

Lease Agreement (Page 1 of 2)

Lease Number 131063-001

Lessee Information:

Business Name: BURTON LUMBER CO INC	Business Phone: 812-866-4438	Business Tax ID#: 321467983
Business Address: 13980 West Park Ave Lexington, IN 47138	Equipment Location Address: 13980 W POLK ROAD Lexington, IN 47138	(If different than billing address of Lessee)

Lease Terms and Conditions:

Monthly Rent (plus applicable taxes): \$1,879.43	Required Deposit: \$3,758.86	Deposit Applied to: First and Last 1 Monthly Rental; Doc Fees 1% Equipment Cost
Base Term in Months: 60	End of Term Option: Fair Market Value Purchase Option	

Equipment Supplier Information / Equipment Description: SEE EXHIBIT "A"

The undersigned agrees that this lease reflects the agreement of the parties, including all terms of the second page of this agreement. For purposes of this Lease Agreement and any schedules attached (Lease), you, and your shall mean the Lessee indicated below, and we, us, and our refer to the Lessor, Balboa Capital Corporation, its agents, employees and its successors and assigns.

Lessee: **BURTON LUMBER CO INC**

Signature: *Robert Burton*
 Name: **Robert Burton** Title: **Vice President** Date: **08/29/06**

ACKNOWLEDGED BY: **BALBOA CAPITAL CORPORATION**

By: *[Signature]* Vice President Date: **2/1/07**

LESSOR WARRANTY

For purposes of this Warranty, Lessee shall mean the Lessee set forth above and on the second page of the Lease Agreement. IMB/MAY shall mean the person making the guaranty and if married, his or her marital community. YOU/YOUR shall mean the Lessor. I agree that I have an interest in the Lessee, economic or otherwise, and that you would not enter into this Lease without this guaranty. I unconditionally guaranty that Lessee will fully and promptly pay all its Obligations under the Lease when they are due and will perform all its other obligations under the Lease even if you modify or renew the Lease. You do not have to notify me if the Lessee is in default under the Lease. You may obtain any information from credit reporting agencies you deem necessary to enforce this guaranty. If the Lessee defaults, I will immediately pay all Obligations due under the Lease. I agree that I will not be released or discharged if you: (i) fail to perfect a security interest in or any property which secures the Obligations (Collaterally), (ii) fail to protect the Collateral, or (iii) abandon or release the Collateral. I agree that you do not have to proceed first against the Lessee or any Collateral. I hereby waive notice of acceptance of this guaranty and of all other notices or demands of any kind which I may be entitled to. I will reimburse you for all expenses you incur in enforcing your rights against the Lessee or me, including, without limitation, attorneys' fees and costs. I acknowledge that I have read and understand the Lease and this Guaranty. This is an irrevocable, continuing guaranty and binds my heirs, administrators and representatives. I CONSENT TO THE JURISDICTION OF THE COURTS OF ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION, AT YOUR SOLE OPTION, FOR THE DETERMINATION OF ALL DISPUTES RELATED TO THE LEASE OR THIS GUARANTY. I agree that this guaranty shall be governed by the laws of the State of California. YOU WAIVE TRIAL BY JURY.

Signature: *Robert Burton*
 Name: **Robert Burton**
 Date: **08/29/06**

Signature: *Henry Burton*
 Name: **Henry Burton**
 Date: **08/29/06**

1. **LEASE.** You agree to lease from us and we agree to lease to you, the equipment listed above or on any schedule to this Lease (Equipment). You unconditionally promise to pay us the sum of all the rental and other payments indicated above or on any schedule (Rent). You authorize us to insert in this lease any serial numbers and other identification data about the Equipment, as well as any other entitled factual matters. All Rent and other payments under this Lease or any other agreement with us (collectively Obligation or Obligations) are payable in U.S. dollars, and may be adjusted upward or downward no more than ten percent (10%) to reflect actual costs.

