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RECORDER

LINDA KNIEP, AHLERS, COONEY, DORWEILER, HAYNIE, SMITH & ALLBEE, P.L.L.C.
100 COURT AVENUE, DES MOINES, IOWA 50309 (515) 243-7611

ASSIGNMENT OF LEASE, RENTS AND RECEIVABLES

THIS ASSIGNMENT OF LEASE, RENTS AND RECEIVABLES made as of March 1, 1997 (the "Assignment") by and among T. D. Marc Inc., an Iowa corporation, as Assignor (the "Assignor" or the "Company") and Norwest Bank Iowa, National Association, a national banking association with its principal place of business located in Des Moines, Iowa, as Trustee under the Indenture hereafter defined (the "Trustee" or "Assignee") and Woodmarc Limited Company, an Iowa limited liability company, as Lessee (the "Lessee").

WITNESSETH:

WHEREAS, the Iowa Finance Authority, a public instrumentality and agency of the State of Iowa (the "Issuer") authorized and empowered by the provisions of Chapter 16 of the Code of Iowa, as amended (the "Act"), intends to issue its Industrial Development Revenue and Refunding Bonds (T. D. Marc Inc. Project) Series 1997, in an aggregate principal amount of \$4,995,000 (the "Bonds"); and

WHEREAS, the Bonds are to be issued under and pursuant to an Indenture of Trust dated as of March 1, 1997 (the "Indenture"), by and between the Issuer and the Trustee; and

WHEREAS, the proceeds derived from the issuance of the Bonds are to be loaned to the Assignor, to be applied to the costs of constructing and equipping an addition to an existing manufacturing facility (the "Project") to be leased to the Lessee for use in the manufacture of furniture, pursuant to a Loan Agreement dated as of March 1, 1997 (the "Agreement"), between the Issuer and the Assignor; and

WHEREAS, amounts owing by the Assignor under the Agreement will be secured by a certain Mortgage and Security Agreement and Fixture Financing Statement dated as of May, 1997 (the "Mortgage"), executed by the Assignor, as Mortgagor, in favor of the

Trustee, as Mortgagee, covering the real property described in Exhibit A hereto and the improvements and personal property located thereon (the "Mortgaged Property"); and

WHEREAS, the Assignor has agreed to make this Assignment as additional security for the performance of the Assignor's obligations under the Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt of which is hereby acknowledged, the Assignor does hereby grant, transfer and assign to the Assignee, all of the right, title and interest of the Assignor in and to (i) that certain Lease dated as of March 1, 1997, between the Assignor and the Lessee and any and all future leases, licenses, or tenancies, whether written or oral, covering or affecting any or all of the Mortgaged Property (all of which, together with any and all extensions, modifications and renewals thereof, are hereinafter collectively referred to as the "Lease" and each of which is referred to as a "Lease"), and (ii) all rents, profits, receivables, accounts, and other income or payments of any kind due or payable or to become due or payable to the Assignor as the result of any use, possession or occupancy of all or any portion of the Mortgaged Property or as the result of the use of or lease of any personal property constituting a part of the Mortgaged Property (all of which are hereinafter collectively referred to as "Rents"), whether the Rents accrued before or after foreclosure of the Mortgage or during the periods of redemption thereof, all for the purpose of securing:

- (a) Payment of principal of, premium, if any, and interest on the Bonds; and
- (b) Assignor's obligations under the Agreement.

The Assignor covenants that it has not heretofore assigned or otherwise encumbered its interest in any of the Rents or the Lease to any person other than as set forth in the Permitted Encumbrances (as defined in the Mortgage); and (b) that it has the right under applicable law and under the Lease to execute and deliver this Assignment and keep and perform all of its obligations hereunder; and (c) that it will warrant and defend the Lease and Rents against all adverse claims, whether now existing or hereafter arising, subject, however, to the Permitted Encumbrances.

The Assignor further covenants and agrees with the Assignee as follows:

1. Performance of Lease. The Assignor will faithfully abide by, perform and discharge each and every obligation, covenant and agreement which it is now, or hereafter becomes, liable to observe or perform under any present or future Lease, and, at

its sole cost and expense, enforce or secure the performance of each and every obligation, covenant, condition and agreement to be performed by the tenant under each and every Lease. The Assignor will give prompt written notice to the Assignee of any notice of default on the part of the Assignor with respect to any Lease received from the tenant thereunder, and will also at its sole cost and expense, appear in and defend any action or proceeding arising under, growing out of or in any manner connected with any lease or the obligations, duties or liabilities of the Assignor or any tenant thereunder. The Assignor will not lease or otherwise permit the use of all or any portion of the Mortgaged Property for rent that is below the fair market rent for such property.

2. Collection of Rents. The Assignor will not collect or accept any Rents for the use or occupancy of the Mortgaged Property for more than one month in advance.

3. Protecting the Security of this Assignment. Should the Assignor fail to perform or observe any covenant or agreement contained in this Assignment, then either of the Assignee, but without obligation to do so or liability for failure to do so, and without releasing the Assignor from any obligation hereunder, may make or do the same in such manner and to such extent as the Assignee may deem appropriate to protect the security hereof, including, specifically, without limiting its general powers, the right to appear in and defend the action or proceeding purporting to affect the security hereof or the rights or powers of the Assignee, and also the right to perform and discharge each and every obligation, covenant and agreement of the Assignor contained in the leases and in exercising any such powers to pay necessary costs and expenses, employ counsel and pay reasonable attorney's fees. The Assignor will pay immediately upon demand all sums expended by the Assignee under the authority of this Assignment, together with the interest thereon at the Penalty Rate (as defined in the Agreement), unless payment of interest at such rate would be contrary to applicable law, in which event such sums shall bear interest at the highest rate permitted by applicable law, and the same shall be added to said indebtedness and shall be secured hereby and by the Mortgage.

4. No Liability for Assignee. The Assignee shall not be obligated to perform or discharge, nor do either of the Assignee hereby undertake to perform or discharge, any obligation, duty or liability of the Assignor under the Lease; and this Assignment shall not operate to place upon the Assignee responsibility for the control, care, management or repair of the Mortgaged Property or for the carrying out of any of the terms and conditions of the Lease, nor shall this Assignment operate to make the Assignee liable for any waste committed on the premises by the lessee under any Lease or by any other party, or for any dangerous or defective condition of the premises or any negligence in the

management, upkeep, repair, or control of the premises resulting in the loss, injury, or death to any tenant, licensee, employee, invitee or stranger or their property.

