

OREGON STRATEGIC INVESTMENT PROGRAM AGREEMENT

WILLAMINA SAWMILL

YAMHILL COUNTY, a political subdivision of the State of Oregon, ("County") and HAMPTON LUMBER MILLS, INC., an Oregon corporation ("Hampton"), enter into this Strategic Investment Program ("SIP") Agreement ("Agreement") as of May 30, 2023 ("Effective Date"), for a proposed sawmill to be located in Yamhill County, Oregon. The County and Hampton are sometimes referenced in this Agreement individually as "a Party" and collectively as "the Parties."

WITNESSETH:

WHEREAS, the Oregon Legislature has established the SIP to promote industrial competitiveness and to improve employment in the area where projects are to be located by encouraging businesses engaged in projects to hire local employees (*see*, ORS 307.123 and ORS 285C.600 - 285C.620.); and

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

WHEREAS, due to the 2020 Labor Day Fires, a proposed Habitat Conservation Plan ("HCP") for management of state lands, and a proposed HCP for management of private lands, log supply in northwest Oregon is expected to significantly decline in the next decade; and

WHEREAS, in order to remain competitive and preserve the operations and employment base near Willamina, Oregon, Hampton proposes to replace two existing sawmills currently in operation with a new, modernized sawmill facility, including a new merchandiser, sawmill, stacker/sorter, and construction of new buildings totaling over 105,000 square feet (the "New Sawmill"); and

WHEREAS, the New Sawmill is expected to create temporary construction jobs and retain 181 full time jobs in the County; and

WHEREAS, it is the intent of this Agreement to provide the competitive tax structure in the County that is essential for Hampton to continue operating and to contribute to the State of Oregon's quality of life; and

WHEREAS, the County and Hampton have provided public information and an opportunity for public input regarding the SIP and this Agreement, including a public hearing held in the County on May 25, 2023; and

WHEREAS, this Agreement provides the terms and conditions under which the County agrees to request that the State of Oregon, acting through the Oregon Business Development Commission ("OBDC") approve this Agreement and that the tax abatement be granted for the Project, as defined below, in exchange for performance by Hampton of its obligations as specified herein;

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NOW, THEREFORE, in consideration of the mutual covenants of the Parties, each to the other giving, the Parties do hereby agree as follows:

1. Project Definition and Scope. The "Project" means all tangible and intangible Property (as defined below) having the County as its tax situs, consisting of (a) the New Sawmill, as well as all associated property (the "Associated Property"), including without limitation roads, buildings, bridges, civil construction work, foundations, bins, electrical equipment, land, and supporting infrastructure and facilities associated with the New Sawmill (collectively referred to herein as the "Property"). Unless otherwise determined by Hampton, the Project further includes repairs, replacements, modernization, renovations and remodeling of such Property made during the term of this Agreement. For purposes of this Agreement, the Project shall commence when the New Sawmill is commissioned and in service as evidenced by notice to Yamhill County by Hampton with documentation of sustained lumber production (the "Commencement Date").

2. SIP Exemption Period. The "SIP Exemption Period" shall begin, as defined in ORS 307.123(1)(b), in and for the Property Tax Year of the Commencement Date, and shall continue thereafter for 15 Property Tax Years as provided by ORS 307.123(1)(b). As used in this Agreement, "Property Tax Year" means each period of 12 months beginning July 1.

3. Condition Precedent. Except for the obligations set forth in Sections 5.1 and 6.1., the obligations set forth herein are conditioned upon approval by the OBDC, or its designee, of this Agreement as provided in ORS 285C.606, ORS 307.123 and applicable administrative rules.

4. Exemption, Payments and Related Obligations.

4.1 Each Property Tax Year during the SIP Exemption Period, on or before October 25, the County shall submit to Hampton and any Assignee under Section 10 a statement describing its calculations and an invoice for amounts due under this Agreement for the Project. The invoiced amounts shall be paid by Hampton no later than December 1 of each Property Tax Year.

4.2 In consideration for participating in the SIP with respect to the Project, Hampton and any Assignee under Section 10 agrees to pay the County the amounts as set forth below:

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

4.2.2 Community Service Fee ("CSF"). For each year of the SIP Exemption Period, Hampton shall pay to the County a CSF, in an amount equal to twenty-five percent (25%) of the taxes that would, but for the exemption, be due on the exempt Property of the Project in each Property Tax

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Year.

4.2.3 One Time Additional Amount – Rescue Needs. In addition to the amounts described in Sections 4.2.1, 4.2.2 and 4.2.4, and not later than December 1 of the first year of the SIP Exemption Period, Hampton shall pay a one-time additional amount of \$200,000.00 to allow the Confederated Tribes of Grand Ronde Emergency Services agency to fund the establishment of a ropes rescue team. This amount is to cover personnel costs and initial equipment purchases as well as annual training and expected equipment replacement costs for the 15 years of the SIP Exemption Period.