2. **TERM OF LEASE.** This Lease shall become effective upon acceptance by us by signing and dating this Lease. A prorata portion of the suggested amount of the Rent based on a daily charge as specified in (1)(a) of the Rent from the date the Equipment has been delivered and is usable by you ("Commencement Date") to the end of the month shall be payable at the Commencement Date. The term of this Lease shall begin on the first day of the month following the Commencement Date and terminate upon the expiration of the number of months stated under Base Term, above. Following the Commencement Date, Rent and other Obligation payments are due on the first of each month, payable to a location to be designated in writing. YOUR OBLIGATION TO PAY RENT TO US IS UNCONDITIONAL AND NOT SUBJECT TO ANY REDUCTION, SET-OFF, DEFENSE, OR COUNTERCLAIM AND MAY NOT BE CANCELLED FOR ANY REASON WHATSOEVER. In the event this Lease is not fully completed for any reason beyond our control, all deposits made by you will be retained by us as compensation for documentation, processing and other expenses. We have the right, but not the obligation, to electronically withdraw funds from your bank account to pay for any unpaid Rent, taxes, fees, charges and assessments.

3. **PAYMENT OF LEASE OBLIGATIONS:** Payment of the Lease Obligation shall be made by electronically withdrawing funds from the bank account on which your deposit check was drawn. You authorize us to debit from this account on which your deposit check was drawn, on or after the 1st day of each month, for scheduled Lease Payments or other amounts due and owing at the time under the Lease. You acknowledge that, if we assign the Lease to a third party, the assignee is authorized to debit the account on which your deposit check was drawn. If you would prefer to authorize us to debit another account, fill in the blanks provided below along with a copy of a voided check from the specified account.

Account Number _____ ABA / Routing Number _____
 Financial Institution Name _____ Initials _____

4. **NO WARRANTIES; NO AGENCY; WE ARE LEASING THE EQUIPMENT TO YOU AS-IS; WE MAKE NO WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF NON-INFRINGEMENT, MERCHANTABILITY, OR FITNESS FOR A PARTICULAR PURPOSE OR ORDINARY USE.** You understand and agree that we are independent from the vendor, manufacturer and/or supplier (collectively "Supplier") of the Equipment and that neither the Supplier nor any other person is our agent, nor are they authorized to waive or change any term or condition of this Lease. You agree that no representation, guaranty or warranty by the Supplier or other person is binding on us. So long as you are not in default under any terms of this Lease, we transfer to you any warranties made to us, as the owner of the Equipment, by the Supplier. You agree that any breach by the Supplier will not relieve or excuse your Obligations to us. Regardless of cause, you will not assert any claim whatsoever against us for any direct, consequential, special or indirect damages. If you have entered into a maintenance agreement for the Equipment and the cost of the maintenance agreement is included in the Rent, you acknowledge that we are not responsible for any service, repairs, or maintenance of the Equipment, and that we are not a party to the maintenance agreement. If you have a dispute regarding maintenance or service then you will nevertheless continue to pay all Obligations as they become due.

5. **UCC-ARTICLE 2A (whenever the term Article 2A is used herein, it is understood to include equivalent provisions of California Commercial Code Division 28 when California law is applicable).** You agree that this Lease is a "Finance Lease" under Article 2A of the Uniform Commercial Code as adopted by the State of California. You acknowledge that (a) we did not select, manufacture or

supply the Equipment, but at your request we have purchased the Equipment for lease to you; and (3) based solely on your own judgment, you have accepted the Supplier and the Equipment that you are leasing from us. You agree that you have approved any purchase or supply contract with the Supplier before signing this Lease. You may have rights under the supply or purchase contract, and you may contact the Supplier for a description of those rights or any warranties. To the extent permitted by applicable law, YOU WAIVE ANY AND ALL RIGHTS AND REMEDIES CONFERRED UPON YOU UNDER UCC §§ 2A-309 AND 2A-310 THROUGH 2A-322, INCLUDING WITHOUT LIMITATION, THE RIGHT TO REFUDE THE LEASE AND REJECT THE EQUIPMENT; REVOKE ACCEPTANCE OF THE LEASE; OR RECOVER DAMAGES FROM US FOR ANY BREACH OF WARRANTY.

