the Series II-D Bonds and the Corporation has approved the terms of the sale of the Series II Bonds. Forthwith upon the execution of this Contract the Issuer will execute the Series II-D Bonds and cause them to be authenticated by the Trustee and delivered upon payment of the purchase price of the Series II-D Bonds and filing with the Trustee of all documents required by the Indenture to be furnished to the Trustee before authentication and delivery. The Issuer will then cause the proceeds of the sale of the Series II-D Bonds to be transmitted to the Trustee, which is required by the Indenture to deposit the same in the following funds in the following amounts:

- (1) In the Bond Fund, an amount equal to the accrued interest, if any; and
- (2) In the Construction Fund, the remainder of the proceeds.

Any moneys held as part of the Construction Fund or the Bond Fund shall be invested and reinvested in accordance with Article Six of the Indenture.

Section 3.04. Reimbursement of Cost to the Corporation Before Completion. The Issuer has authorized and directed the Trustee to disburse money from the Construction Fund in payment or reimbursement of items of Cost enumerated in Section 3.02 hereof and certified by the Corporation Representative to be due and payable or to have been paid by the Corporation to the persons entitled thereto, upon receipt of a certificate of the Corporation Representative, which shall be in writing with a copy mailed to the Issuer, and shall contain the following:

- (a) A statement of the amount, nature and name and address of the payee of each item of Cost certified to have been paid by and requested to be reimbursed to the Corporation;
- (b) A statement signed by the payee of the amount and nature of each item of Cost certified to be due and payable and requested to be paid to a person other than the Corporation; and
- (c) A statement that each item for which payment or reimbursement is requested is or was necessary in connection with the Project and none of such items has formed the basis for any previous payment from the Construction Fund.

In addition to the specific requirements listed above, the Corporation recognizes the right of the Trustee to request additional documentation prior to disbursing moneys from the Construction Fund where deemed reasonably necessary. The Corporation agrees that it will not submit any request for payment hereunder

which, if paid, would result in less than substantially all of the proceeds of the Bonds being used to provide industrial facilities within the meaning of Section 103(c)(6)(A) of the Internal Revenue Code of 1954, as amended.

Section 3.05. Establishment of Completion Date. The Completion Date shall be the date on which the Trustee shall acknowledge receipt of a certificate signed by the Corporation Representative stating that the acquisition, construction and installation of the Project have been completed in accordance with the Plans and Specifications, and that the entire Cost of the Project has been paid or is then due and payable in accordance with Corporation Representative's certificates submitted pursuant to Section 3.04, and that the certificate is given without prejudice to any rights against third parties which exist at the date thereof or which may subsequently come into being.

On the Completion Date any balance remaining in the Construction Fund, in excess of amounts, if any, then due for compensation and expenses of the Trustee, shall be transferred to the Bond Fund to be held for payment of principal of the Bonds at the earliest date when the Series II-D Bonds may be called for redemption, as may be directed by the Corporation, or, if requested by the Corporation, applied to the purchase of Outstanding Series II-D Bonds in accordance with Section 5-4 of the Indenture, or, if requested by the Corporation, applied to the next installment of the purchase price under Section 4.03. The Issuer makes no representation or warranty, expressed or implied, that the Construction Fund will be sufficient to pay the entire Cost.

Section 3.06. Enforcement of Contracts. In the event of material default of any contractor or subcontractor under any construction contract or any other contract made in connection with the Project, or in the event of a material breach of warranty with respect to any materials, workmanship or performance, the Corporation will promptly proceed, either separately or in conjunction with others, to pursue diligently the remedies of the Corporation, and, if applicable, the Issuer, against the contractor or subcontractor in default and against any surety on a bond securing the performance of such contract. If the Corporation requests the Issuer and agrees with the Issuer to pay all costs and expenses incurred by the Issuer and to indemnify the Issuer and save it harmless against any risks, claims or liabilities arising out of such action, the Corporation may in the name of the Issuer or in its own name prosecute or defend any action or proceeding or take any other action involving any such contractor, subcontractor or surety which the Corporation on the advice of its counsel deems reasonably necessary, and in such event the Issuer will cooperate fully with the Corporation and will take all action necessary to effect the substitution of the Corporation for the Issuer in any such action or proceeding. Any

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amounts recovered by way of damages, refunds, adjustments or otherwise in connection with the foregoing shall be paid to the Corporation.