5. Indemnity. The Assignor shall, and does hereby agree to indemnify and hold each of the Assignee harmless of and from any and all liability, loss or damage which either Assignee may or might incur under the Lease or under or by reason of this Assignment and of and from any and all claims and demands whatsoever which may be asserted against such Assignee by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants, or agreements contained in the Lease so long as said loss or damage is not the result of the Assignee's negligence. Should either of the Assignee incur any such liability, loss or damage under the Lease or under or by reason of this Assignment, or in the defense of any such claims or demands, the amount thereof, including costs, expenses, and reasonable attorney's fees, shall be secured hereby, the Assignor shall reimburse such Assignee therefor immediately upon demand, and upon Assignor's failure to do so, the Assignee may declare all sums secured hereby immediately due and payable.

6. Present Assignment. This Assignment shall constitute a perfected, absolute and present assignment. The Assignor and the Lessee agree that all Base Rent (as defined in the Lease) due and payable by the Lessee under the Lease shall be made directly to the Trustee so long as any amount is owing under the Indenture or the Loan Agreement. Each such payment received by the Trustee shall be credited against the Assignor's obligations under Section 4.2 of the Agreement.

7. Survival of Assignor's Obligation to Comply with the Mortgage and this Assignment. This Assignment is given as security in addition to the Mortgage. The Assignor covenants and agrees to observe and comply with all terms and conditions contained in the Mortgage and in this Assignment and to preclude any Event of Default from occurring under the Mortgage or the Agreement. All of the Assignor's obligations under this Assignment shall survive foreclosure of the Mortgage.

8. Specific Assignment of Lease. The Assignor will from time to time execute any and all instruments reasonably requested by either of the Assignee in order to effectuate this Assignment and to accomplish any of the purposes that are necessary or appropriate in connection with this Assignment, including without limitation, the transfer and assignment by the Assignor to the Assignee, upon written notice by either of the Assignee, of any and all specific leases that the Assignee request. Such transfer or assignment by the Assignor shall be upon the same or substantially the same terms and

conditions as are herein contained, and the Assignor will properly file or record such assignments, at the Assignor's expense, if requested by the Assignee.

9. Default, Remedies. Upon the occurrence of any Event of Default specified in the Agreement or the Mortgage and the acceleration of the indebtedness evidenced thereby or upon the breach of any warranty or covenant in this Assignment, the Trustee may (in addition to exercising any other rights which the Trustee may have under the Agreement or Mortgage, at its option, at any time:

(a) In the name, place and stead of the Assignor and without becoming a mortgagee in possession (i) enter upon, manage and operate the Mortgaged Property or retain the services of one or more independent contractors to manage and operate all or any part of the Mortgaged Property, including the Lease; (ii) make, enforce, modify and accept surrender of the Lease; (iii) obtain or evict tenants, collect, sue for, fix or modify the Rents and enforce all rights of the Assignor under the Lease; and (iv) perform any and all other acts that may be necessary or proper to protect the security of this Assignment.

(b) Require all Rents to be deposited quarterly in a separate account maintained with the Trustee, and if such account is established, the Assignor hereby grants a security interest in said account to the Assignee.

(c) With or without exercising the rights set forth in subparagraph (a) above, give or require the Assignor to give notice to any or all tenants under the Lease, or account debtors respecting Rents authorizing and directing the tenants or account debtors to pay all Rents under the Lease, or otherwise payable directly to the Assignee.

(d) Without regard to waste, adequacy of the security or solvency of the Assignor, apply for, and the Assignor hereby consents to, the appointment of a receiver of the Mortgaged Property, whether or not foreclosure proceedings have been commenced, whether or not a foreclosure sale has occurred.

(e) Exercise all rights of a secured party under the Iowa Uniform Commercial Code.

The exercise of any of the foregoing rights or remedies and the application of the Rents pursuant to this paragraph 9 shall not cure or waive any Event of Default (or notice of default) under the Agreement or the Mortgage or the Reimbursement Agreement or invalidate any act done pursuant to such notice or Event of Default.

10. Application of Rents, Profits and Income. All Rents collected by the Assignee or the receiver following an Event of Default shall be applied as follows:

- (a) To payment of all reasonable fees of the receiver approved by the court;
- (b) To payment of all prior or current real estate taxes and special assessments with respect to the Mortgaged Property, or if the Mortgage requires periodic escrow payment for such taxes and assessments, to the escrow payments then due;
- (c) To payment of all premiums then due for the insurance required by the provisions of the Mortgage, or if the Mortgage required periodic escrow payments for such premiums, to the escrow payments then due;
- (d) To payment of expenses incurred for normal maintenance of the Mortgaged Property;
- (e) If received prior to any foreclosure sale of the Mortgaged Property, to the Assignee for payment of the indebtedness secured by the Mortgage or this Assignment, but no such payment made after acceleration of the indebtedness shall affect such acceleration;
- (f) If received during or with respect to the period of redemption after a foreclosure sale of the Mortgaged Property;
 - (1) If the purchaser at the foreclosure sale is not the Assignee, first to the Trustee to the extent of any deficiency of the sale proceeds to repay any judgment with respect to the Agreement, and then to the Assignor;
 - (2) If the purchaser at the foreclosure sale is the Assignee, first to the Trustee to the extent of any deficiency of the sale proceeds to repay any judgment with respect to the Assignor's obligations under the Agreement, and the balance to be retained by the purchasing Assignee as a credit against the redemption price, but if the Mortgaged Property is not redeemed, then to the Assignor.

The rights and powers of the Assignee under this Assignment and the application of Rents under this paragraph 10 shall continue until expiration of the redemption period from any foreclosure sale, whether or not any deficiency remains after a foreclosure sale.

11. Authorization to Tenant. Upon notice from the Assignee or the Assignor that such Assignee is exercising the remedy set forth in paragraph 9(c) of this Assignment, any tenants under the Lease, and account debtors respecting Rents are hereby irrevocably authorized and directed to pay to the applicable Assignee all sums due under the Lease, or Rents otherwise payable, and the Assignor hereby consents and directs that said sums shall be paid to the Assignee without the necessity for a judicial determination that a default has occurred hereunder or under the Mortgage or that the Assignee is entitled to exercise its rights hereunder and, to the extent such sums are paid to the Assignee, the Assignor agrees that the tenant shall have no further liability to the Assignor for the same. The signature of the Assignee alone shall be sufficient for the exercise of any rights under this Assignment and the receipt of the Assignee alone for any sums received shall be a full discharge and release therefor to any such tenant or occupant of the Mortgaged Property or other account debtor respecting Rents. Checks for all or any part of the Rents collected under this Assignment shall upon notice from the Assignee be drawn to the exclusive order of the Assignee.

12. Satisfaction. Upon the payment in full of all indebtedness secured hereby as evidenced by a recorded satisfaction of the Mortgage executed by the Assignee (which shall include a release and reassignment of this Assignment), this Assignment shall, without the need for any further satisfaction or release, become null and void and be of no further effect.