6. **DELIVERY OF EQUIPMENT:** You request that we arrange delivery to you at your expense. We may at our discretion confirm by telephone that you have accepted the Equipment and this telephone verification of your acceptance of the Equipment shall have the same effect as a signed Equipment Acceptance.

7. **ASSIGNMENT:** You may not sell, transfer, assign or otherwise lease the Equipment without our prior written approval. We may sell, assign or transfer this Lease, without notifying you, and you agree that if we do, the new Lessor will have the same rights and benefits that we now have, and will not have to perform any of our obligations. You agree that the rights of the new Lessor will not be subject to any claims, defenses or offsets that you may have against us.

8. **OWNERSHIP, RIGHTS AND QUIET ENJOYMENT:** You agree that we are the owner of and have title to the Equipment. You agree, at your expense, to protect and defend our title and other rights to the Equipment. You shall have the right to quiet use and enjoyment of the Equipment for the term of this Lease, provided you are not in default. We also have the right, at reasonable times, to inspect the Equipment at your expense.

9. **CARE, USE AND LOCATION; LOSS OF EQUIPMENT:** You are responsible for installing and keeping the Equipment in good working order and repair. You will keep and use the Equipment only at your address shown on this Lease, only for business or commercial purposes and in compliance with all applicable laws, ordinances or regulations. You will not make any alterations to the Equipment without our prior written consent, nor will you permanently attach the Equipment to any real estate. You are responsible for protecting the Equipment from damage, and from any other kind of loss while you have the Equipment or while it is being delivered to you. In the event the Equipment is lost, stolen or damaged, then you shall have the option within one week of such event to: (a) repair or replace the Equipment or (b) pay to us the unpaid balance of the remaining lease under this Lease and our residual interest in the Equipment, discounted to present value at the rate of five percent (5%) plus any other Obligations.

10. **TAXES AND FEES:** You agree to pay when due all taxes, fees, fines, assessments and penalties relating to this Lease or the Equipment, including without limitation, documentation tax, filing fee, credit fees, equipment inspection fees, early termination or assumption fees, title fees, name change fees, sales or property taxes, use taxes and business taxes. You also agree that we may estimate the yearly personal property taxes that will be due for the Equipment, and you agree to pay us the estimated taxes together with a processing fee, on demand.

11. **INDEMNITY:** You are not responsible for any injuries or losses to you or any other person or property caused by the installation, operation, maintenance or use of the Equipment. You agree to indemnify us for and defend us against any claims for such losses or injuries, including, without limitation, those arising out of the negligence, tort or strict liability claims. This indemnity shall continue even after the term of this Lease has expired.

12. **INSURANCE:** During the term of this Lease, you will keep the Equipment insured against all risks of loss or damage in an amount not less than the replacement cost of the Equipment. At our request, you will also obtain and maintain for the term of the Lease, comprehensive public liability insurance in amounts acceptable to us. We will be the sole loss payee named on the property insurance and named as an additional insured on the public liability policy. You will pay all premiums for such insurance. If you do not provide such insurance, you agree that we have the right, but not the obligation, to obtain such insurance and charge you a fee, which you agree to pay when presented. You will give us certificates or other evidence of insurance and such certificates shall provide that we shall be given 30 days advance notice of any cancellation, non-renewal or other material change in the insurance. You grant us and our agents power-of-attorney in your state to apply for insurance benefits and collect checks provided in payment of insurance claims.