Section 3.07. Additional Bonds. In the event the proceeds of the Series II-D Bonds are insufficient to pay the Cost of the Project, the Issuer may give due consideration to the issuance, sale and delivery of Additional Bonds, in one or more series, in accordance with the Act and the terms of the Indenture, but in any event, only in such an amount as will comply with applicable provisions of Section 103(c) and the regulations and rulings appertaining thereto.

ARTICLE IV

Sale, Purchase and Use of the Project

Section 4.01. Sale and Purchase. The Issuer agrees to sell the Project to the Corporation, and the Corporation agrees to purchase the Project from the Issuer for a price equal to the Purchase Price and the additional payments as set forth in Sections 4.03 and 4.05 herein, upon the terms and conditions of this Contract.

Section 4.02. Transfer of Title.

(a) Concurrently with the sale and delivery of the Series II-D Bonds, the Corporation will convey to the Issuer that portion of the Project which has been theretofore acquired and installed by the Corporation, subject to any liens and encumbrances existing on that date, and title thereto shall immediately vest in the Issuer. The Corporation agrees that title to any items of property to be included in the Project which are acquired or installed after the delivery of the Series II-D Bonds shall transfer to the Issuer at the time the Corporation requests reimbursement for the costs thereof under Section 3.04 hereof, subject to any liens and encumbrances existing on the date of such request. The Corporation will be reimbursed for the Cost of such items of equipment and other personal property in accordance with Sections 3.02, 3.04 and 3.05 hereof.

(b) The Issuer agrees that, immediately upon the vesting in the Issuer of title to any item of property included in the Project, the Issuer will automatically convey such item to the Corporation, and title to each item shall immediately vest in the Corporation, subject to any liens and encumbrances which may have existed prior to acquisition by the Issuer or created by the Corporation or to which the Corporation has consented. On the Completion Date, title to any portion of the Project, which has not previously vested in the Corporation shall then and there vest in the Corporation.

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(c) To effect the transfer of title the Issuer and the Corporation shall take such actions and execute such documents as may be necessary, in the opinion of counsel for the Corporation; provided, that the Corporation shall pay all expenses attributable directly and indirectly to the transfer of title.

Section 4.03. Payment of Purchase Price. Subject to its right of prepayment in accordance with Section 7.02 hereof, the Corporation agrees to pay, as the purchase price of the Project and in consideration of the conveyance by the Issuer to the Corporation of the Project, an amount equal to the principal amount of Bonds issued, premiums, if any, together with interest on the unpaid balance thereof at the annual interest rates applicable to the Outstanding Bonds, in installments. Each installment shall be payable on or before the Business Day preceding each Interest Payment Date. The installment payable shall be an amount which, with other moneys, if any, then on hand in the Bond Fund, will be sufficient to pay in full, the interest and principal, if any, to become due on the Bonds on the next succeeding Interest Payment Date. At any given time the Corporation shall have as a credit against the purchase price the balance held by the Trustee in the Construction Fund at such time.

Section 4.04. Assignment and Payments to Trustee. The Issuer has assigned to the Trustee its right to receive all payments by the Corporation of the purchase price of the Project. The Corporation acknowledges and consents to that assignment and agrees that all payments of the purchase price shall be made directly to the Trustee at its corporate trust office for the account of the Issuer. The Issuer acknowledges and agrees that it shall have no security interest in, lien on, or any other interest of any nature in the Project. The Issuer shall not sell, lease or otherwise dispose of or encumber (except for this Contract) the Project or any of the revenues derived therefrom.