13. Assignee as Attorney-in-Fact. The Assignor hereby irrevocably appoints the Assignee, and their successors and assigns, as its agent and attorney-in-fact, which appointment it coupled with an interest, with the right but not the duty to execute and deliver during the term of this Assignment such instruments as the Assignee may deem appropriate to make this Assignment and any further assignment effective and the right to endorse on behalf and in the name of the Assignor all checks from tenants or account debtors in payment of Rents that are made payable to the Assignee in accordance with paragraph 9 hereof.

14. Assignee Not a Mortgagee in Possession. Nothing herein contained and no actions taken pursuant to this Assignment shall be construed as constituting the Assignee a mortgagee in possession.

15. Unenforceable Provisions Severable. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate any applicable law, and are intended to be limited to the extent necessary so that they will not render this Assignment invalid, unenforceable or not entitled to be recorded,

registered or filed under any applicable law. If any term of this Assignment shall be held to be invalid, illegal or unenforceable, the validity of other terms hereof shall in no way be affected thereby.

16. Successors and Assigns. The covenants and agreements herein contained shall bind, and the rights hereunder shall inure to the respective successors and assigns of the Assignor and the Assignee, including any purchaser at a foreclosure sale.

17. Captions; Amendments; Notices. The captions and headings of the paragraphs of this Assignment are for convenience only and shall not be used to interpret or define the provisions of this Assignment. This Assignment can be amended only in writing signed by the Assignor and the Assignee. Any notice from the Assignee to the Assignor under this Assignment shall be deemed to have been given when given by the Assignee in accordance with the requirements for notice by the Trustee under the Agreement.

18. Counterparts. This Assignment may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one instrument.

19. Waiver. The failure of the Assignee to do any of the things or exercise any of the rights, interests, powers and/or authority granted hereunder shall not be construed as a waiver of any of the rights, interests, powers, or authorities assigned and granted to the Assignee under this instrument.

IN WITNESS WHEREOF, the Assignor has caused this Assignment to be duly executed as of March 1, 1997.

T. D. MARC INC., as Assignor

(SEAL)

By *Alan C. Merschman*
Alan C. Merschman, President

Attest:

Teresa J. Merschman
Teresa J. Merschman, Secretary



Norwest Bank Iowa, National Association,
as Trustee

By *Dawn E. Meade*
Dawn E. Meade, Senior Trust Officer

Attest:

Steven R. Amend
Steven R. Amend, Trust Officer

Woodmarc Limited Company, as Lessee, acknowledges and agrees to be bound by the terms of this Assignment.

WOODMARC LIMITED COMPANY

By *Roger Merschman*
Roger Merschman, President

Attest:

Ina M. Merschman
Ina M. Merschman, Secretary

STATE OF IOWA)
)ss
COUNTY OF POLK)

On this 18th day of March, 1997, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Alan C. Merschman and Teresa J. Merschman, to me personally known, who being by me duly sworn did say that they are the President and Secretary, respectively, of T. D. Marc Inc., the corporation executing the within and foregoing Assignment to which this is attached; that no seal has been procured by the corporation; that said instrument was signed on behalf of said corporation by authority of its Board of Directors and that the said Alan C. Merschman and Teresa J. Merschman, as such officers, acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it and by them voluntarily executed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)



Karen L Biegler
Notary Public

STATE OF IOWA)
)ss
COUNTY OF POLK)

On this 18th day of March, 1997, before me, the undersigned, a Notary Public in and for the State of Iowa, personally appeared Roger Merschman and Ina M. Merschman, to me personally known, who being by me duly sworn did say that they are the President and Secretary, respectively, of Woodmarc Limited Company, the limited liability company executing the within and foregoing Assignment to which this is attached; that no seal has been procured by the company; that said instrument was signed on behalf of said company by authority of its members and that the said Roger Merschman and Ina M. Merschman, as such officers and managers, acknowledged the execution of said instrument to be the voluntary act and deed of said company by it and by them voluntarily executed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

(SEAL)



Karen L. Biegler
Notary Public

NJACKSON75190\1\20051001

*Exhibit "A" to the Assignment
of Lease, Rents and Receivables dated
as of March 1, 1997*

LEASE AGREEMENT

BETWEEN

T.D. MARC INC.

AS LESSOR

AND

WOODMARC LIMITED COMPANY

AS LESSEE

Dated as of March 17, 1997

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LEASE AGREEMENT

LEASE AGREEMENT, dated as of March 17, 1997, (this "Lease") between **T.D. MARC INC.**, an Iowa corporation ("Lessor"), having an address of 5035 Hubbell Avenue, Des Moines, Iowa 50317, and **WOODMARC LIMITED COMPANY**, an Iowa corporation ("Lessee"), having an address of 801 North 10th Street, Winterset, Iowa 50273. This Lease Agreement shall supercede that certain Lease dated May 1, 1992, and filed for record in Book 40, Page 744 of the Madison County Recorder's office, and the Sublease by and between Homemaker's Plaza, Inc. and Woodmarc Limited Companies for the Properties hereafter described. As of the date of execution of this Lease Agreement, said 1992 Lease and Sublease shall become null and void, and all parties thereto shall thereafter be released from any and all future obligations created under said instruments.

1. **Lease of Properties: Title and Condition.** In consideration of the rents and covenants herein stipulated to be paid and performed by Lessee and upon the terms and conditions herein specified, Lessor hereby leases to Lessee, and Lessee hereby leases from Lessor, the premises (the Properties) consisting of the land described in Schedule A, all buildings and other improvements now or hereafter located thereon (the Improvements), and all easements, rights and appurtenances relating thereto. Each parcel of land, together with the Improvements thereon, is called a Property. The Properties are leased to Lessee in their present condition without representation or warranty by Lessor and subject to the rights of parties in possession, to the existing state of title, and to all applicable legal requirements now or hereafter in effect. Lessee has examined the Properties and title thereto and has found the same satisfactory.

2. **Use: Quite Enjoyment.** Lessee may use the Properties for any lawful purpose. So long as no default has occurred and is continuing hereunder, Lessor warrants peaceful and quiet enjoyment of the Properties by Lessee against acts of Lessor or anyone claiming through Lessor; provided that Lessor and its agents may enter upon and examine the Properties at reasonable times.

3. **Terms.** The Properties are leased for a primary term of fifteen (15) years (the "Primary Term"), and shall automatically be extended upon the terms specified in Schedule B each year or part thereof that the Properties are encumbered with the obligation associated with the Industrial Development Revenue Refunding Bonds, Series 1997 (the "Bonds"), or any successor debt obligations associated with the repayment of any amount not retired during the original term of the Bonds, unless and until the term of this Lease shall expire or be terminated pursuant to any provision hereof. The Primary Term shall commence on March 1, 1997 and terminate on February 28, 2012.

