

After Recording, Return To:
William L. Rodgers
Stoel Rives LLP
900 SW 5th Avenue, Suite 2600
Portland, OR 97204

Vol M02 Page 29622

State of Oregon, County of Klamath
Recorded 05/17/2002 3:21 p. m.
Vol M02, Pg 29622-29625
Linda Smith, County Clerk
Fee \$ 36.00 # of Pgs 4

'02 MAY 17 PM 3:21

K57082

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT (the "Agreement"), by and between PacifiCorp Power Marketing, Inc., an Oregon corporation ("Assignor"), and Klamath Energy LLC, an Oregon limited liability company ("Assignee"), is dated as of May 15, 2002.

RECITALS

A. Assignor owns a gas-fired, simple cycle combustion turbine project under construction located outside Klamath Falls in Klamath County, Oregon that will have a nominal net electrical capacity of 100MW and has entered into various contracts and obtained various permits for the proper operation and maintenance of the Facility;

B. Assignor is a party to the Lease dated as of May 1, 2001 between Collins Products LLC, as lessor, and Assignor, as lessee (the "Lease"), memorialized by the Memorandum of Lease recorded in Volume M01, Page 44032 in the Klamath County Deed Records attached hereto as Schedule 1;

C. Assignee is a limited liability company in which Assignor holds a 100% membership interest and Assignor formed Assignee for the purpose of owning and providing for the operation of the New Plant (as that term is defined in the Lease);

D. Under Article 13.2(ii) of the Lease, the Lessor's consent to this assignment is not required; and

E. Assignor desires to assign and contribute the Lease to Assignee so that Assignee may have the benefit of the use of the property subject to the Lease.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants contained in this Agreement, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee agree as follows:

1. **Assignment.** Assignor hereby assigns, contributes, and transfers to Assignee, its successors and assigns, and Assignee accepts the assignment of all of Assignor's right, title

K36-

and interest as lessee, in, to and under the Lease, including, but not limited to, any security of the lessee held by Assignor under the Lease, from and after the effective date of this Agreement for the remainder of the term of the Lease, subject to the rental, terms, covenants and conditions of the Lease and including, without limitation, any and all extensions.

2. **Assumption.** Assignee hereby assumes all liabilities and the performance of all of the terms, covenants and conditions arising out of the Lease, and with respect to the property relating to such Lease, herein assigned by Assignor to Assignee which liabilities and performance are to be paid or performed subsequent to this Agreement.

3. **Future Benefit.** Assignee hereby agrees that the obligations herein assumed by Assignee shall inure to the benefit of the lessor named in the Lease and to its successors and permitted assigns.

4. **Further Assurances.** Assignor and Assignee each agrees to execute and deliver to the other party, if the other party so requests, such further instruments as may be reasonably required to complete or further evidence either the foregoing assignment or the foregoing assumption.

5. **Counterparts.** This Agreement may be executed in one or more counter-parts, each of which shall constitute an original and all of which when taken together shall constitute one binding agreement.

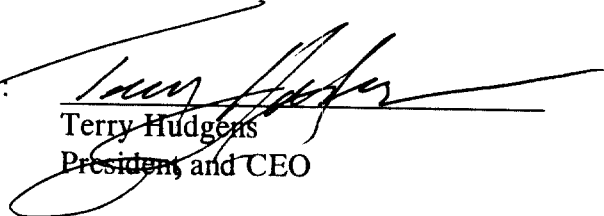
[Signature page follows.]

29624

IN WITNESS WHEREOF, Assignor and Assignee have executed this Agreement as of the date first set forth above.


ASSIGNOR:

PacifiCorp Power Marketing, Inc.,
an Oregon corporation

By: 
Terry Hudgens
President and CEO

ASSIGNEE:

Klamath Energy LLC,
an Oregon limited liability company

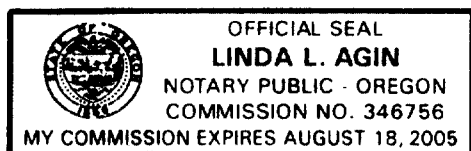
By: 
Peter C. van Alderwerelt
Vice President

STATE OF OREGON

SS.

County of Multnomah

The foregoing instrument was acknowledged before me this 16th day of May, ~~2001~~ ²⁰⁰² by Terry Hudgens the President and CEO of PacifiCorp Power Marketing, Inc., an Oregon corporation, on its behalf.



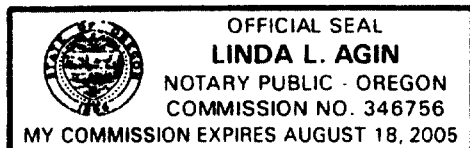
Linda L. Agin
Notary Public for Oregon
My Commission Expires August 18, 2005

STATE OF OREGON

SS.

County of Multnomah

The foregoing instrument was acknowledged before me this 16th day of May, ~~2001~~ ²⁰⁰² by Peter Van Alkumelt the Vice President of Klamath Energy LLC, an Oregon limited liability company, on its behalf.



Linda L. Agin
Notary Public for Oregon
My Commission Expires August 18, 2005