Section 4.05. Additional Payments. The Corporation also agrees to pay the following amounts to the following persons:

(1) To the Trustee, when due, all fees of the Trustee for services rendered under the Indenture and all fees and charges of Paying Agents, counsel, accountants, engineers and others incurred in the performance, on request of the Trustee, of services under the Indenture for which the Trustee and such other persons are entitled to payment or reimbursement, provided that the Corporation may, without creating a default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than the Trustee's fees for ordinary services as set forth in the Indenture;

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- (2) The administrative expenses of the Oregon State Treasurer;
- (3) To the Issuer or the Trustee, as the case may be, the amount of all advances of funds made by either of them under the provisions of Section 5.06 hereof, with interest thereon at the rate of eight percent (8%) per annum, or such higher annual rate as the Corporation may consent to in writing, from the date of each such advance.
- (4) Interest on overdue installments of the purchase price at the rate per annum (to the extent permitted by law) borne by Bonds to which such default applies.

Section 4.06. Corporation's Obligations Unconditional. All payments required of the Corporation hereunder, whether as the purchase price for the Project or a part thereof or otherwise, are absolute and unconditional, and shall be paid without notice or demand and without setoff, counterclaim, abatement, deduction or defense. The Corporation will not suspend or discontinue any purchase payments, and will perform and observe all of its other agreements in this Contract, and, except as expressly permitted in this Contract, will not terminate the Contract for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State of Oregon or any political subdivision thereof, or failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with this Contract.

Section 4.07. Corporation's Remedies. Nothing contained in this Article shall be construed to release the Issuer from the performance of any of its agreements in this Contract, and if the Issuer should fail to perform any such agreement, the Corporation may institute such action against the Issuer as the Corporation may deem necessary to compel the performance or to recover damages for nonperformance, so long as such action shall not violate the Corporation's agreements hereunder. The Corporation may at its own cost and expense, and in its own name, prosecute or defend any action or proceeding against third parties or take any other action which the Corporation deems reasonably necessary in order to insure the construction, equipping and completion of the Project and to secure or protect its right of possession, occupancy and use thereof under this Contract. In this event the Issuer agrees to cooperate fully with the Corporation and to take all action necessary to effect the substitution of the Corporation for the Issuer in any such action or proceeding if the Corporation shall so request and agree to pay all expenses.

ARTICLE V

Maintenance, Modifications, Taxes and Insurance

Section 5.01. Maintenance. The Corporation will at its own expense keep the Project and all parts thereof in good repair and good operating condition throughout the life of the equipment, making all repairs thereto and renewals and replacements thereof which may be necessary for this purpose, so long as, in the exclusive judgment of the Corporation, the Project remains suitable and efficient for use in the operation of the Corporation's business.

Section 5.02. Modifications. The Corporation may from time to time, at its own expense, make any additions, modifications or improvements to the Project, that it may deem desirable for its business purposes.

Section 5.03. Liens. The Corporation will not permit any mechanics' liens to be filed or established or to remain against the Project for labor or materials furnished in connection with completion of the Project or any additions, modifications, improvements, repairs, renewals or replacements; provided, that if the Corporation shall first notify the Trustee of its intention so to do, it may in good faith contest any mechanics' liens filed or established and in such event may permit the items contested to remain undischarged and unsatisfied during the period of such contest and any appeal therefrom. Upon request of the Corporation, the Issuer will cooperate fully with the Corporation in any such contest, provided that the Corporation shall undertake to pay all costs and expenses incurred by the Issuer and to indemnify the Issuer and save it harmless against any risks, claims or liabilities arising out of such contest.