4. **Rent.** (a) Lessee shall pay to Lessor in lawful money of the United States, as fixed rent for the Properties, the amount set forth in Schedule B (Basic Rent) on the dates set forth therein (Payment Date), at Lessor's address set forth above, or at such other address or to such other person as Lessor from time to time may designate.

(b) Lessee shall pay to Lessor in lawful money of the United States additional rent to be known as "Contingent Rent" in the amount and at the terms set forth on Schedule B, attached hereto and by this reference incorporated herein.

(c) All amounts which Lessee is required to pay pursuant to this Lease (other than Basic Rent and amounts payable as liquidated damages pursuant to paragraph 18), together with every fine, penalty, interest and cost which may be added for nonpayment or late payment thereof, shall constitute rent provided herein. Lessee shall pay to Lessor, interest at the rate of 12.0% per annum on all overdue Basic Rent from the due date thereof until paid, and on all overdue Contingent Rent paid by Lessor on behalf of Lessee from the date of payment by Lessor until repaid by Lessee. Lessee shall perform all its obligations under this Lease at its sole cost and expense, and shall pay all Basic Rent and Contingent Rent when due, without notice or demand.

5. **Net Lease; Non-Terminability.** (a) This Lease is a net lease and, except as otherwise expressly provided herein, any present or future law to the contrary notwithstanding, shall not terminate, nor shall Lessee be entitled to any abatement, reduction, set-off, counterclaim, defense or deduction with respect to any Basic Rent, Contingent Rent or other sum payable hereunder, nor shall the obligations of Lessee hereunder be affected by reason of: any damage to or destruction of the Properties; any taking of the Properties or any part thereof by condemnation or otherwise; any prohibition, limitation, restriction or prevention of Lessee's use, occupancy or enjoyment of the Properties, or any interference with such use, occupancy or enjoyment by any person; any eviction by paramount title or otherwise; any default by Lessor hereunder or under any other agreement; the impossibility or illegality of performance by Lessor, Lessee or both; any action of any governmental authority; or any other cause whether similar or dissimilar to the foregoing. The parties intend that the obligations of Lessee hereunder shall be separate and independent covenants and agreements and shall continue unaffected unless such obligations shall have been modified or terminated pursuant to an express provision of this Lease.

(b) Lessee shall remain obligated under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting Lessor or any assignee of Lessor of any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court. Lessee waives all rights to terminate or surrender this Lease, or to any abatement or deferment of Basic Rent, Contingent Rent or other sums payable hereunder.

6. **Taxes and Assessments; Compliance with Law.** (a) Lessee shall pay: (i) all taxes, assessments, levies, fees, water and sewer rents and charges, and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, which are, at any time prior to or during the terms hereof, imposed or levied upon or assessed against (A) the properties, (B) any Basic Rent, Contingent Rent or other sum payable hereunder or (C) this Lease or the leasehold estate hereby created, or which arise in respect of the operation, possession or use of the Properties; (ii) all gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Basic Rent, Contingent Rent or other sum payable hereunder; (iii) all sales, use and similar taxes at any time levied, assessed or payable on account of the acquisition, leasing or use of the Properties; and (iv) all charges for utilities

serving the Properties. Lessee shall not be required to pay any franchise, estate, inheritance, transfer, income or similar tax of Lessor (other than any tax referred to in clause (ii) above) unless such tax is imposed, levied or assessed in substitution for any other tax, assessment charge or levy which Lessee is required to pay pursuant to this paragraph 6(a). Lessee will furnish to Lessor, proof of payment of all items referred to above which are payable by Lessee. If any such assessment may legally be paid in installments, Lessee may pay such assessment in installments; in such event, Lessee shall be liable only for installments which become due and payable prior to or during the term hereof.

(b) Lessee shall comply with and cause the Properties to comply with (i) all legal requirements applicable to the Properties or the use thereof and (ii) all contracts (including insurance policies), agreements and restrictions applicable to the Properties or the ownership, occupancy or use thereof, including but not limited to all such legal requirements, contracts, agreements and restrictions which require structural, unforeseen or extraordinary changes to the Improvements.

7. **Liens.** Lessee will promptly remove and discharge any charge, lien, security interest or encumbrances suffered by Lessee upon the Properties or any Basic Rent, Contingent Rent or other sum payable hereunder which arises for any reason, including all liens which arise out of the use, occupancy, construction, repair or rebuilding of the Properties or by reason of labor or materials furnished or claimed to have been furnished to Lessee or for the Properties.

8. **Indemnification.** Lessee shall pay, and shall protect, indemnify and save harmless Lessor from and against, all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from (i) injury to or death of any person, or damage to or loss of property, on the Properties or on adjoining sidewalks, streets or ways, or connected with the use, condition or occupancy of any thereof, (ii) violation of this Lease, (iii) any contest referred to in paragraph 17 or (iv) the presence of any Hazardous Material on the Property, violation of any Environmental Law or otherwise under any Environmental Law.

9. **Maintenance and Repair.** Lessee will maintain the Properties in good repair and condition, except for ordinary wear and tear, and will make all structural and non-structural, foreseen and unforeseen and ordinary and extraordinary changes and repairs which may be required to keep the Properties in good repair and condition. Lessor shall not be required to maintain, repair or rebuild the Improvements or to maintain the Properties, and Lessee waives the rights to make repairs at the expense of Lessor pursuant to any law at any time in effect.

10. **Alterations.** (a) Lessee may, at its expense, make additions to and alterations of the Improvements, construct additional Improvements and make substitutions and replacements for the Improvements (an Alteration), provided that (i) the market value of the Properties shall not be materially lessened thereby, (ii) Lessor's prior written approval is obtained together with the consent, if required, of any Mortgagee or party holding a security interest in the Properties, (iii) such work shall be expeditiously completed in a good and workmanlike manner and in compliance with all applicable legal requirements and the requirements of any insurance policy required to be maintained by Lessee hereunder, and (vi) no Improvements shall be demolished unless Lessee shall have first furnished Lessor

with such surety bonds or other security acceptable to Lessor as shall be necessary to assure rebuilding of such Improvements. All such additions, alterations, additional Improvements, substitutions and replacements shall be and remain part of the realty and property of Lessor and shall be subject to this Lease. Lessee may place upon the Properties any inventory, trade fixtures, machinery or equipment belonging to Lessee or third parties and may remove the same at any time during the terms of this Lease. Lessee shall repair any damage to the Properties caused by such removal.