4.2.4 Additional Annual Improvement Amount. In addition to the amounts described in Sections 4.2.1, 4.2.2 and 4.2.3, for each year of the SIP Exemption Period, Hampton shall pay to the County Seventy-Two Thousand and 00/100 Dollars (\$72,000.00) each Property Tax Year.

4.3 County Cost of Preparation of Agreement. In addition to the above, Hampton agrees to reimburse the County an additional Five Thousand dollars (\$5,000) for the costs incurred for the Agreement preparation, including staff, legal, administrative, and professional fees. Payment shall be made within ninety (90) days of the signing of the Agreement.

4.4 First-Source Hiring Agreement. Hampton shall enter into first-source hiring agreements with an appropriate third party acceptable to the County in substantially the form required pursuant to OAR 123-070-1000 to -1900. The County is to be designated a third-party beneficiary of the agreement and is entitled to enforce its terms. If the third-party provider is unable to perform the first-source hiring agreement to the satisfaction of Hampton or the County, then the Parties shall cooperate in procuring the services of a substitute provider.

4.5 Annual Reports. Hampton shall be solely responsible to submit all reports to the Oregon Department of Revenue (DOR) and the OBDC that are required by law, including but not limited to the reports described in ORS 285C.615 and OAR 150-307.123(3).

5. County Obligations.

5.1 Within ten (10) days after the Effective Date, the County shall request that the OBDD approve this Agreement.

5.2 The County shall be solely responsible for determining how to dispose of the CSF (pursuant to Oregon rules and statute) and the Additional Annual Improvement Amount, including paying any portions that are due or payable to any other jurisdictions. In no event shall Hampton have any liability in connection with any disagreement, error, or conflict between the County and any other jurisdiction related to the division, allocation, or distribution of such amounts. In no event shall Hampton have any liability or obligation to any other person with respect to the CSF or the Additional Annual Improvement Amount after it has discharged its duty to

pay as set forth in Section 4 above, and the County shall hold Hampton harmless with respect to any claims to the contrary, to the extent allowed and permitted by the Oregon Constitution and other Oregon law.

6. Joint Obligations. In addition to the other obligations set forth in this Agreement, the Parties shall:

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

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

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

8. Miscellaneous Provisions.

8.1 The laws of the State of Oregon shall govern this Agreement. Venue is in the Circuit Court of the State of Oregon for the County of Yamhill. The Parties agree that in case of any disputes that arise under this Agreement they shall first attempt to resolve such disputes through good-faith negotiations between authorized representatives for both Parties for a period of thirty (30) days before filing any litigation. If such negotiations fail then either party may pursue any and all legal and equitable remedies available under and according to the laws of the State of Oregon.

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

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

8.4 If Hampton fails to pay amounts owing under Section 4.2 of this Agreement by the end of a Property Tax Year in which it is due, the tax exemption for the Project shall be revoked and the property shall be fully taxable for the following Property Tax Year and for each subsequent Property Tax Year for which such amounts remain unpaid. If such unpaid amount is paid after the exemption is revoked, the property shall again be eligible for the exemption, beginning with the Property Tax Year after the payment is made. Reinstatement of the exemption shall not extend the 15-year SIP Exemption Period.

8.5 The County shall have the right to enforce payment of any and all amounts due to it by Hampton and/or any permitted assignee (including interest, as provided in Section 8.3) through an appropriate action to collect such amounts. In the event suit or action is instituted to enforce compliance with any of the terms, covenants, or conditions of this Agreement, or to collect the payment amounts due hereunder, if Hampton is found to be in default of this Agreement, it agrees to pay in addition to the costs and disbursements provided by statute, such additional sums as the court may adjudge reasonable for attorneys' fees, consulting fees, and other out-of-pocket expenses allowed plaintiff in any suit or action, provided County is the prevailing party. Hampton also agrees to pay and discharge all reasonable costs and expenses actually incurred, including County's reasonable attorney fees, reasonable consulting fees, and other reasonable expenses that arise from enforcement of any provisions of this Agreement, even though no suit or action is commenced.

8.6 The County and Hampton hereby agree to this Agreement in its entirety. The Parties understand and agree that the County will only get the full benefit of its bargain if it receives all payments covered by this Agreement.

8.6.1 In the event that Hampton fails to pay the CSF or any amounts due pursuant to Sections 4.2.3 and 4.2.4 by the end of the Property Tax Year in which it is due, and no cure is made within thirty (30) days after Hampton receives written notice from the County of such failure the tax exemption for the Project shall thereupon be suspended. The Property shall thereupon be fully taxable for the following Property Tax Year and for each subsequent Property Tax Year for which the amounts due under this Agreement remain unpaid. If the unpaid amounts are paid after the exemption is suspended, the Property shall again be eligible for the exemption, beginning with the Property Tax Year after the payment is made. Reinstatement of the exemption shall not extend the 15-year exemption period.