Section 5.04. Taxes and Other Governmental Charges and Utility Charges. The Corporation will make promptly all payments on taxes and special assessments lawfully levied upon or with respect to the Project, other charges lawfully made by any governmental body for public improvements that may be or become secured by a lien on the Project, and utility and other charges incurred in the operation, maintenance, use, occupancy, and upkeep of the Project, including but not limited to taxes or governmental charges on any property of the Corporation brought in or upon the Project, sales and other excise taxes on products thereof, and any taxes levied upon or with respect to income or profits from the Project which, if not paid, would become a lien thereon. With respect to special assessments or other governmental charges that may lawfully be paid in installments over a period

of years, with or without interest, the Corporation shall be obligated to pay only such installments and interest as they become due. The Corporation may, at its own expense, in good faith contest any such taxes, assessments and other charges and, in the event of such contest, may permit the contest and any appeal therefrom.

The Issuer agrees that in the event any investment tax credit, as defined in Section 38 of the Internal Revenue Code of 1954, as amended, is applicable with respect to any portion of the Project, any such credit shall be made available to the Corporation.

Section 5.05. General Insurance Requirements. The Corporation shall procure and maintain continuously in effect with respect to the Project policies of insurance against such risks, in such amounts, with such deductibles, as are customary for a prudent owner of properties comparable to those comprising the Project.

Section 5.06. Advances. If the Corporation shall fail to make all repairs, pay all liens, taxes, assessments and other charges and maintain all insurance required in this Article V, the Issuer or the Trustee may, but shall not be obligated to, take such action as may be necessary to cure such failure, including advancement of money, and the Corporation shall be obligated to repay all such advances on demand, with interest at the rate of eight percent (8%) per annum or at such higher annual rate as the Corporation may consent to in writing, from the date of each such advance.

Section 5.07. Installation of Corporation's Equipment. The Corporation may at any time and from time to time, in its sole discretion and at its own expense, install items of movable machinery and equipment or other personal property in or upon the properties comprising the Project. All such items shall remain the sole property of the Corporation, in which the Issuer and the Trustee shall have no interest, and may be modified or removed by the Corporation at any time while such items are not in the Corporation's reasonable judgment needed for the continuance of the operation of the Project.

ARTICLE VI

Corporation's Covenants

Section 6.01. Covenants for Benefit of Trustee and Holders of Bonds. The Corporation recognizes the authority of the Issuer to assign its interest in and pledge all moneys receivable under this Contract to the Trustee as security for the payment of the

principal of and interest and redemption premiums, if any, on the Bonds and the payment of all fees and expenses of the Trustee and others, as provided in the Indenture. Each of the terms and provisions of this Contract is a covenant for the use and benefit of the Trustee and the Holders of the Bonds, so long as any thereof shall remain Outstanding; but upon payment in full of the Bonds and of all fees and charges of the Trustee and Paying Agent in accordance with Section 9-2 of the Indenture, all references in this Contract 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, save and except those that shall have theretofore vested.

Section 6.02. Inspection and Access. The Corporation agrees that the Issuer, the Trustee and their duly authorized agents shall have the right at all reasonable times to examine and inspect and for that purpose to enter upon the Project site.

Section 6.03. Annual Statement and Audit. The Corporation will furnish to the Trustee a copy of each of the annual financial statements and reports that it furnishes to its stockholders, at the same time as such statements and reports are transmitted to its stockholders, and will have an annual audit of its books made by an independent certified public accountant. So long as the Corporation is a company subject to the Securities Exchange Act of 1934, as amended, the Corporation shall furnish the Trustee with a copy of each quarterly and annual report required to be filed with the Securities and Exchange Commission. All financial statements and reports required by this Section may be given in consolidated form, covering the Corporation and any consolidated subsidiaries of the Corporation.