11. **Condemnation and Casualty.** (a) Lessee hereby irrevocably assigns to Lessor any award, compensation or insurance payment to which Lessee may become entitled by reason of its interest in the Properties (i) if the Properties are damaged or destroyed by fire or other casualty or (ii) if the use, occupancy or title of the Properties or any part thereof is taken, requisitioned or sold in, by or on account of any actual or threatened eminent domain proceeding or other action by any person having the power of eminent domain. Lessee is hereby authorized and empowered in the name and on behalf of Lessor to appear in any such proceeding or action, to negotiate, prosecute and adjust any claim for any award, compensation or insurance payment on account of any such damage, destruction, taking, requisition or sale. Any such award, compensation or insurance payment shall be paid to Lessor. Lessor shall be entitled to participate in any such proceeding, action, negotiation, prosecution or adjustment. All amounts paid in connection with any such damage, destruction, taking, requisition or sale shall be applied pursuant to this paragraph 11, and all such amounts (minus the expense of collecting such amount) are herein called the Net Proceeds. Lessee shall take all appropriate action in connection with each such proceeding, action, negotiation, prosecution and adjustment and shall pay all expenses thereof, including the cost of Lessor's participation therein.

(b) If an occurrence of the character referred to in clause (i) or (ii) of paragraph 11(a) shall affect all of a substantial portion of a Property during the Primary Term and if the improvements so destroyed can be restored within 210 days, then the property shall be restored and the rent shall abate during such restoration, and if the occurrence does not occur during the Primary Term, then Lessee shall, not later than 20 days after such occurrence, deliver to Lessor (A) notice of its intention to terminate this Lease on the next Payment Date (the Termination Date) which occurs not less than 90 days after the delivery of such notice and (B) a certificate of Lessee describing the event giving rise to such termination and stating that its board of directors has determined that such event has rendered such Property unsuitable for restoration for continued use and occupancy in Lessee's business.

(c) If, after an occurrence of the character referred to in clause (i) or (ii) of paragraph 11(a), Lessee is not required to give notice of its intention to terminate this Lease, then this Lease shall continue in full effect, and Lessee shall repair any damage to a Property caused by such event in conformity with the requirements of paragraph 10 so as to restore such Properties (as nearly as practicable) to the condition and market value thereof immediately prior to such occurrence. Lessee shall be entitled to receive from Lessor the Net Proceeds payable in connection with such occurrence, but only against certificates of Lessee delivered to Lessor from time to time as such work of repair progresses, each such certificate describing the work or repair for which Lessee is requesting payment and the cost incurred by Lessee in connection therewith and stating that Lessee has not theretofore received payment for such work. If Net Proceeds remain after final payment has been made for such work and are in excess

of \$50,000 all such remaining Net Proceeds shall be retained by Lessor and shall be applied to future payments of Basic Rent; first to the final payment of Basic Rent payable during the current term and then to each preceding payment of Basic Rent, to the extent Net Proceeds remain available. If Net Proceeds remain after final payment has been made for such work and are equal to or less than \$50,000 they shall be paid to Lessee with no reduction in the amount of Basic Rent payable. In the event of any temporary requisition, this Lease shall remain in full effect for the remainder of the term hereof and Lessee shall be entitled to received the entire Net Proceeds payable during the remainder of the term hereof by reason of such requisition. If the cost of any repairs required to be made by Lessee pursuant to this paragraph 11(c) shall exceed the amount of such Net Proceeds, the deficiency shall be paid by Lessee.

12. **Insurance.** (a) Lessee will maintain insurance on the Properties of the following character:

- (i) Insurance against loss by fire, lightning and other risks from time to time included under "extended coverage" policies, in amounts sufficient to prevent Lessor or Lessee from becoming a co-insurer of any loss but in any event in amounts not less than the actual replacement value of the Improvements, exclusive of foundations and excavations. Any such policy may have a deductible amount of not more than \$10,000.
- (ii) General public liability insurance against claims for bodily injury, death or property damage occurring on, in or about the Properties and adjoining streets and sidewalks, in the minimum amounts of \$500,000 for bodily injury or death to any one person, \$1,000,000 for any one accident, and \$1,000,000 for property damage.
- (iii) Workers' compensation insurance to the extent required by the law of the state in which the Properties are located and to the extent necessary to protect Lessor and the Properties against workers' compensation claims.
- (iv) During construction of the addition to the Improvements, Lessee shall maintain and pay for builder's risk insurance for the project on a builder's risk-completed value basis; provided that to the extent that any contractor for such construction shall provide a duplicate insurance policy showing that the same coverage as is herein required is being carried by such contractor and adequately protects the interests of the Lessee and its Mortgagee with respect to the Properties, or a part thereof, the insurance provided by this subparagraph with respect to the project, or a part thereof, shall not be required for such construction period with respect to the project or such part thereof, while the project or such part thereof is so covered by such other insurance.
- (v) With respect to each Property such other insurance, in such amounts and against such risks, as is commonly obtained in the case of property similar in use and

location to such Property, including war-risk insurance when and to the extent obtainable from the United State Government or any agency thereof.

Such insurance shall be written by companies of nationally recognized financial standing legally qualified to issue such insurance and shall name as insured parties Lessor and Lessee as their interests may appear.

(b) Every such policy (other than workers' compensation policy) shall bear a first mortgagee endorsement in favor of the mortgagee or beneficiary (the Mortgagee) under any instrument creating a first lien on Lessor's interest in the Properties (the Mortgage); and any loss under any such policy shall be payable to the Mortgagee to be held and applied pursuant to paragraph 11(c). Every policy referred to in paragraph 12(a) shall provide that it will not be cancelled except after 10 days' written notice to Lessor and the Mortgagee and that it shall not be invalidated by any act or neglect of Lessor or Lessee, nor by occupancy of the Properties for purposes more hazardous than permitted by such policy, nor by any foreclosure or other proceedings relating to the Properties, nor by change in title to the Properties.

(c) Lessee shall deliver to the Lessor certificates of insurers, evidencing the existence of all insurance which is required to be maintained by Lessee hereunder, such delivery to be made (i) promptly after the execution and deliver hereof and (ii) within 30 days prior to the expiration of any such insurance. Lessee shall not obtain or carry separate insurance concurrent in form or contributing in the event of loss with that required by this paragraph 12 unless Lessor is a named insured therein, with loss payable as provided herein. Lessee shall immediately notify Lessor whenever any such separate insurance is obtained and shall deliver to Lessor the policies or certificates evidencing the same.

