

9212110104

TRUST DEED

FIRST AMERICAN TITLE CO.

37208

32/39

DATED: November 30, 1992

BETWEEN: Sedro-Woolley Lumber Co.
109 Jameson Avenue
Sedro-Woolley, WA 98284

GRANTOR

AND: Fleet Bank, N.A., as Agent for Principal
Mutual Life Insurance Company, Aetna
Life Insurance Company, The Northwestern
Mutual Life Insurance Company, Chemical
Bank, Seattle-First National Bank and
Bank of America Oregon

Attn: Ms. Susan Freedman
Vice President
Corporate Trust
One Constitution Plaza
Hartford, CT 06115
(203) 244-5360

RECORDED
REQUEST OF
92 DEC 11 P 3:07
JERRY MCGINTURE
SKAGIT COUNTY AUDITOR
JERRY MCGINTURE
SKAGIT COUNTY AUDITOR

BENEFICIARY

AND: First American Title Company

TRUSTEE

Under a Credit and Security Agreement dated as of November 30, 1992 between the Lenders (as defined therein), Grantor and the entities listed on Schedule 1 attached hereto (the "Credit Agreement"), Grantor and the entities listed on Schedule 1 (Grantor and such entities listed on Schedule 1 being collectively referred to as "Borrowers") are indebted to Lenders in the principal amount of \$58,627,000, which is repayable with interest according to the terms of promissory notes given to evidence such indebtedness in the aggregate principal amount of \$58,627,000, dated the same as this deed, under which the final payment of principal and interest will be due on December 15, 2004. The promissory notes, and any note or notes given in renewal, modification, substitution or addition to the promissory notes originally issued, are referred to as "the Note." Beneficiary is the agent of Lenders under the Credit Agreement pursuant to the terms of an Intercreditor Agreement dated as of November 30, 1992 between Lenders and Beneficiary. Capitalized terms used in this deed and not defined herein shall have the meaning given in the Credit Agreement.

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Grantor owns the real property in Skagit County, Washington described on attached Exhibit A (the "Real Property").

PDX1-28140.1 28807 0134

AFTER RECORDING, RETURN TO:
Karen Yurka
Stoel Rives Boley Jones & Grey
900 SW Fifth Avenue, Suite 2300
Portland, OR 97204-1268

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Pursuant to a lease dated July 1, 1985, between Grantor, as lessee, and Burlington Northern Railroad Company, as lessor, a copy of which is attached hereto as Exhibit B-1, and pursuant to a lease dated September 12, 1986 between Grantor, as lessee, and the City of Sedro-Woolley, as lessor, a copy of which is attached hereto as Exhibit B-2 (together, the "Lease"), Grantor leases the real property in Skagit County, Washington described on attached Exhibit C (the "Leased Property").

The term "Indebtedness" as used in this deed shall mean (a) the principal and interest payable under the Note, (b) the Obligations (as defined in the Credit Agreement), (c) any future amounts that Lenders may in their discretion loan to Grantor or any of the Borrowers, with interest thereon, (d) any other amounts now or hereafter owing to Lenders or Beneficiary by Borrowers under the Credit Agreement (excepting sums owed under Section 10.5 of the Credit Agreement), (e) any amounts expended or advanced by Lenders or Beneficiary to discharge obligations of Grantor or expenses incurred by Lenders, Beneficiary or Trustee to enforce obligations of Grantor, as permitted under this deed, with interest thereon as provided below, and (f) any amounts, with interest thereon at the rate specified in Section 14.4 below, payable by Borrowers under Section 10.5 of the Credit Agreement to the extent Beneficiary specifically elects by written notice to Grantor to include such amounts in the Indebtedness.

FOR VALUE RECEIVED, Grantor assigns and conveys to Trustee in trust the Real Property, Grantor's interest in the Lease, and Grantor's leasehold interest in the Leased Property, together with all existing and subsequently erected or affixed improvements and fixtures.

Grantor presently assigns to Beneficiary all of Grantor's right, title and interest in and to all rents, revenues, income, issues and profits (the "Income") from the Real Property and Leased Property, whether now or hereafter due.

Grantor grants Beneficiary a security interest in the Lease, the Income and in all equipment, furnishings, fixtures and other articles of personal property owned or leased by Grantor, now or subsequently located on or used in connection with the Real Property or the Leased Property, all accessions, parts or additions to, all replacements of and all substitutions for any of such property, and all proceeds (including insurance proceeds) therefrom.

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The Real Property, Leased Property, the Lease and the personal property described above are referred to as the "Property."

This trust deed, the assignment of the Income, and the security interest are given to secure payment of the Indebtedness and performance of all obligations of Grantor under this deed and Borrowers under the Credit Agreement and are given and accepted on the following terms and conditions, which Grantor will promptly and faithfully observe and perform:

1. PAYMENT AND PERFORMANCE

Grantor shall pay to Lenders or Beneficiary, promptly when due, all amounts payment of which is secured by this deed, and shall strictly perform all obligations imposed upon Grantor by this deed and the Credit Agreement.

2. POSSESSION OF THE PROPERTY

2.1 Possession. Until the occurrence of an Event of Default, Grantor may remain in possession and control of and operate and manage the Property and collect the Income from the Property.

2.2 Nuisance, Waste. Grantor shall not conduct or permit any nuisance and shall not commit or suffer any strip or waste on the Property.

2.3 Beneficiary's Right to Enter. Beneficiary and its agents and representatives may enter upon the Property at all reasonable times to attend to Beneficiary's interest and to inspect the Property.

3. COVENANTS REGARDING LEASE

Grantor will:

(a) Strictly and punctually pay and perform all obligations of the lessee under the Lease;

(b) Promptly upon, but in no event later than five (5) Business Days after learning thereof, notify Beneficiary in writing of the occurrence of any default under the Lease or the receipt of any notice or communication from the lessor asserting a default under the Lease;

(c) Not assign, agree to assign, sell or transfer any interest in or grant any security

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interest or lien upon the Lease or Grantor's interest thereunder;

(d) Unless expressly permitted by the Credit Agreement, not terminate the Lease without the prior written consent of Beneficiary, which shall not be unreasonably withheld; and

(e) Notify Lenders, within 30 days, of any amendment to or modification of the Lease.