Section 6.04. Indemnity. The Corporation will pay, and will protect, indemnify and save the Issuer harmless from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees), causes of action, suits, claims, demands and judgments of any nature arising from:

- (1) Any injury to or death of any person or damage to property in or upon the Project growing out of or connected with the use, non-use, condition or occupancy of the Project or a part thereof;
- (2) Violation of any agreement or condition of this Contract by the Corporation other than a violation caused by the Issuer;
- (3) Violation of any contract, agreement or restriction by the Corporation relating to the Project which shall have existed at the date of execution of this Contract; and

(4) Violation by the Corporation of any law, ordinance or regulation affecting the Project or a part thereof or the ownership, occupancy or use thereof.

The indemnity herein provided shall not extend to the gross negligence or willful misconduct of the Issuer.

Section 6.05. Continuing Existence and Qualification. The Corporation is and will remain duly qualified to do business as a corporation in Oregon, and 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 any other corporation to consolidate with or merge into it unless the surviving, resulting or transferee corporation, as the case may be, is organized under the laws of one of the United States, assumes in writing all of the obligations of the Corporation under this Contract, and has a net worth at least substantially equal to that of the Corporation as of the date of such consolidation or merger, and is duly qualified to do business in Oregon.

Section 6.06. Certificate of Compliance. Within one hundred twenty (120) days after the close of its fiscal year the Corporation will furnish the Issuer and Trustee a Corporation Representative's certificate stating that:

(a) He has made, or caused to be made, a review of the Corporation's activities during the preceding year with respect to performance under the Contract, and

(b) To the best of his knowledge, based upon the results of such review, the Corporation has fulfilled all of its obligations under this Contract, or if there has been a default in the fulfillment of any obligations specifying the nature of each such default and its status.

ARTICLE VII

Corporation's Options

Section 7.01. Assignment, Sale, Lease or Encumbrance. The Corporation may assign its interest in this Contract and may sell or lease the Project in whole or in part, without prior consent of the Issuer or the Trustee, but subject to each of the following conditions:

(1) No assignment, sale or lease shall relieve the Corporation from primary liability for payments due and for the performance of all other obligations required under this Contract;

(2) The Issuer and Trustee shall be provided a copy of any assignment, sale agreement or lease within thirty (30) days after delivery thereof;

(3) Any assignee of this Contract shall assume the obligations of the Corporation hereunder to the extent of the interest assigned.

The Issuer acknowledges and agrees that the Corporation may also encumber, pledge or otherwise grant a security interest in the properties comprising the Project.

Section 7.02. Prepayment of Purchase Price. The Corporation may at any time transmit funds directly to the Trustee, in addition to amounts, if any, otherwise required at that time pursuant to this Contract and as a prepayment of the purchase price by credit to the Bond Fund, and direct that said money be utilized for:

(1) The payment of any part or all of the purchase price payable under Section 4.03; or

(2) Redemption of Bonds which are then or will be redeemable in accordance with their terms on an Interest Payment Date specified by the Corporation occurring at least forty-five (45) days after the money is deposited for this purpose by the Corporation; or

(3) The purchase of Bonds on the open market, in accordance with the provisions of Section 5-4 of the Indenture, which Bonds shall be cancelled by the Trustee.

At any time prior to application of any such prepayment in accordance with the directions of the Corporation, the Corporation may rescind such directions and direct the Trustee to return such prepayments to the Corporation.

Section 7.03. Option to Direct Redemption of Bonds. The Corporation shall have the option to direct the Issuer to call for redemption and prepayment all of the Outstanding Bonds if, (a) all or substantially all the Project shall have been damaged or destroyed; or (b) there occurs the condemnation of all or substantially all the Project or the taking by eminent domain of such use or control of the Project as to render it unsatisfactory to the Corporation for its intended use; or (c) if, as a result of any changes in the Constitution of the State of Oregon or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or of final decree, judgment or order of any court or administrative body (whether state or federal), the obligations of the Corporation under this Contract shall have become unenforceable or impossible of performance in any material respect in accordance with the