13. **Environmental Compliance.** (a) The Properties will at all times be in compliance with all applicable Environmental Laws and if a violation shall occur, Lessee shall act diligently to cause any such violation to be remedied as soon as is reasonably possible under the circumstances. Lessee will not generate, handle, use, store, treat or dispose of any Hazardous Material or solid waste on any Property, except in compliance with applicable Environmental Laws. The Lessee shall use reasonable caution in its use of the Property to prevent unlawful or other release of Hazardous Materials or solid waste in, on or under any Property. Lessee shall promptly notify Lessor of the occurrence of any material violation or receipt of any notice or complaint of any material violation or alleged material violation of any applicable Environmental Laws. Lessor, its agents and representatives, may from time to time make inspections of the Property, provided that it shall indemnify and save harmless Lessee from and against all costs, claims, expenses or damages, including reasonable attorney's fees and costs of suit, arising out of or related to such inspections. Lessee shall use its best efforts to cause any and all tenants or other operators of any Property to conduct their respective business so as to comply in all respects with Environmental Laws. Lessee, at its own expense, shall take whatever actions are necessary to comply, in all material respects, with applicable Environmental Laws affecting the Lessor, any property including, without limitation, those requiring the disposal and clean-up of all Hazardous Materials.

As used herein, "Environmental Laws" means the following: the Resource Conservation and Recovery Act of 1976, 42 U.S.C. Section 6901, et seq., as amended, (RCRA), the Comprehensive

Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Reauthorization Act of 1986, 42 U.S.C. Section 9601 et seq. (CERCLA), Toxic Substance Control Act, 15 U.S.C. Section 2601 et seq., Clean Air Act, 42 U.S.C. Section 7401 et seq., and other federal, state or local statute, law ordinance, code, rule, regulation, order or decree regulating or imposing liability or standards of conduct concerning the release or disposal of any Hazardous Material or relating to pollution or the protection of the environment including, without limitation, laws relating to emissions, discharges, releases or threatened releases of pollutants, contaminants, chemicals, or industrial, toxic or other Hazardous Materials into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, removal, clean-up, disposal, transport or handling of pollutants, contaminants, chemicals or industrial, toxic or other Hazardous Materials.

As used herein, "Hazardous Materials" means gasoline, petroleum, asbestos, explosives, radioactive materials or any hazardous or toxic material, substance or waste which is defined by those or similar terms or is regulated as such under any statute, law, ordinance, rule or regulation of any local, state or federal authority having jurisdiction over the Properties or any portion thereof or its use, including but not limited to any material, substance or waste which is: (a) defined as a hazardous substance under Section 311 of the Water Pollution Control Act (33 U.S.C. § 1317) as amended; (b) defined as a hazardous waste under § 1004 of RCRA, or (c) defined as a hazardous waste under Section 101 of CERCLA.

(b) If, in violation of any applicable law, rule or regulation respecting same, any Hazardous Material is discovered on, in or under any Property or if any Hazardous Material is discovered on, in or under any Property or if any Hazardous Material is discharged from any Property in violation of any Environmental law, Lessee agrees to promptly cause such Hazardous Material to be removed, eliminated, encapsulated or otherwise disposed of in accordance with applicable law so as to render such Property, and any property onto which such Hazardous Material had been discharged, free of such Hazardous Material and any lien or charge with respect to such existence or discharge. Within 30 days after first obtaining knowledge of such existence, discharge, lien or charge, Lessee shall deliver to Lessor the report of an environmental consultant and certifying the cost of removal, elimination, encapsulation or other disposition of such Hazardous Material. Upon completion of such work, Lessee shall deliver to Lessor the report of an environmental consultant and certifying the cost of removal, elimination, encapsulation or other disposition of such Hazardous Material. Upon completion of such work, Lessee shall deliver to Lessor the report of such environmental consultant, such report to be satisfactory in scope and conclusions to Lessor, in its reasonable judgment, certifying that such work of removal, elimination, encapsulation or disposition has been completed and that such Property and any property onto which such Hazardous Material had been discharged are free of such Hazardous Material. Lessee shall also provide Lessor with evidence satisfactory to Lessor that any such lien or charge on such Property has been released.

(c) Notwithstanding anything contained herein to the contrary, Lessee shall be entitled to use, store or sell any material which otherwise would constitute a Hazardous Material hereunder,

which customarily is used, sold or stored in or by a convenience store, provided that such use, storage or sale is done in accordance with applicable law.

14. **Assignment and Subletting.** Lessee shall not sublet the Properties or assign, mortgage or pledge its interests hereunder.

15. **Permitted Contests.** Lessor shall not be required, nor shall Lessor have the right, to pay, discharge or remove any tax, assessment, levy, fee, rent, charge, lien or encumbrance, or to comply with any legal requirement applicable to the Properties or the use thereof, so long as Lessee shall contest the existence, amount or validity thereof by appropriate proceedings which shall prevent the collection of or other realization upon the tax, assessment, levy, fee, rent, charge, lien or encumbrance so contested, and the sale, forfeiture or loss of the Properties or any Basic Rent or any Contingent Rent, to satisfy the same, and which shall not affect the payment of any Basic Rent or any Contingent Rent, provided that such contest shall not subject Lessor to the risk of any criminal liability. Lessee shall give such reasonable security as may be demanded by Lessor or its Mortgagee to insure payment of such tax, assessment, levy fee, rent, charge, lienor encumbrance and to prevent any sale or forfeiture of the Properties by reason of such nonpayment.

16. **Conditional Limitations; Default Provision.** (a) Any of the following occurrences or acts, whether with respect to a particular property, all of the Properties or any portion of any thereof, shall constitute an event of default under this Lease with respect to all of the properties: (i) if Lessee shall (1) fail to pay any Basic Rent, Contingent Rent or other sum required to be paid by Lessee hereunder and such failure shall continue for 10 days after notice to Lessee of such failure, or (2) fail to observe or perform any other provision hereof and such failure shall continue for 30 days after notice of Lessee of such failure (provided that in the case of any such default which cannot be cured by the payment of money and cannot, with diligence, be cured within such 30-day period, if Lessee shall commence promptly to cure the same and thereafter prosecute the curing thereof with diligence, the time within which such default may be cured shall be extended for such period as is necessary to complete the curing thereof with diligence); or (ii) if Lessee shall file a petition in bankruptcy or for reorganization or for an arrangement pursuant to any federal or state bankruptcy law or any similar federal or state law, or shall be adjudicated a bankrupt or become insolvent or shall make an assignment for the benefit of 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 Lessee as a bankrupt or its reorganization pursuant to any federal or state bankruptcy law or any similar federal or state law shall be filed in any court and Lessee shall consent to or acquiesce in the filing thereof or such petition or answer shall not be discharged or denied within 90 days after the filing thereof; or (iii) if a receiver, trustee or liquidator of Lessee or of all or substantially all of the assets of Lessee or of the Properties or Lessee's estate therein shall be appointed in any proceeding brought by Lessee, or if any such receiver, trustee or liquidator shall be appointed in any proceeding brought against Lessee and shall not be discharged within 90 days after such appointment, or if Lessee shall consent to or acquiesce in such appointment; or (iv) if the Properties shall have been left unoccupied and unattended for a period of 30 days.