4. TAXES AND LIENS

4.1 Right to Consent. Grantor may withhold payment of any tax or assessment levied against or on account of the Real Property or claim for work done on or for services rendered or material furnished to the Property in connection with a good faith dispute over the obligation to pay, so long as Beneficiary's interest in the Property is not jeopardized and such tax, assessment or claim is being contested by appropriate proceedings, promptly initiated and conducted in good faith and with due diligence and reserves, proper in accordance with generally accepted accounting principles, have been made therefor. In any contest proceedings, Grantor will defend itself and Beneficiary and will name Beneficiary as an additional obligee under any surety bond, and Grantor shall satisfy any final adverse judgment before enforcement against the Property.

4.2 Evidence of Payment. Grantor shall promptly on demand furnish evidence of payment of taxes and assessments levied against the Real Property and the improvements thereon to Beneficiary and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Real Property and improvements thereon.

5. PROPERTY DAMAGE INSURANCE

5.1 Maintenance of Insurance. Grantor shall procure and maintain policies of fire insurance with standard extended coverage endorsements covering all improvements on the Property which are owned by Grantor in compliance with Section 6.01.W of the Credit Agreement.

5.2 Application of Proceeds. Grantor shall promptly notify Beneficiary of loss or damage of the Property in accordance with the Credit Agreement. Beneficiary may make proof of loss if Grantor fails to do so within 15 days of the casualty. Grantor may, at its election, apply the proceeds to the reduction of the Indebtedness or the restoration and repair

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of the Property. If Grantor elects to apply the proceeds to restoration and repair, Grantor shall repair or replace the damaged or destroyed improvements in a reasonable manner. Any proceeds which have not been paid out within 180 days after their receipt and which have not been committed to the repair or restoration of the Property shall be used to prepay the Indebtedness and applied in the manner specified in the Credit Agreement. If Beneficiary holds any proceeds after payment in full of the Indebtedness, such proceeds shall be paid to Grantor.

5.3 Unexpired Insurance at Sale. Any unexpired insurance shall inure to the benefit of, and pass to, the purchaser of the Property covered by this deed at any trustee's sale or any foreclosure sale of the Property.

6. WARRANTIES OF GRANTOR

6.1 Title. Grantor is the owner of the lessee's interest in the Lease, free and clear of all liens and encumbrances except as provided in General Permitted Exception No. 7 on Exhibit D, and has not assigned all or any part of the lessee's interest in the Lease. Grantor warrants that it holds merchantable title to the Real Property in fee simple free of all encumbrances other than the encumbrances listed on attached Exhibit D (the "Permitted Encumbrances").

6.2 Status of Lease. Except as described on Exhibit E, Grantor has paid all sums due, and performed all obligations of the lessee, under the Lease, and there are no existing defaults under the Lease.


6.3 Defense of Title. Grantor warrants and will forever defend the lessee's interest in the Lease, and the leasehold interest in the Leased Property, and the Real Property, against the lawful claims of all persons. In the event any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary or Trustee under this deed, Grantor shall defend the action or proceeding at its expense.

6.4 Not Agricultural Property. Grantor warrants that the Property is not used principally or primarily for agricultural or farming purposes. Grantor warrants that Grantor is engaging in this transaction exclusively for business, commercial or investment purposes.

7. CONDEMNATION

7.1 Application of Net Proceeds. If all or any part of the Leased Property is condemned and Grantor is under the 1ST AM

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Lease entitled to any portion of the proceeds, Lenders may elect to require that all or any portion of the net proceeds of the condemnation attributable to lessee's interest in the Leased Property be applied on the Indebtedness. If all or any part of the Real Property is condemned, Lenders may elect to require that all or any portion of the net proceeds of the condemnation be applied on the Indebtedness. The "net proceeds" shall mean the total amount available after payment of all reasonable costs, expenses, and attorneys' fees necessarily paid or incurred by Grantor, Beneficiary, and Trustee in connection with the taking by condemnation. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this Section shall apply.

7.2 Proceedings. If any proceedings in condemnation are filed, Grantor shall promptly take such steps as may be necessary to defend the action and obtain the award.

8. IMPOSITION OF TAX BY STATE

8.1 State Taxes Covered. The following shall constitute state taxes to which this Section applies:

(a) A specific tax upon trust deeds or upon all or any part of the indebtedness secured by a trust deed.

(b) A specific tax on a grantor which the taxpayer is authorized or required to deduct from payments on the indebtedness secured by a deed of trust.

(c) A tax on a trust deed chargeable against the beneficiary or the holder of the note secured.

(d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by a grantor.

8.2 Remedies. If any state tax to which this Section applies is enacted subsequent to the date of this deed, this shall have the same effect as an Event of Default, and Beneficiary may exercise any or all of the remedies available to it on the occurrence of an Event of Default unless the following conditions are met:

(a) Grantor may lawfully pay the tax or charge imposed by the state tax, and

(b) Grantor pays the tax or charge within 30 days after notice from Beneficiary that the tax law has been enacted.

9. POWERS AND OBLIGATIONS OF TRUSTEE

9.1 Powers of Trustee. In addition to all powers of Trustee arising as a matter of law, Trustee shall have the power to take the following actions with respect to the Property upon the request of Beneficiary and Grantor:

(a) Join in preparing and filing a map or plat of the Property, including the dedication of streets or other rights in the public.

(b) Join in granting any easement or creating any restriction on the Property.

(c) Join in any subordination or other agreement affecting this deed or the interest of Beneficiary under this deed.

(d) Reconvey, without warranty, all or any part of the Property.

9.2 Obligations to Notify. Trustee shall not be obligated to notify any other party of a pending sale under any other trust deed or lien, or of any action or proceeding in which Grantor, Beneficiary or Trustee shall be a party, unless the action or proceeding is brought by Trustee.

10. SECURITY AGREEMENT; SECURITY INTEREST

10.1 Security Agreement. This instrument shall constitute a security agreement with respect to the Lease, the Income and any personal property included in the description of the Property.