intent and purpose of the parties as expressed in this Contract; or unreasonable burdens or excessive liabilities shall have been imposed upon the Issuer or the Corporation with respect to the Project or the operation thereof, including, but without being limited to, federal, state or other ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project, or (d) cessation of an adequate source of supply of natural gas to service the Corporation's customers in the Project area; in any of which cases the purchase price will be a sum sufficient, together with other funds held by the Trustee and available for such purpose, (i) to redeem at the earliest practicable date all Bonds then outstanding under the Indenture at a redemption price equal to the principal amount thereof, (ii) to pay the interest which will become due on such Bonds to and including the redemption date, and (iii) to pay all expenses of the Issuer, the Trustee and Paying Agent accrued and to accrue through the redemption date.

Section 7.04. Exercise of Option. To exercise its option to direct the redemption of all Outstanding Bonds under Section 7.03 hereof, the Corporation shall give written notice to the Issuer and the Trustee within 180 days following the occurrence of the event which gives rise to the exercise of the option.

Section 7.05. Discharge of Indenture. Any amounts remaining in the Construction Fund or the Bond Fund upon expiration or termination of this Contract after payment in full of the Series II-D Bonds (or provision therefor as provided in the Indenture) and of the expenses of the Issuer, the Trustee and Paying Agent, shall belong to and be paid to the Corporation by the Trustee.

ARTICLE VIII

Events of Default and Remedies

Section 8.01. Events of Default. Any one or more of the following events is an Event of Default under this Contract:

(1) Failure by the Corporation to make any payment required under Section 4.03 on or before the date that the payment is due if such default continues until an Interest Payment Date;

(2) Unless the result of strikes, riots, or acts of God or the public enemy or other events beyond the reasonable control of the Corporation, failure by the Corporation to observe and perform any other covenant, condition or agreement on its part under this Contract, for a period of thirty (30) days after written notice, specifying such default and requesting that it be remedied, given to the Corporation by the Issuer or the Trustee, unless (a) the

Holders of two-thirds of the amount of all Bonds then Outstanding, or (b) the Issuer and the Trustee shall agree in writing to an extension of such time prior to its expiration, or for such longer period as may be reasonably necessary to remedy such default provided that the Corporation is proceeding with reasonable diligence to remedy the same; provided that as long as the Corporation is proceeding with reasonable diligence to cure any such failure, such failure shall not constitute an Event of Default.

(3) If the Corporation shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any present or future federal bankruptcy act or under any similar federal or state law, or shall be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors or shall admit in writing its inability to pay its debts generally as they become due, or if a petition or answer proposing the adjudication of the Corporation as a bankrupt or its reorganization under any present or future federal bankruptcy act or any similar federal or state law shall be filed in any court and such petition or answer shall not be discharged or denied within ninety (90) days after the filing thereof, or a receiver, trustee or liquidator of the Corporation or of the Project shall be appointed in any proceeding brought against the Corporation and shall not be discharged within ninety (90) days after such appointment or if the Corporation shall consent to or acquiesce in such appointment, or if the Project or any essential part thereof shall be levied upon or attached in any proceeding and such process shall not be vacated or discharged within sixty (60) days after such levy or attachment, or the charter of the Corporation shall expire or be annulled or the Corporation shall be dissolved or liquidated (other than as a result of a merger or consolidation of the Corporation into or with another corporation under the conditions permitting such actions contained in Section 6.05).

Section 8.02. Issuer's Remedies. Whenever any Event of Default referred to in Section 8.01 shall have happened and be subsisting, any one or more of the following remedial steps may be taken with the prior written consent of the Trustee:

(1) The Issuer may, at its option, declare all unpaid installments of the purchase price payable under Section 4.03 (being an amount, less sums available for such purpose then held by the Trustee, equal to that necessary to pay in full all Outstanding Bonds assuming acceleration of the Bonds under the indenture and pay all other indebtedness thereunder) to be immediately due and payable, whereupon the same shall become immediately due and payable by the Corporation; or

(2) The Issuer may take whatever action at law or in equity may appear necessary or appropriate to collect the payments then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the Corporation under this Contract.