(b) If any event of default shall have happened and be continuing, lessor shall have the right to give Lessee notice of Lessor's intention to terminate the term of this Lease on a date not less than 5 days after the date of such notice. Upon the giving of such notice, the terms of this Lease and the estate hereby granted shall expire and terminate on such date as fully and completely and with the same effect as if such date were the date herein fixed for the expiration of the term of this Lease, and all rights of Lessee hereunder shall expire and terminate, but Lessee shall remain liable as hereinafter provided.

(c) If any event of default shall have happened and be continuing, Lessor shall have the immediate right, whether or not the term of this Lease shall have been terminated pursuant to paragraph 18(b), to re-enter and repossess the Properties by summary proceedings, ejectment or in any manner Lessor determines to be necessary or desirable and the right to remove all persons and property therefrom. Lessor shall be under no liability by reason of any such re-entry, repossession or removal. No such re-entry or repossession of the Properties shall be construed as an election by Lessor to terminate the term of this Lease unless a notice of such intention is given to Lessee pursuant to paragraph 18(b), or unless such termination is decreed by a court of competent jurisdiction.

(d) At any time or from time to time after the re-entry or repossession of the Properties pursuant to paragraph 18(c), whether or not the term of this Lease shall have been terminated pursuant to paragraph 18(b), Lessor may (but shall be under no obligation to) relet the Properties for the account of Lessee, in the name of Lessee or Lessor or otherwise, without notice to Lessee, for such term or terms and on such conditions and for such uses as Lessor, in its absolute discretion, may determine. Lessor may collect and receive any rents payable by reason of such reletting. Lessor shall not be liable for any failure to relet the Properties or for any failure to collect any rent due upon any such reletting.

(e) No expiration or termination of the term of this Lease pursuant to paragraph 18(b), by operation of law or otherwise, and no re-entry or repossession of the Properties pursuant to paragraph 18(c) or otherwise, and no reletting of the Properties pursuant to paragraph 18(d) or otherwise, shall relieve Lessee of its liabilities and obligations hereunder, all of which shall survive such expiration, termination, re-entry, repossession or reletting.

(f) In the event of any expiration or termination of the term of this Lease or re-entry or repossession of the Properties by reason of the occurrence of any event of default, Lessee will pay to Lessor all Basic Rent, Contingent Rent and other sums required to be paid by Lessee to and including the date of such expiration, termination, re-entry or repossession; and, thereafter, Lessee shall, until the end of what would have been the term of this Lease in the absence of such expiration, termination, re-entry, or repossession, and whether or not the properties shall have been relet, be liable to Lessor for, and shall pay to Lessor, as liquidated and agreed current damages: (i) all Basic Rent, Contingent Rent and other sums which would be payable under this Lease by Lessee in the absence of such expiration, termination, re-entry, or repossession, less (ii) the net proceeds, if any, of any reletting affected for the account of Lessee pursuant to paragraph 18(d), after deducting from such proceeds all Lessor's expenses in connection with such reletting (including all repossession costs, brokerage commissions, reasonable attorneys' fees and expenses, employees' expenses, alteration costs and expenses of preparation for such reletting). Lessee will pay such current damages on the days on which Basic Rent would be payable

under this Lease in the absence of such expiration, termination, re-entry, or repossession, and Lessor shall be entitled to recover the same from Lessee on each such day.

(g) At any time after such expiration or termination of the term of this Lease or re-entry or repossession of the Properties by reason of the occurrence of an event of default, whether or not Lessor shall have collected any current damages pursuant to paragraph 18(f), Lessor shall be entitled to recover from Lessee, and Lessee will pay to Lessor on demand, as and for liquidated and agreed final damages for Lessee's default and in lieu of all current damages beyond the date of such demand (it being agreed that it would be impracticable or extremely difficult to fix the actual damages), an amount equal to the excess, if any, of (i) all Basic Rent, Contingent Rent and other sums which would be payable under this Lease from the date of such demand (or, if it be earlier, the date to which Lessee shall have satisfied in full its obligations under paragraph 18(f) to pay current damages) for what would be the then expired term of this Lease in the absence of such expiration, termination, re-entry or repossession, discounted at the rate of interest announced by Mercantile Bank of Western Iowa as its prime rate of interest per annum over (ii) the then fair rental value of the properties (determined by applying such discount rate) for the same period. If any law shall limit the amount of such liquidated final damages to less than the amount above agreed upon, Lessor shall be entitled to the maximum amount allowable under such law.

17. **Additional Rights of Lessor.** (a) No right or remedy hereunder shall be exclusive of any other right or remedy, but shall be cumulative and in addition to any other right or remedy hereunder or now or hereafter existing. Failure to insist upon the strict performance of any provision hereof or to exercise any option, right, power or remedy contained herein shall not constitute a waiver or relinquishment thereof for the future. Receipt by Lessor of any Basic Rent, Contingent Rent or other sums payable hereunder with knowledge of the breach of any provision hereof shall not constitute a waiver of such breach, and no waiver by Lessor of any provision hereof shall be deemed to have been made unless made in writing. Lessor shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any of the provisions hereof, a decree compelling performance of any of the provisions hereof, or to any other remedy allowed to Lessor by Law.

(b) Lessee hereby waives and surrenders for itself and all those claiming under it, including creditors of all kinds, (i) any right and privilege which it or any of them may have to redeem the Properties or to have a continuance of this Lease after termination of Lessee's right of occupancy by order or judgment of any court or by an legal process or writ, or under the terms of this Lease, or after the termination of the term of this Lease as herein provided, and (ii) the benefits of any law which exempts property from liability for debt or for distress for rent.

(c) If Lessee shall be in default in the performance of any of its obligations hereunder, Lessee shall pay to Lessor, on demand, all expenses incurred by Lessor as a result thereof, including reasonable attorneys' fees and expenses. If Lessor shall be made a party to any litigation commenced against Lessee and Lessee, at its expense, shall fail to provide Lessor with counsel approved by Lessor, Lessee shall pay all costs and reasonable attorneys' fees incurred by Lessor in connection with such litigation.

18. **Notices, Demands and Other Instruments.** All notices, demands, designations, certificates, requests, offers, consents, approvals and other instruments given pursuant to this Lease shall be in writing and shall be validly given when mailed by prepaid registered or certified mail, (a) if to Lessor, addressed to Lessor at its address set forth above, and (b) if to Lessee, addressed to Lessee at its address set forth above. Lessor and Lessee each may from time to time specify any address in the United States as its address for purposes of this Lease by giving 15 days' notice to the other party.