10.2 Security Interest. Upon request by Beneficiary, Grantor shall execute financing statements and take whatever other action is requested by Beneficiary to perfect and continue Beneficiary's security interest in the Income and personal property. Grantor hereby appoints Beneficiary as Grantor's attorney in fact for the purpose of executing any documents necessary to perfect or continue the security interest granted therein. Beneficiary may file copies or reproductions of this deed as a financing statement at any time and without further authorization from Grantor. Grantor shall reimburse Beneficiary for all reasonable expenses incurred in perfecting or continuing this security interest. Upon default, Grantor shall assemble the personal property and

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make it available to Beneficiary within three days after receipt of written demand from Beneficiary.

10.3 Fixture Filing. This instrument constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Property is located with respect to any and all fixtures included within the term Property as used herein and with respect to any goods or other personal property that may now be or hereafter become such fixtures.

11. RECONVEYANCE ON FULL PERFORMANCE

If Grantor pays all of the Indebtedness when due and otherwise performs all the obligations secured by this deed or if the requirements for the sale or other disposition of the Property set forth in the Credit Agreement are met, Beneficiary shall execute and deliver to Trustee a request for full reconveyance and shall execute and deliver to Grantor suitable statements of termination or release of any financing statement on file. The reconveyance and filing fees shall be paid by Grantor.

12. DEFAULT

The following shall constitute Events of Default:

(a) The occurrence of any Event of Default as defined in the Credit Agreement;

(b) The occurrence of any default or event of default under the Lease;

(c) Failure of Grantor to perform any other obligation under this deed within 30 days after receipt of written notice from Beneficiary specifying the nature of the default or, if the default cannot be cured within 30 days, failure within such time to commence and pursue curative action with reasonable diligence, provided that no notice of default and no opportunity to cure shall be required if during the prior 12 months Beneficiary has already sent a notice to Grantor concerning default in performance of the same obligation.

13. RIGHTS AND REMEDIES ON DEFAULT

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13.1 Remedies. Upon the occurrence of any Event of Default and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies:

(a) Beneficiary may declare the entire Indebtedness immediately due and payable.

(b) The Trustee shall have the right to foreclose by notice and sale, and Beneficiary shall have the right to foreclose by judicial foreclosure, in either case in accordance with applicable law.

(c) If this deed is foreclosed by judicial procedure, Beneficiary will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this deed exceeds the net sale proceeds payable to Beneficiary.

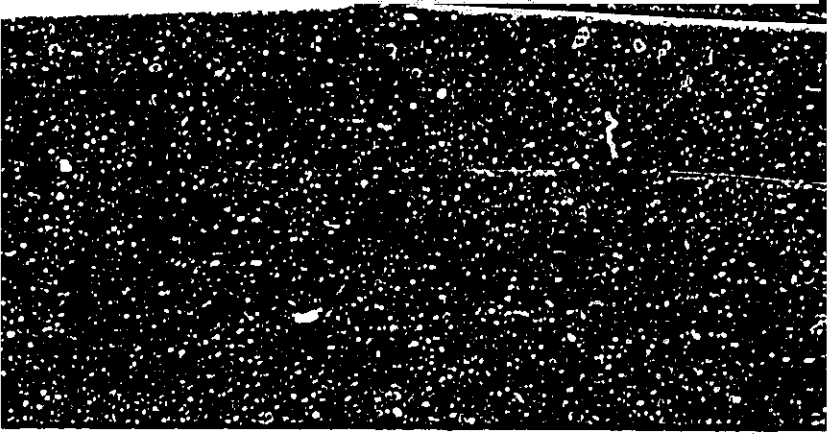
(d) With respect to all or any part of the Property that constitutes personalty, Beneficiary shall have all the rights and remedies of a secured party under the Uniform Commercial Code.

(e) Beneficiary shall have the right, without notice to Grantor, to take possession of the Property and collect the Income, including amounts past due and unpaid, and apply the net proceeds, over and above Beneficiary's costs, against the Indebtedness. In furtherance of this right, Beneficiary may require any tenant or other user to make payments of rent or use fees directly to Beneficiary. If the Income is collected by Beneficiary, then Grantor irrevocably designates Beneficiary as Grantor's attorney in fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Beneficiary in response to Beneficiary's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Beneficiary may exercise its rights under this paragraph either in person, by agent or through a receiver.

(f) Beneficiary shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, to collect the Income from the Property and apply the proceeds, over and above cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Beneficiary's right to the

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appointment of a receiver shall exist whether or not apparent value of the Property exceeds the Indebtedness by a substantial amount. Employment by Beneficiary or a Lender shall not disqualify a person from serving as a receiver.

(g) In the event Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Property and shall pay a reasonable rental for use of the Property while in Grantor's possession.

(h) Trustee and Beneficiary shall have any other right or remedy provided in this deed, the Note or the Credit Agreement or any other instrument delivered by Grantor in connection therewith, or available at law, in equity or otherwise.

13.2 Rights of Receiver or Mortgagee-in-Possession.
Upon taking possession of all or any part of the Property, the receiver or Beneficiary may:

(a) Use, operate, manage, control and conduct business on the Property and make expenditures for all maintenance and improvements as in its judgment are proper;

(b) Collect the Income from the Property and apply such sums to the expenses of use, operation, and management;

(c) At Beneficiary's option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as Beneficiary deems appropriate.

If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Beneficiary or Lenders (if Beneficiary or Lenders, in their sole discretion, agree to lend) or otherwise, or Beneficiary may borrow or advance, such sums as the receiver or Beneficiary may deem necessary for the purposes stated in this paragraph. The amounts borrowed or advanced shall bear interest from the date of expenditure until repaid at the same interest rate as provided in Section 14.4 below. Such sums shall become a part of the Indebtedness secured by this deed and shall be payable by Grantor on demand.

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13.3 Sale of the Property. In exercising its rights and remedies, the Trustee or Beneficiary may cause all or any part of the Property to be sold as a whole or in parcels, and certain portions of the Property may be sold without selling other portions. Beneficiary may bid at any public sale on all or any portion of the Property.

13.4 Notice of Sale. Beneficiary shall give Grantor reasonable notice of the time and place of any public sale of any personal property or of the time after which any private sale or other intended disposition of the personal property is to be made. Reasonable notice shall mean notice given at least 10 days before the time of the sale or disposition.