Section 8.03. Disposition of Funds. Any amounts collected pursuant to action taken under Section 8.02 shall be paid into the Bond Fund and applied in accordance with the provisions of the Indenture.

Section 8.04. Manner of Exercise. No remedy herein conferred upon or reserved to the Issuer 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 Contract or now or hereafter existing at law or in equity 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 Issuer 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 8.05. Attorneys' Fees and Expenses. In the event the Corporation should default under any of the provisions of this Contract and the Issuer or the Trustee should employ attorneys or incur other expenses for the collection of installments of the Purchase Price or the enforcement of performance of any obligation or agreement on the part of the Corporation, the Corporation will on demand pay to the Issuer or the Trustee the reasonable fee of such attorneys and such other expenses so incurred.

Section 8.06. Effect of Waiver. In the event any agreement contained in this Contract 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.

Section 8.07. Trustee's Exercise of the Issuer's Remedies. Whenever any Event of Default shall have happened and be subsisting the Trustee may, but except as otherwise provided in the Indenture shall not be obligated to, exercise any or all of the rights of the Issuer under this Article VIII, upon notice as required of the Issuer unless the Issuer has already given the required notice.

ARTICLE IX

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General

Section 9.01. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when mailed by first class mail, postage prepaid, with proper address as indicated below. The Issuer, the Corporation and the Trustee may, by written notice given by each to the others, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Contract. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Issuer: Oregon Economic Development Commission
217 S. W. Alder Street
Portland, Oregon, 97204

To the Corporation: California-Pacific Utilities Company
600 Stockton Street
Seventh Floor
San Francisco, California, 94108
Attn: Financial Vice President

To the Trustee: First National Bank of Oregon
Corporate Trust Division
P. O. Box 2971
Portland, Oregon 97208

Section 9.02. Binding Effect. This Contract shall inure to the benefit of and shall be binding upon the Issuer and the Corporation and their respective successors and assigns.

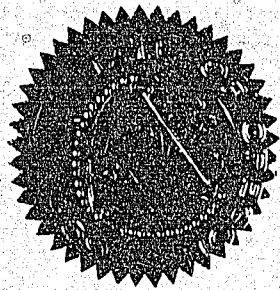
Section 9.03. Severability. In the event any provision of this Contract shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 9.04. Amendments, Changes and Modifications. Except as otherwise provided in this Contract or in the Indenture, subsequent to the initial issuance of Bonds and before the Indenture is satisfied and discharged in accordance with its terms, this Contract may effectively be amended, changed, modified, altered or terminated only with the written consent of the Trustee and subject to the limitations contained in the Indenture; provided, that the Issuer and the Trustee must consent to such amendment, change, modification, alteration or termination if so directed by the Holders of two-thirds of the amount of Bonds then Outstanding.

1982

Section 9.05. Execution Counterparts. This Contract 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.

IN WITNESS WHEREOF, the Issuer and the Corporation have caused this Contract to be executed and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.



STATE OF OREGON acting by and
through the ECONOMIC DEVELOPMENT
COMMISSION

By *Jack Miller*
Chairman

Attest: *Dele Zuehlsoed*
Secretary

CALIFORNIA-PACIFIC UTILITIES COMPANY

By *Paul H. Brown*
Its Vice President

Attest: *Therese Rogers*
Its Secretary

(SEAL)

1983

STATE OF OREGON)
County of Multnomah) ss.

BE IT REMEMBERED that on this 24th day of January, 1977, personally came before me Jack L. Dreyer and John L. Russell Chairman and Secretary, respectively, of the State of Oregon Economic Development Commission, party to the foregoing Contract, known to me personally to be such persons, and acknowledged the Contract to be their own act and deed, and the act and deed of the Commission; that the signatures of the Chairman and Secretary are their own proper handwriting and that the seal affixed is the seal of the State of Oregon.