8.6.2 In accordance with Oregon law, in the event of an overpayment of the CSF or any amounts due pursuant to Sections 4.2.3 and 4.2.4, the County shall either issue an overpayment refund check or return the incorrect payment and request that Hampton reissue payment in the correct amount. In the event of a return of overpayment, the County assessor shall establish a reasonable schedule for payment of the amount actually due under this Agreement.

8.7 All notices and other communications required or permitted under this Agreement shall be in writing and shall be either hand delivered in person, sent by facsimile, sent by certified or registered first-class mail, postage pre-paid, or sent by nationally recognized express courier service. Such notices and other communications shall be effective upon receipt if hand delivered or sent by facsimile, three days after mailing if sent by mail, and one day after dispatch if sent by express courier, to the following addresses, or such other addresses as either Party may notify the other Party in accordance with this Section 8.67.

If to Hampton, to:

Hampton Lumber Mills, Inc.,
c/o Legal Department
9600 SW Barnes Rd., Suite 200
Portland, OR 97225

Telephone No.: (503) 203-6496
Email: legal@hamptonlumber.com

If to County, to:

Yamhill County Assessor
535 NE 5th St, Room 42
McMinnville, OR 97128

Telephone No.: (503) 434-7521
Email: assessor@co.yamhill.or.us

Attention: County Assessor

8.8 Attorney Fees. In the event that either party to this Agreement shall take any action, judicial or otherwise, to enforce or interpret any of the terms of this Agreement, each party shall be wholly responsible for its own expenses which it may incur in taking such action, including costs and attorney fees, whether incurred in a suit or action or appeal from a judgment or decree therein or in connection with any nonjudicial action.

8.9 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

8.10 Severability. If any clause, sentence, or other portion of this Agreement becomes illegal, null, or void for any reason, the remaining portions will remain in full force and effect to the fullest extent permitted by law.

8.11 Amendments. This Agreement may not be amended unless such amendment is in writing and executed by the County and Hampton.

8.12 No Discrimination. No persons shall be denied or subject to discrimination in receipt of the benefits of any services or activities made possible by or resulting from the Agreement on the grounds of sex, sexual orientation, gender identity, race, color, creed, marital status, age, national origin, mental health or physical handicap, disabled or Vietnam era veteran status (except where there are bona fide occupational qualifications). Any violation of this provision shall be considered a material breach of this Agreement.

8.13 Public Contracts. If applicable, the requirements of the Oregon Revised

Statute Chapters 279A and B are incorporated herein by reference. This provision is intended to incorporate only those provisions which are required for all public contracts. The Parties acknowledge that other portions of ORS Chapter 279 do not apply; that this Agreement is not one for a public improvement or public work; and the wages and other compensation paid by Hampton to its employees are not subject to ORS Chapters 279A and 279B.

9. Merger. This Agreement constitutes the complete and exclusive agreement between the Parties with respect to the relationship of the SIP to the Project, and supersedes all prior agreements and proposals, oral or written and any other communication between the Parties on this matter. No waiver, modification, amendment or other change will be binding on either Party, except as a written addendum, signed by authorized agents for both Parties.

10. Assignment. Upon prior written notice to the County, but without prior approval by the County, Hampton may assign, in whole or in part, its rights and release its obligations under this Agreement to any assignee of its choosing; provided, however, that the assignee must satisfy all applicable requirements under ORS 285C.600 to 285C.620 and must agree to assume the obligations, conditions, requirements and other terms of this Agreement and, further provided, that no assignment shall be permitted unless (a) all payments due the County under this Agreement, as of the date of the assignment, have been paid in full.

11. Term. The term of this Agreement shall extend from the effective date, specified below, until the date on which Hampton shall have made the last installment payment it is obligated to make to the County pursuant to Section 4.2, provided Hampton is not in default under the terms of this Agreement. Notwithstanding the foregoing sentence, either party may terminate this Agreement by giving 60-day advance notice thereof to the other party, in the event (a) Hampton decides not to construct the Project, or (b) a change is made to applicable law or administrative regulation, prior to the Commencement Date, that would materially increase the terminating party's obligations or materially reduce its benefits under this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement effective the 30 day of May 30, 2023

YAMHILL COUNTY:

Lindsay Berschauer

Lindsay Berschauer, Commissioner

Kit Johnston

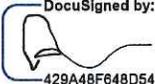
Kit Johnston, Commissioner

Mary Starrett

Mary Starrett, Commissioner

HAMPTON:

HAMPTON LUMBER MILLS, INC.
an Oregon corporation

DocuSigned by:

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Steven J. Zika, President and Chief Executive Officer

Approved as to Form:

Christian Boenisch

Christian Boenisch, County Counsel

Accepted by Yamhill County
Board of Commissioners on
5.25.23 by Board Order
B.O. 23-206