13.5 Waiver; Election of Remedies. A waiver by either party of a breach of a provision of this deed shall not constitute a waiver of or prejudice the party's right otherwise to demand strict compliance with that provision or any other provision. Election by Beneficiary to pursue any remedy shall not exclude pursuit of any other remedy, and all remedies of Beneficiary under this deed are cumulative and not exclusive. An election to make expenditures or take action to perform an obligation of Grantor shall not affect Beneficiary's right to declare a default and exercise its remedies under this deed.

13.6 Attorneys' Fees; Expenses. The provisions of Section 9.13 of the Credit Agreement are incorporated herein as if fully set forth. Expenses covered by this paragraph include (without limitation) the cost of searching records, obtaining title reports, surveyors' reports, appraisals, attorneys' opinions, title insurance and fees for the Trustee.

14. MISCELLANEOUS

14.1 Time of Essence. Time is of the essence of this deed.

14.2 Binding Upon Successors and Assigns. Subject to the limitations stated in the Credit Agreement and subject to the provisions of applicable law with respect to successor trustees, this deed shall be binding upon and inure to the benefit of the parties and their successors and assigns.

14.3 Security Agreement. In construing this deed, the term "deed" shall encompass the terms "security agreement" and "leasehold trust deed" when the instrument is being construed with respect to any personal property or leasehold. 37 A11

14.4 Expenditure by Beneficiary. If Grantor fails to comply with any provision of this deed, Lenders or

Beneficiary may elect to take the required action on Grantor's behalf, and any amount that Lenders or Beneficiary expend in so doing shall be added to the Indebtedness and shall be secured by this deed. Amounts so added shall be payable on demand with interest from the date of expenditure at the rate of 12 percent per annum or at the rate the Note bears, whichever is higher, but not in any event at a rate higher than the maximum rate permitted by law. Such action shall not constitute a cure or waiver of the default or any other right or remedy which Lenders or Beneficiary may have on account of Grantor's default.

14.5 Notices. Any notice under this deed shall be in writing and be delivered in the manner specified in, and be effective as provided in, the Credit Agreement.

14.6 Invalid Provisions to Affect No Others. If any of the provisions contained in the Note or this deed shall be invalid, illegal or unenforceable in any respect, the validity of the remaining provisions in this deed and the Note shall not be affected.

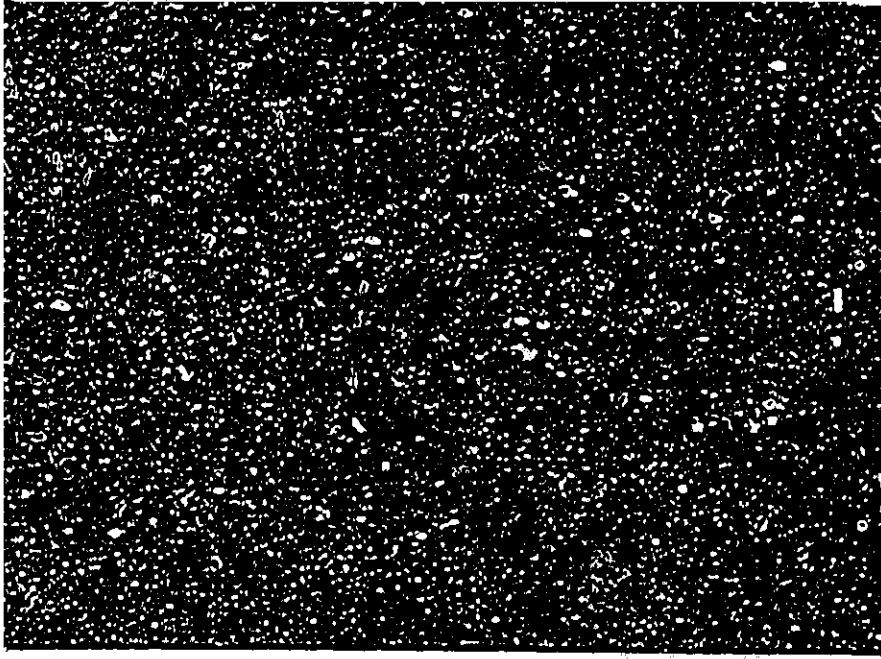
14.7 Changes in Writing. This deed and any of its terms may only be changed, waived, discharged or terminated by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought. Any agreement subsequently made by Grantor or Beneficiary relating to this deed shall be superior to the rights of the holder of any intervening lien or encumbrance.

14.8 Applicable Law. The law of the State of Washington shall be applicable for the purpose of construing and determining the validity of this deed and determining the rights and remedies of Beneficiary on default with respect to the Property.

14.9 Lease Extension. If Grantor and the lessor under the Lease agree to an extension or renewal of the term of the Lease, this Trust Deed shall extend to the extension or renewal term of the Lease.

14.10 Joint and Several Liability. If Grantor consists of more than one person or entity, the obligations imposed upon Grantor under this deed shall be joint and several.

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14.11 Exhibits and Schedules. The following exhibits and Schedules are attached hereto and by this reference made a part hereof:

- Exhibit A - Real Property
- Exhibit B - Lease
- Exhibit C - Leased Property
- Exhibit D - Permitted Encumbrances
- Exhibit E - Exceptions to Lease Status
- Schedule 1 - List of Borrowers

14.12 Effect of Credit Agreement. In the event of an inconsistency between the provisions of the Credit Agreement and the provisions of this deed, the provisions of the Credit Agreement shall prevail.

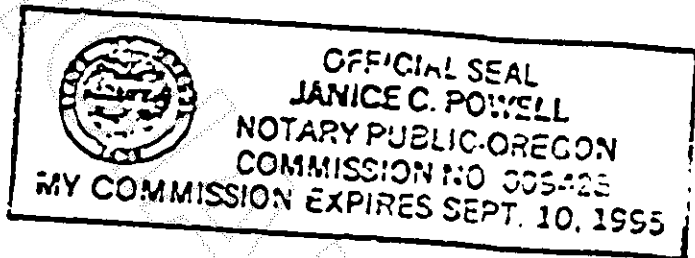
GRANTOR:

SEDRO-WOOLLEY LUMBER CO.