Given under my hand and seal of office this 24th day of January, 1977.

(SEAL)

Shirley M. Robinson
Notary Public for Oregon
My Commission Expires: 1-6-80

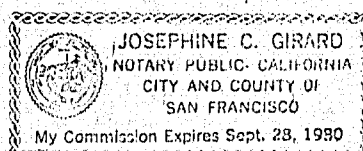
STATE OF CALIFORNIA)
County of San Francisco) ss.

BE IT REMEMBERED that on this 28th day of January, 1977, personally came before me Bradley Bunnell and Hamilton Rogers, Jr. Vice President and Secretary, respectively, of California-Pacific Utilities Company, a corporation of the State of California, party to the foregoing Contract, known to me personally to be such persons, and acknowledged the Contract to be their own act and deed, and the act and deed of the Corporation; that the signatures of the Vice President and Secretary are their own proper handwriting and that the seal affixed is the corporate seal of the Corporation.

Given under my hand and seal of office this 28th day of January, 1977.

(SEAL)

Josephine C. Girard
Notary Public for California
My Commission Expires 9-28-80



CALIFORNIA-PACIFIC UTILITIES COMPANY: PROJECTS TO BE FUNDED
WITH BOND PROCEEDS IN Klamath County, Oregon

Work Order No.	Description	Amount
<u>1976 Gas Projects</u>		
751-63000	Blanket work - various locations	
751-63044	Fence meter set - Shasta View Apartments	\$100,000
751-63002	Cathodic protection - system wide	317
751-63004	Cathodic system ground beds	31,260
751-63036	Cathodic protection - 8PSI system	3,807
751-63012	Main relocation	2,784
751-63022	Relocate 8" main - Washburn Way	24
751-63020	2" mains, East Hills Estates, 2nd addition	5,458
751-63026	2" mains, 1st addition, Gatewood Subdivision	4,335
751-63024	Replace regulators - Montelius Street Station	8,188
751-63010	2" main installed - Sunshine Place	1,342
751-63040	Hydraulic grease gun	1,375
751-63042	Purchase plunger bar	236
751-63038	Purchase pressure recorder	69
751-63016	2" main - Maryland Avenue, East of Avalon Street	308
751-63018	2" main - Crest Avenue, South of Clinton Street	39
751-63034	2" main extension to Klamath Nursing Home	1,599
751-63046	2" main extension - Sunset East Subdivision	2,108
751-63048	2" main extension - Milbert & Tomara Streets	9,148
751-63050	2" main extension - Bristol Park Mobile Homes	806
751-63052	4" main work - Alameda & Eberlein Avenues	1,988
		<u>4,238</u>
Sub Total		\$175,622
<u>1977 Gas Projects</u>		
	Blanket items	
	Cathodic protection	\$104,000
	Lowering existing mains in County & City	12,500
	Known main extensions	31,500
	Replacement of deteriorating mains	34,000
	Unknown main extensions	25,000
	Tools & work equipment	22,000
		<u>400</u>
Sub Total		\$229,400
<u>Projects Not Yet Defined 1978</u>		
Sub Total		\$ 94,978
Grand Total		\$500,000

1985

EXHIBIT B

A DESCRIPTION OF THE PROJECT LOCATION

KLAMATH COUNTY, OREGON

STATE OF OREGON; COUNTY OF KLAMATH; ss.

I hereby certify that the within instrument was received and filed for record on the 3rd day of
FEBRUARY A.D., 19 77 at 2:37 o'clock P.M., and duly recorded in Vol. M 77
of DEEDS on Page 1958.

FEE \$ 84.00

WM. D. MILNE, County Clerk

By [Signature] Deputy

Return to:

28-
84⁰⁰ Lawyers Title Company
Suite 200 Financial Building
400 SW Sixth Avenue
Portland, OR 97204