19. **Estoppel Certificates.** Lessee and Lessor will, from time to time, upon 20 days' prior request of the other party hereto, execute, acknowledge and deliver a certificate stating that this Lease is unmodified and in full effect (or, if there have been modifications, that this Lease is in full effect as modified, and setting forth such modifications) and the dates to which Basic Rent, Contingent Rent and other sums payable hereunder have been paid, and either stating that to the knowledge of the signer of such certificate no default exists hereunder or specifying each such default of which the signer has knowledge. Any such certificate may be relied upon by any prospective mortgagee or purchaser of the Properties.

20. **No Merger.** There shall be no merger of this Lease or of the leasehold estate hereby created with the fee estate in the Properties by reason of the fact that the same person acquires or holds, directly or indirectly, this Lease or the leasehold estate hereby created or any interest herein or in such leasehold estate as well as the fee estate in the Properties or any interest in such fee estate.

21. **Surrender.** Upon the expiration or termination of the term of this Lease, Lessee shall surrender the Properties to Lessor in the condition in which the Properties were originally received from Lessor, except as repaired, rebuilt, restored, altered or added to as permitted or required hereby, and except for ordinary wear and tear. Lessee shall remove from the Properties on or prior to such expiration or termination all property situated thereon which is not owned by Lessor, and shall repair any damage caused by such removal. Property not so removed shall become the property of Lessor, and Lessor may cause such property to be removed from the Properties and disposed of, but the cost of any such removal and disposition and of repairing any damage caused by such removal shall be borne by Lessee.

22. **Merger, Consolidation or Sale of Assets.** It shall be a condition precedent to the merger of Lessee into another corporation, to the consolidation of Lessee with one or more other corporations and to the sale or other disposition of all or substantially all the assets of Lessee to one or more other entities that the surviving entity or transferee of assets, as the case may be, shall deliver to Lessor and to its Mortgagee an acknowledged instrument in recordable form assuring all obligations, covenants and responsibilities of Lessee hereunder and under any instrument executed by Lessee consenting to the assignment of Lessor's interest in this Lease to its Mortgagee as security for indebtedness. Lessee covenants that it will not merge or consolidate or sell or otherwise dispose of all or substantially all of its assets unless such an instrument shall have been so delivered.

23. **Separability; Binding Effect; Choice of Law.** Each provision hereof shall be separate and independent and the breach of any such provision by Lessor shall not discharge or relieve Lessee from its obligations to perform each and every covenant to be performed by Lessee hereunder. If any

provision hereof or the application thereof to any person or circumstance shall to any extent be invalid or unenforceable, the remaining provisions hereof, or the application of such provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be valid and shall be enforceable to the extent permitted by law. All provisions contained in this Lease shall be binding upon, inure to the benefit of, and be enforceable by, the respective successors and assigns of Lessor and Lessee to the same extent as if each such successor and assign were named as a party hereto. This Lease may not be changed, modified or discharged except by a writing signed by Lessor and Lessee. This Lease shall be construed in accordance with and governed by the laws of the State of Iowa.

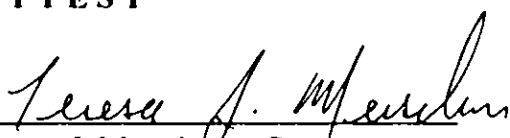
24. **Subordination.** This Lease is subject and subordinate to any Mortgage which may now or hereafter encumber the Properties and to all renewals, modifications, replacements and extensions thereof, provided, however, that Lessor will obtain an agreement that the Mortgagee agrees for itself, its successors and assigns, to recognize Lessee's rights hereunder for so long as Lessee is not in default hereunder. In addition, any junior mortgage encumbering the Properties shall be subordinate to this Lease. This clause shall be self-operative and no further instrument of subordination need be required by an Mortgagee. In confirmation of such subordination, however, Lessee shall at Lessor's request execute promptly any appropriate certificate or instrument that Lessor may reasonably require. Lessee hereby constitutes and appoints Lessor the Lessee's attorney-in-fact to execute any such certificate or instrument for and on behalf of Lessee. In the event of the enforcement by the Mortgagee under any Mortgage of the remedies provided for by law or by such Mortgage, or the acquisition of the Properties by the Mortgagee through a deed-in-lieu of foreclosure, and provided that Lessee is not in default hereunder, Lessee will automatically become the Lessee of such successor-in-interest without change in the terms or other provisions of this Lease and Lessee will attorn to said successor-in-interest.

IN WITNESS WHEREOF, Lessor and Lessee have each caused this Lease to be duly executed and delivered, and Lessee has caused its corporate seal to be hereunto affixed and attested, all as of the date first above written.

LESSOR:
T.D. MARC INC.

By: 
Alan C. Merschman, President

ATTEST


Teresa J. Merschman, Secretary

LESSEE:
WOODMARC LIMITED COMPANY

By: *Roger P. Merschman*
Roger P. Merschman, President

ATTEST:

Ina M. Merschman - Sec.
Ina M. Merschman, Secretary

SCHEDULE A
LEGAL DESCRIPTION

**Lots Two (2) and Three (3) in Bellamy Addition to the City of
Winterset, Plat No. 1, Madison County, Iowa.**

SCHEDULE B**BASIC RENT AND CONTINGENT RENT**

The total annual rent payable by Lessee to Lessor under this Lease shall be One Million Twenty-five Thousand Dollars (\$1,025,000.00), consisting of Basic Rent and Contingent Rent as follows:

The term "**Basic Rent**" as used throughout this Lease shall mean Six Hundred Twenty-five Thousand Dollars (\$625,000.00) annually, payable in equal quarterly installments of One Hundred Fifty-six Thousand Two Hundred Fifty Dollars (\$156,250.00) on the first day of March, June, September and December of each year, commencing June 1, 1997.

The term "**Contingent Rent**" as used throughout this Lease shall mean the annual amount, if any, by which the net income of Lessee exceeds the amount necessary for the Net Profit Margin of Lessee to be not less than three percent (3%) for each fiscal year of Lessee, but in no event shall such annual amount exceed Four Hundred Thousand Dollars (\$400,000.00), which shall be pro-rated for any partial fiscal year in which this Lease is in effect. For the purposes hereof, "Net Profit Margin" shall mean the ratio of net income of Lessee divided by gross sales revenues of Lessee for each fiscal year of Lessee, as determined and calculated in accordance with generally accepted accounting principles. Contingent Rent payable for any fiscal year shall be paid within one hundred twenty (120) days of the end of such fiscal year of Lessee.

In the event this Lease is extended beyond the initial term hereof, as provided in Paragraph 3 of this Lease, the Basic Rent for such extension or renewal shall be the greater of (i) the fair-market rent for the Premises as of such date of extension or renewal as mutually agreed between Lessor and Lessee or, if Lessor and Lessee fail to agree, as determined by a qualified real estate appraiser as mutually appointed by Lessor and Lessee, or (ii) existing Basic Rent due during the Primary Term, plus Contingent Rent.