By: *Robert J. Riecke*
Robert J. Riecke
Its: Assistant Secretary

STATE OF OREGON)
) ss.
County of Multnomah)

This instrument was acknowledged before me on December 9, 1992, by Robert J. Riecke as Assistant Secretary of Sedro-Woolley Lumber Co.



Janice C. Powell
Notary Public for Oregon
My commission expires: 9/10/95

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Sedro Wooley

EXHIBIT A

Real Property

All of Grantor's property in Skagit County, Washington, including but not limited to the real property described as follows:

Parcel A

That portion of the Northeast 1/4 of the Northwest 1/4 of Section 25, Township 35 North, Range 4 East W.M. described as follows:

Beginning at a point on the Southwest marginal line of Railroad Avenue as established in the City of Sedro-Woolley at the intersection thereof with the West marginal line of Third Street produced; thence Northwesterly along the Southerly marginal line of Railroad Avenue as established to an angle in said line opposite the South end of Second Street in said city; thence West along the South marginal line of said Railroad Avenue 21.9 feet to the Northeasterly corner of that certain tract of land conveyed to the Commercial Club of Sedro Woolley by deed dated April 14, 1908 and recorded July 10, 1908, in book 68 of Deeds, page 307, records of Skagit County, Washington; thence continue along the Southerly marginal line of Railroad Avenue and being the Northerly line of "The Commercial Club" tract and said Northerly line produced (being described as North 52 degrees 51' West) to the East line of the Burlington Northern Railroad right of way (formerly the Seattle Lake Shore and Eastern Railroad right of way); thence Southerly along the Easterly line of said railroad right of way to the East-West centerline of said Northwest 1/4; thence East along the East-West centerline of said Northwest 1/4 to the West line of Third Street as platted in the Town of Sedro-Woolley and said West line produced; thence North along the West line of Third Street to the point of beginning. EXCEPT the East 7 feet thereof abutting Third Street.

TOGETHER WITH those portions of vacated Railroad Avenue which have reverted to said premises by operation of law. EXCEPT from said vacated Railroad Avenue any portion thereof lying within the boundaries of that certain tract of land conveyed to the City of Sedro-Woolley by deed recorded December 15, 1955 under Auditor's File No. 528649 records of Skagit County, Washington.

Parcel B

That portion of the South 1/2 of the Northwest 1/4 of Section 25, Township 35 North Range 4 East W.M., described as follows:

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Beginning at a point on the East line of the Burlington Northern Railroad right of way (formerly the Seattle Lake Shore and Eastern Railroad right of way) that is 60 feet North of the South line of said Northwest 1/4 as measured at right angles to said South line; thence East along a line that is parallel with and 60 feet North of said South line to a point that is 797 feet West of the center line of Third Street in the City of Sedro-Woolley and said Third Street produced South; said point being the Southwest corner of that certain tract of land conveyed to Emma Owens by deed recorded May 27, 1969 under Auditor's File No. 727010, records of Skagit County, Washington; thence North along the West line of the Owens tract (being parallel to the centerline of Third Street) a distance of 492 feet to the Northwest corner thereof; thence East parallel to the South line of said Northwest 1/4 a distance of 180 feet to a point that is North 89 degrees 40" West 617 feet from the centerline of Third Street, said point being also the Northeast corner of the Owens tract; thence South along the East line of the Owens tract (being parallel to the centerline of Third Street) a distance of 492 feet to a point that is 60 feet North of the South line of said Northwest 1/4; thence East parallel with and 60 feet North of the South line of said Northwest 1/4 a distance of 150 feet to the Southwest corner of a tract of land conveyed to Wallace L. Parker, et ux by deed recorded September 7, 1961 under Auditor's File No. 611968 records of Skagit County, Washington; thence North parallel to the center line of Third Street (being the West line of the said Parker Tract) to the Southwest corner of that certain tract of land conveyed to Willis, Rogers and Pearson Lumber Company Incorporated, a Washington Corporation by deed recorded November 15, 1971 under Auditor's File No. 760650, records of Skagit County, Washington (said point being 384.76 feet South of the North line of the Southeast 1/4 of the Northwest 1/4 of said Section 25; thence East along the South line of the said Willis, Rogers and Pearson Tract (said South line being parallel with and 384.76 feet South of the North line of said Southeast 1/4 of the Northwest 1/4 of said Section 25) a distance of 317 feet more or less to the Southeast corner of said Willis, Rogers and Pearson Tract; thence North along the East line of the Willis, Rogers and Pearson Tract a distance of 384.76 feet to the Northeast corner of the said Willis, Rogers and Pearson Tract (said point being on the North line of the Southeast 1/4 of the Northwest 1/4 of said Section 25 at a point that is 150 feet West of the center line of Third Street as established in the City of Sedro Woolley); thence West along the North line of the South 1/2 of the said Northwest 1/4 of said Section 25 to the Easterly line of the said right of way of the Burlington Northern Railroad; thence along the Easterly line of said right of way to the point of beginning.

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Parcel C

Lots 1 through 6 inclusive, Block 56, "FIRST ADDITION TO THE TOWN OF SEDRO", as per plat recorded in Volume 3 of Plats, page 29, records of Skagit County, Washington.

TOGETHER WITH that portion of vacated Second Street adjoining which upon vacation reverted to said premises by operation of law. ALSO TOGETHER WITH that portion of vacated Railroad Avenue adjoining which upon vacation reverted to said premises by operation of law.

Parcel D

Lots 18, 19 and 20, Block 55 "FIRST ADDITION TO THE TOWN OF SEDRO", as per plat recorded in Volume 3 of Plats, page 29, records of Skagit County, Washington.

TOGETHER WITH that portion of the East 1/2 of vacated Second Street adjoining which upon vacation reverted to said premises by operation of law. ALSO TOGETHER WITH the West 1/2 of that portion of vacated Metcalf Street adjoining which upon vacation reverted to said premises by operation of law. ALSO TOGETHER WITH that portion of the South 1/2 of the vacated alley adjoining said premises to the North which upon vacation reverted to said premises by operation of law. ALSO TOGETHER WITH that portion of vacated Railroad Avenue adjoining which upon vacation reverted to said premises by operation of law. ALSO TOGETHER WITH that portion of vacated Fidalgo Street adjoining said premises which upon vacation reverted to said premises by operation of law.