13. **DEFAULT AND REMEDIES:** If you (A) do not pay any Obligation when due, (B) break any of your promises, representations or covenants under this Lease, (C) any guarantor enters (voluntarily or involuntarily) into a bankruptcy proceeding, (D) are a corporation and more than 20% of the issued and outstanding voting capital stock is transferred to or acquired by any person or entity that is not an owner as of the date of this Lease, (E) you change your name, state of incorporation, chief executive office and/or place of residence without providing us with 30 days prior written notice of such change, you will be in default. In the event of a default by you, we can require that you return the Equipment to us and pay to us the remaining balance of all of the lease due under this Lease, discounted to present value at five percent (5%), together with any other amounts due under this Lease. We can also require that you pay to us our residual interest in the Equipment. Interest shall accrue on all Obligations due us from the date of default until paid at the rate of eighteen percent (18%) per annum, but only to the extent permitted by law. We shall also be entitled to recover from you all damages caused by that default. We can also sue any of the remedies available to us under the UCC or any other law, including repossession of the Equipment or other Collateral. You agree to reimburse us for all charges, costs, expenses and attorney's fees that we have to pay to enforce this Lease or collect the Obligations under this Lease and in any lawsuit or other legal proceeding which we bring or defend. You also agree that in the event of a dispute related to or arising out of this Lease, the prevailing party in such dispute shall be entitled to recover its reasonable attorney's fees and costs. If we have to take possession of the Equipment, you agree to pay the cost of repossession, storage, shipping, repairing and selling the Equipment. You agree that we are entitled to abandon the Equipment if we reasonably believe it to be in our best interests.

14. **OTHER RIGHTS:** Time is of the essence in this Lease. You agree that any delay or failure by us to enforce our rights under this Lease or any other agreements shall not prevent us from enforcing any rights at a later time. Both parties intend this Lease to be a valid and legal document, and agree that if any part is determined to be unenforceable, all other parts will remain in full force and effect. You also grant us a security interest in the Equipment and any proceeds, accessories and attachments to the Equipment as security for your Obligations. You agree that we may file financing statements or other related filings in our name or in the name of any agent designated by us. You hereby authorize us, or our assigns, to file a financing statement without your signature, in form or content and from time to time as we deem proper, listing you as Lessor or Debtor.

15. **LESSOR REPRESENTATIONS AND WARRANTIES:** You hereby represent and warrant that at the time you sign this Lease you are and shall remain a business entity duly organized, validly existing, and in good standing under the laws of the state of registration, that your chief legal counsel, state of incorporation, location of your chief executive office and/or your place of residence as applicable, have been correctly identified to us. You further represent and warrant that at the time you sign this Lease the person executing this Lease or any related document on behalf of you or any related guarantor shall be authorized to take such action and bind you and the guarantor to the Lease, and that the execution, delivery and performance of this Lease is duly authorized by your organizational documents and, if necessary, resolutions of your directors and/or shareholders, partners, or managers and/or members.

16. **RETURN OF EQUIPMENT; RENEWAL:** If no default exists or has occurred under this Lease, you may, at the end of the original or any renewal term, purchase all (but not less than all) of the Equipment for a sum set forth on the front of this lease, plus any applicable taxes. If a \$1.00 or \$101 buyout is indicated in the End of Term section on the front of the Lease then, at the end of the Lease Term, you shall purchase the equipment for that amount. If the Fair Market Value Purchase Option is indicated in the End of Term section on the front of this lease then, at least 180 days prior to the end of the original term, you must give us written notice, via certified mail, that you will purchase the Equipment for its fair market value, which we shall determine in our reasonable judgment; or that you will return the equipment to us. If you do not give us such written notice on or before the date of purchase or delivery of the equipment in accordance with the terms and conditions of this Lease, then this Lease shall automatically renew for a 12 month term, you do not give us such written notice on or before the date of purchase or delivery of the equipment in accordance with the terms and conditions of this Lease, then this Lease shall automatically renew for a 12 month term, and thereafter renew for successive 12 month terms until you deliver the Equipment to us. During such renewal(s), the Rent shall be the highest monthly rate set forth in this Lease. We may cancel the renewal by sending you written notice 90 days prior to such renewal term. This End of Term option may become null and void at our discretion if any Event of Default occurs or continues at any time during the original term of the Lease. Upon payment of End of Term option price, and if no default exists, we shall transfer our interest in the Equipment to you "AS-IS, WHERE IS" without any representation or warranty whatsoever and the Lease. Upon payment of End of Term option price, and if no default exists, we shall transfer our interest in the Equipment to you "AS-IS, WHERE IS" without any representation or warranty whatsoever and the Lease will terminate. Provided you have given the required notice, and do not then in default you shall return the Equipment, freight and accessories payable to us in good repair, condition, and working order; ordinary wear and tear excepted, in a manner and to a location designated by us. Until the End of Term Option price is actually paid, you will be responsible to continue to pay rent at the monthly rate set forth in this Lease.