EXCEPT from all of the above that portion thereof lying within the boundaries of those certain tracts of land conveyed to the City of Sedro Woolley by deeds recorded December 10, 1955 under Auditor's File Numbers 528649, 528650 and 528651, records of Skagit County, Washington.

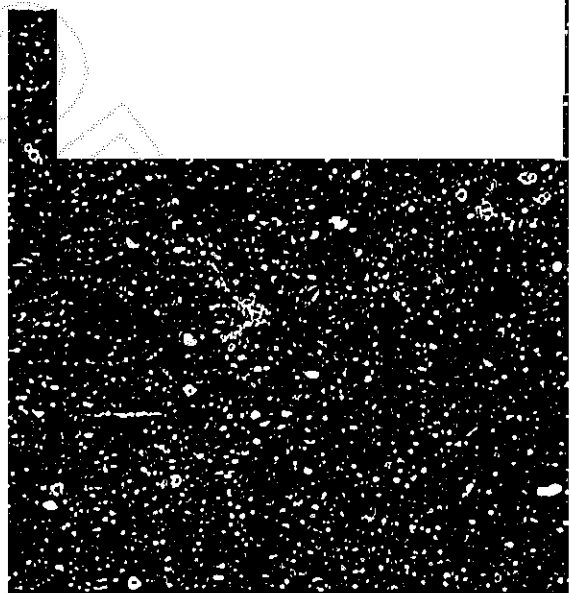
Parcel E

That portion of Lots 1, 2 and 3 lying West of the West line of vacated Metcalf Street in Block 55, "FIRST ADDITION TO THE TOWN OF SEDRO", as per plat recorded in Volume 3 of Plats, page 29, records of Skagit County, Washington.

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TOGETHER WITH that portion of the West 1/2 of vacated Metcalf Street which upon vacation reverted to said premises by operation of law (said West 1/2 of Metcalf Street being a portion of Lots 3 and 4 of said Block 55). ALSO TOGETHER WITH that portion of the East 1/2 of vacated Second Street which upon vacation reverted to said premises by operation of law.

ALSO TOGETHER WITH that portion of the North 1/2 of the vacated alley adjoining all of the above which upon vacation reverted to said premises by operation of law.

Parcel F

Lots 2 through 6, inclusive, Block 57, "FIRST ADDITION TO THE TOWN OF SEDRO", as per plat recorded in Volume 3 of Plats, page 29, records of Skagit County, Washington. TOGETHER WITH that portion of the South 25 feet of Fidalgo Street adjacent, which upon vacation reverted to said premises by operation of law.

UNOFFICIAL DOCUMENT

ALSO TOGETHER WITH that portion of the Northerly 1/2 of vacated Railroad Avenue adjacent which upon vacation reverted to said premises by operation of law. EXCEPT from all of the above any portion thereof lying within the boundaries of those certain tracts of land conveyed to the City of Sedro-Woolley by deeds recorded December 10, 1955 under Auditor's File Numbers 528649, 528650 and 528651, records of Skagit County, Washington.

1ST AM

9212110104

BK 1144 PGU 268

Exhibit B-1

No. 248,537 *813*

FIVE-YEAR LEASE

Trfr: #93020 (NP), 4-1-63, Willis, Rogers & Pearson Lumber Co., Inc.,
Assn'd. 4-11-73, WRP Lumber Corporation,
#218,920, 9-1-75, WRP Lumber Corporation,
#244,083, 6-1-83, Boyd Lumber Corporation.

THIS LEASE made this 1st day of July, 1985, between
BURLINGTON NORTHERN INC., a Delaware corporation, hereinafter called "Lessor", and BURLINGTON
NORTHERN RAILROAD COMPANY (formerly BURLINGTON NORTHERN INC.), a Delaware corporation,
hereinafter called "Lessor", and SEDRO-WOOLLEY LUMBER CO.

whose post office address is P. O. Box 639, Sedro Woolley, Washington 98284,

hereinafter called "Lessee",

WITNESSETH:

In consideration of the covenants hereinafter contained to be kept and performed by Lessee, Lessor hereby leases to Lessee upon the terms and conditions hereinafter set forth the following described premises situate in the City of Sedro Woolley, County of Skagit, State of Washington, to wit:

All that part of the premises of the said Lessor as shown hatched blue on the print hereto attached, marked Exhibit "A" dated June 21, 1985, and made a part hereof.

TO HAVE AND TO HOLD subject to the provisions following for the term of five (5) years commencing July 1, 1985 and ending June 30, 1990.

1. (a) Lessee shall occupy and continue to use said premises during the term for the exclusive purpose of chip loader, conveyor, chip loading system, planer building and storage shed.

(b) If a building or buildings have not already been constructed on said premises, Lessee shall, within six (6) months of the effective date of this lease, begin the construction and complete within eighteen (18) months of said date, a building or buildings according to plans and specifications submitted to and approved by Lessor in advance of construction. In event of destruction thereof in whole or in part Lessee shall within three (3) months thereafter commence the work of repairing or rebuilding and complete the same within twelve (12) months after the date of said destruction.

2. As annual rental Lessee shall pay annually in advance the sum of Ten Thousand and No/100 Dollars (\$10,000.00).

1ST AN.

3. (a) Lessee shall pay all taxes, license fees and other charges (see paragraph 3(b) below for payment of special assessments for public improvements) which may become due or which may be assessed against said premises, against Lessee, against the business conducted on said premises or against any and all improvements placed thereon during or for the period of the actual term hereof, even though such taxes, license fees or other charges may not become due and payable until after expiration or cancellation of this lease. Lessee shall reimburse Lessor for any such taxes, license fees or other charges which may be paid by Lessor promptly upon the presentation by Lessor of bills for the amount thereof, and in default of such reimbursement, all sums so paid by Lessor shall be deemed to be and shall be treated as additional rental and recoverable as such hereunder.

(b) In the event the premises hereby demised, or any part thereof, shall be subject to any special assessment for any public improvement or improvements and said assessment is in the amount of Five Hundred Dollars (\$500.00) or less, Lessee shall reimburse Lessor in full, promptly upon the presentation by Lessor of bills for the amount thereof. In the event the amount of said assessment exceeds Five Hundred Dollars (\$500.00), the rental herein reserved and stipulated to be paid by Lessee shall be automatically increased by an amount equal to twelve percent (12%) per annum of the total amount of said assessment.

(c) In case of nonpayment of rental, taxes, license fees, or other charges, the same shall, until paid, constitute a lien upon any buildings or other property owned by Lessee located upon said premises, and the lien may be foreclosed according to law. Lessee shall not remove said buildings or other property until said rental, taxes, license fees, or other charges have been paid unless directed to do so by Lessor.

4. Without the consent and approval of the Division Superintendent of Lessor, no structure shall be erected on said premises by Lessee if the same is not to be placed parallel to the main track of Lessor. Lessee shall paint and keep painted any frame building located upon said premises with a color satisfactory to Lessor. Lessee shall not place or permit to be placed any advertising matter upon any part of said premises or upon any improvements thereon except such as is necessary to advertise Lessee's own business.

5. Lessor reserves the right at any time to change the grade of its tracks without compensation to Lessee, and in the event such change is made, or the grade of any highway in proximity to said premises is changed, Lessee shall bear all expense necessary to adapt said premises and improvements thereon to the changed conditions.

6. (a) Lessee shall not place, or permit to be placed, or to remain, any material, structure, pole or other obstruction within 8-1/2 feet laterally of the center line or within 23 feet vertically from the top of the rail of any track; provided that if by statute or order of competent public authority greater clearances shall be required than those provided for in this paragraph 6, then Lessee shall strictly comply with such statute or order. However, vertical or lateral clearances which are less than those hereinbefore required to be observed but are in compliance with statutory requirements will not be or be deemed to be a violation of this clause. Lessee agrees to indemnify Lessor and save it harmless from and against any and all claims, demands, expenses, costs and judgments arising or growing out of loss of or damage to property or injury to or death of persons occurring directly or indirectly by reason of any breach of the foregoing or any other covenant contained in this agreement.

(b) Should either or both the lateral and vertical clearances hereinbefore required to be observed be permitted to be reduced by order of competent public authority, Lessee hereby agrees to strictly comply with the terms of any such order and indemnify and hold harmless Lessor from and against any and all claims, demands, expenses, costs and judgments arising or growing out of loss of or damage to property or injury to or death of persons occurring directly or indirectly by reason of or as a result of any such reduced clearance.

(c) Lessor's operations over the track with knowledge of an unauthorized reduced clearance shall not be or be deemed to be a waiver of the foregoing covenants of Lessee contained in this clause or of Lessor's right to recover for such damages to property or injury to or death of persons that may result therefrom.

7. Lessee, at Lessee's sole cost and expense, shall install and maintain adequate facilities for fire protection in all buildings and structures upon said premises. Lessee also, at Lessee's sole cost and expense, shall observe and comply with all the rules, regulations and orders of any duly constituted authority and of any board of fire underwriters having jurisdiction of said premises and all provisions of any fire insurance policy covering said premises.

8. Lessee shall not permit the existence of any nuisance on said premises; shall maintain and keep the same in proper, clean, safe and sanitary condition and free and clear of any explosive, flammable or combustible material which would increase or tend to increase the risk of fire, except for such material as may be necessary to Lessee's business; and further, Lessee shall keep, observe and comply with all federal, state and local regulations, ordinances and laws, and with the regulations of any duly constituted legal authority having jurisdiction of the premises, and at Lessee's sole cost shall make any and all improvements, alterations, repairs and additions and install all appliances required on said premises by or under any such regulations, ordinances or laws. If, as a result of Lessee's occupancy of the premises and its operations hereunder, any such regulation, ordinance or law is violated, Lessee shall protect, save harmless, defend and indemnify Lessor from and against any penalties, fines, costs and expenses, including legal fees and court costs incurred by Lessor, caused by, resulting from, or connected with such violation or violations.

9. Lessee shall comply with all applicable laws and ordinances and all rules, regulations and requirements of any governmental authority promulgated thereunder controlling environmental standards and conditions on the premises. If, as a result of Lessee's occupancy of the premises and its operations hereunder, any such law, ordinance, rule, regulation or requirement is violated, Lessee shall protect, save harmless, defend and indemnify Lessor from and against any penalties, fines, costs and expenses, including legal fees and court costs incurred by Lessor, caused by, resulting from or connected with such violation or violations.

10. Lessee, at Lessee's sole cost and expense, shall keep the premises hereby demised in good condition and shall make all repairs and renewals that from time to time may be necessary to keep any improvements which may be located thereon in good condition and repair and ready and fit for occupancy.

11. (a) It is understood by the parties that said premises are in dangerous proximity to the tracks of Lessor and that property on said premises will be in danger of injury or destruction by fire incident to the operation, maintenance or improvement of the railway, and Lessee accepts this lease subject to such dangers. It is therefore agreed, as one of the material considerations of this lease without which the same would not be granted, that Lessee assumes all risk of loss, damage or destruction by fire to buildings or contents or to any other property brought upon or in proximity to said premises by Lessee, or by any other person with the consent or knowledge of Lessee, without regard to whether such fire be the result of

negligence or misconduct of any person in the employ or service of Lessor or of defective appliances, engines or machinery, except to the premises of Lessor and to rolling stock belonging to Lessor or to others, and to shipments of third parties in the course of transportation. Lessee hereby indemnifies and agrees to protect Lessor from all such loss, damage or destruction to property, including claims and causes of action asserted against Lessor by any insurer of said property.

(b) Lessee also agrees to indemnify and hold harmless Lessor for loss, damage, injury or death from any act or omission of Lessee, Lessee's invitees, licensees, employees, or agents, to the person or property of the parties hereto and their employees, and to the person or property of any other person or corporation while on or near said premises; and if any claim or liability, other than from fire, shall arise from the joint or concurring negligence of both parties hereto, it shall be borne by them equally.