17. **LATE CHARGE; FEES:** If any part of any Obligation is not made by you within five (5) days of its due date, you agree to pay us fifteen percent (15%) of each such late payment (to the extent permitted by law).

18. **ENTIRE AGREEMENT; CHANGES:** This Lease contains the entire agreement between you and us, and it may not be altered, amended, modified, terminated or otherwise changed except in writing and signed by both you and us. A limiting endorsement on a check or other form or payment will not be effective to modify the Obligations or any of the other terms and conditions of this Lease, and we may apply any payment received without being bound by such limiting endorsements.

19. **COMPLIANCE; NOTICE:** In the event you fail to comply with any terms of this Lease, we can, but we do not have to, take any action necessary to effect your compliance. If we are required to pay any amount to obtain your compliance, the amount we pay plus all of our expenses in coming your compliance, shall become additional Obligations. This Lease is for the benefit of and is binding upon you and your personal representatives, successors and assigns.

20. **CHOICE OF LAW; JURISDICTION:** YOU AND WE AGREE THAT THIS LEASE SHALL BE BINDING WHEN ACCEPTED IN WRITING BY US AT OUR OFFICES AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA. YOU AND WE EACH CONSENT TO THE JURISDICTION OF THE COURTS OF ORANGE COUNTY, CALIFORNIA AND/OR THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA, SANTA ANA DIVISION FOR THE DETERMINATION OF ALL DISPUTES ARISING UNDER THIS LEASE. YOU WAIVE TRIAL BY JURY IN ANY ACTION BETWEEN US.

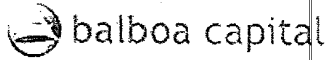
21. **REPRESENTATIONS AND COVENANT OF LESSOR:** You represent that all financial and other information furnished to us was, at the time of delivery, true and correct. During the term of this Lease, you shall provide us with such interim or annual financial statements and filed tax returns as we request.

22. If this document was sent electronically, you hereby warrant that this document has not been altered in any way. Any alteration or revision to any part of this or any attached documents will make all such alterations or revisions non-binding and void.

"Delivery of this document bearing a facsimile signature or signatures shall have the same force and effect as if the document were an original signature."

Lease Number: 131063-001

Initials: **RLB**



DELIVERY AND ACCEPTANCE CERTIFICATE

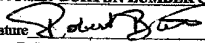
Lease # 131063-001

By signing below, you, the Lessee, agree:

- a. That all Equipment described in the Lease identified above has been delivered, inspected, installed and is unconditionally and irrevocably accepted by you as satisfactory for all purposes of the Lease; and
- b. That we, **BALBOA CAPITAL CORPORATION**, are authorized to purchase the Equipment and start billing you under the Lease as set forth in Section 2.

Date of Acceptance: 2/6/07

Lessee Name BURTON LUMBER COLINC

Signature  _____
Name: Robert Burton Title: Vice President

I hereby authorize Travis Burton to orally verify my/our acceptance of the equipment subject to Lease Agreement # 131063-001 in my absence

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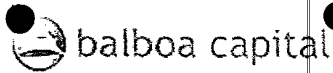


EXHIBIT 'A'
EQUIPMENT DESCRIPTION

The following invoice(s) are referenced, and hereby incorporated, for the purpose of describing the equipment subject to lease agreement # 131063-001. By signing below, I, the lessee, acknowledge that I choose to lease the equipment listed on the invoice(s) per the payment schedule and the terms and conditions set out in lease agreement, which is the governing document to this lease regardless of the price and terms (if any) indicated on the invoice(s).

EQUIPMENT DESCRIPTION	INVOICE #	INVOICE DATE	VENDOR NAME
1 PENDU MODEL VEH 6-36 EDGER BOARD & GANG SERIAL NUMBER HD3667052 1 MOTOR & LIGHTS	100106	10/1/06	PENDU MFG, INC.

Lease Number 131063-001

Lessee Name BURTON LUMBER CO INC

By: 

Name: Robert Burton

Title: Vice President

Date: 08/29/06

Page 1 of 1

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Hold Harmless Letter Agreement

Lease Number 131063-001

This Letter Agreement has been written in "Plain English". When we use the words you or your, we mean you, our customer, which is the Lessee described in the Lease referenced above. When we use the words we, us and our, we mean the Lessor, Balboa Capital Corporation.

Normally we do not pay any equipment supplier until all of the Equipment (as described in the Lease) has been delivered and installed. You are requesting we pay your supplier(s) prior to delivery and installation of all of the Equipment subject to your Lease.

Your signature below authorizes us to make the following payment(s) to your supplier(s):

Supplier Name	Date of Payment to Supplier	Amount of Payment to Supplier	% of Invoice Paid to Supplier
<u>Pendu International, Inc.</u>	<u>01/09/06</u>	<u>\$55,374.00</u>	<u>74%</u>
_____	_____	_____	_____
_____	_____	_____	_____

You shall pay us interim rent based on the aggregate amount of our payment(s) to your supplier(s) multiplied by the daily equivalent lease rate. (The daily equivalent lease rate is equal to 1/30th of the quotient that results when dividing the monthly rental payment of your Lease by the aggregate invoice amounts) Once all of the Equipment has been delivered and installed, you shall sign, date and return our Delivery and Acceptance Certificate. Interim rent shall continue to accrue from the date of such Delivery and Acceptance Certificate through the first day of the following month.

Our payment to your supplier(s) prior to delivery and installation of all of the Equipment is being made as an accommodation to you. If you are dissatisfied with the Equipment, or you fail to take delivery of it, or installation is not satisfactory, you still agree to make all payments called for in your Lease. You hereby acknowledge and understand that by signing this Agreement, you agree that you shall be responsible for taking delivery/installation of the Equipment subject to your lease, and that you shall hold us, and our assignee, harmless for any failure to take delivery/installation of the equipment, and shall seek recovery against the supplier(s) and/or manufacturer(s) of the equipment only, and not Balboa Capital Corporation. You further agree that you will remain absolutely responsible to us, or our assignee, for all payments required under the Lease, and waive any and all claims against us, or our assignee, arising out of the failure of the Equipment to be delivered/installed in a timely or acceptable manner or at all. You accept all risk that the vendor/supplier of the Equipment will not deliver the Equipment as promised. You also agree to hold us harmless and defend us against the supplier(s) for any and all claims arising out of our failure to honor the supplier(s) invoice(s) as a result of your failure to execute the Delivery and Acceptance Certificate.

In the event you do not sign, date and return our Delivery and Acceptance Certificate within sixty (60) days of our first payment to your supplier(s), the term of your Lease shall commence, at our sole option, and payments will become due as described in the Lease. In the event the Lease is not commenced, then you agree to pay us all amounts paid as set forth above within two (2) business days of our written demand for repayment, together with interest at eighteen percent (18%) per annum.

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Lessee: BURTON LUMBER CO INC

By: 

Name: Robert Burton

Title: Vice President

Date: 01/09/07



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Lessor: BURTON LUMBER CO INC

By: 

Name: Robert Burton

Title: Vice President

Date: 01/09/07

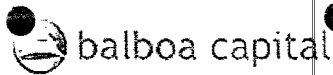



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Lessee Name BURTON LUMBER CO INC

→ By: 
Name: Robert Burton
Title: Vice President
Date: 08/29/06

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