12. It is agreed that the provisions of paragraphs 6 and 11 are for the equal protection of any other railroad company or companies, including National Railroad Passenger Corporation (Amtrak), heretofore or hereafter granted the joint use of Lessor's property, of which said premises are a part.

13. (a) If Lessee shall default in any covenant or agreement herein assumed, and such default shall not be remedied or corrected within thirty (30) days after written notice by Lessor to Lessee of such default, this lease shall terminate without further notice. Any waiver by Lessor of any default shall not be construed as a waiver of any subsequent default. While such default continues Lessee shall not remove from said premises any building or other property owned by Lessee unless directed to do so by Lessor.

(b) If Lessor shall require said premises for railroad purposes at any time during the term, it may terminate this lease upon written notice of not less than six (6) months. In case of such termination Lessor shall purchase from Lessee the building or buildings owned by Lessee located on said premises, but shall not purchase equipment or movable fixtures or any of the contents thereof which are capable of being removed therefrom without damage to the said building or buildings. Lessor shall pay a sum equal to the fair market value of said building or buildings at the time such notice is given. If the parties fail to agree on the said value, the same shall be determined by three disinterested appraisers selected in the manner hereinafter provided, and the value agreed upon by any two of said appraisers shall be paid by Lessor. In the event of termination of this lease pursuant to notice in accordance with this paragraph 13(b), Lessee, before the termination date fixed in said notice, shall remove from said premises Lessee's property not purchased by Lessor, and in case of failure to do so, Lessor may remove such property at the cost of Lessee, or may appropriate same to its own use without compensation.

(c) Should it become necessary to select appraisers as mentioned in Paragraph 13(b), the party desiring the appraisal may choose one appraiser, after which the other party shall have twenty (20) days in which to choose an appraiser. Should a second appraiser not be chosen within said twenty (20) days, the party naming the first appraiser may choose the second appraiser. The two so chosen shall select a third appraiser within twenty (20) days; and if they fail to do so, the selection on application of either party may be made by any Justice of the Supreme Court of the state in which said premises are located. The decision of any two of such appraisers shall be binding upon the parties.

14. (a) Except as otherwise provided in paragraphs 3(c) and 13(a) hereof, before said lease expires Lessee shall, at its own sole cost and expense, remove or cause to be removed all buildings, structures, foundations, footings, materials, signs or signboards, debris or other articles or facilities owned or used by Lessee or placed on, above or below the surface of the premises by Lessee or by any person, firm or corporation or former Lessee. Lessee agrees to restore and level the premises to a condition satisfactory to Lessor.

(b) It is expressly understood by Lessee that until such time as the premises are surrendered to Lessor free and clear of all buildings, structures, foundations, footings, materials, signs or signboards, debris or other articles or facilities not belonging to Lessor and the premises are restored to a neat and orderly condition satisfactory to Lessor, Lessee shall be liable to Lessor for such rental, including taxes, as Lessor may from time to time determine. Lessee shall also be liable to Lessor for any and all losses and/or damages which Lessor may sustain or become liable for resulting from the failure of Lessee to restore the premises to a neat and orderly condition. Lessor may at its own sole election appropriate any property or improvements remaining on the demised premises for its own use without compensation to Lessee, or may dispose of any such property or improvements without any liability whatsoever to Lessee and charge Lessee for all cost and expense incidental to such removal.

15. (a) Without the written consent of Lessor, Lessee shall not assign this lease or any interest therein, or sublet, and no heir, executor, administrator, receiver, master, sheriff, trustee in bankruptcy, or other assignee by operation of law shall assign or sublet without such written consent.

(b) In the event of assignment of this lease, Lessor, having no advice to the contrary, shall at such time credit all unearned rental hereunder to the assignee. Any other disposition of unearned rental will be made by Lessor only upon the joint written request of both Lessee and Lessee's assignee at the time of submitting said assignment to Lessor for its consent.

16. Lessee shall pay all charges for the use on said premises of water, heat, gas, electricity, telephone, and any other public utility and shall save harmless Lessor, leased premises and the improvements thereon from any and all liens attaching thereto by reason of nonpayment of any such charges.

17. Lessee shall not permit any railroad company or any company or person engaged in any type of transportation, other than Lessor, to use any truck which is now or may hereafter be constructed upon the demised premises without express permission from Lessor in writing.

18. If, because of any act or omission of Lessee, any mechanic's lien or other lien, charge or order for the payment of money shall be filed against Lessor or any portion of the demised premises, Lessee shall, at its own cost and expense, cause the same to be discharged of record within thirty (30) days after written notice from Lessor to Lessee of the filing thereof; and Lessee shall indemnify and save harmless Lessor against and from all costs, liabilities, suits, penalties, claims and demands, including legal fees and court costs, resulting therefrom.

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19. All notices hereunder to be given by Lessor to Lessee may be effectually given by letter from Lessor or its agent or attorney forwarded by Certified Mail-Return Receipt Requested, postage prepaid, addressed to Lessee at Lessee's post office address above stated or at such address as Lessee may later give Lessor in writing.

20. All notices hereunder to be given by Lessee to Lessor may be effectually given by letter from Lessee or Lessee's agent or attorney forwarded by Certified Mail-Return Receipt Requested, postage prepaid, addressed to Lessor's Industrial Development and Property Management Department at 178 East Fifth Street, St. Paul, Minnesota 55101.

21. Nothing herein contained shall imply or import a covenant on the part of Lessor for quiet enjoyment.

22. Lessee accepts the leased premises subject to any and all existing permits, licenses, leases, easements, railroad facilities, pipelines, telephone, telegraph, communication, power and signal lines or any other similar facilities, together with any future installations thereof provided such future installations do not unreasonably interfere with Lessee's use of the leased premises.

23. The invalidity or unenforceability of any provision of this lease shall not affect or impair any other provision.

Subject to the foregoing provisions, this lease and all of the covenants and promises thereof shall inure to the benefit of and be binding upon the parties hereto and their executors, administrators, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this lease, in duplicate, the day and year first hereinabove written.

In presence of: _____
By _____
Director Property Management

BURLINGTON NORTHERN RAILROAD COMPANY
BURLINGTON NORTH MINN. ILL.
Attest: _____

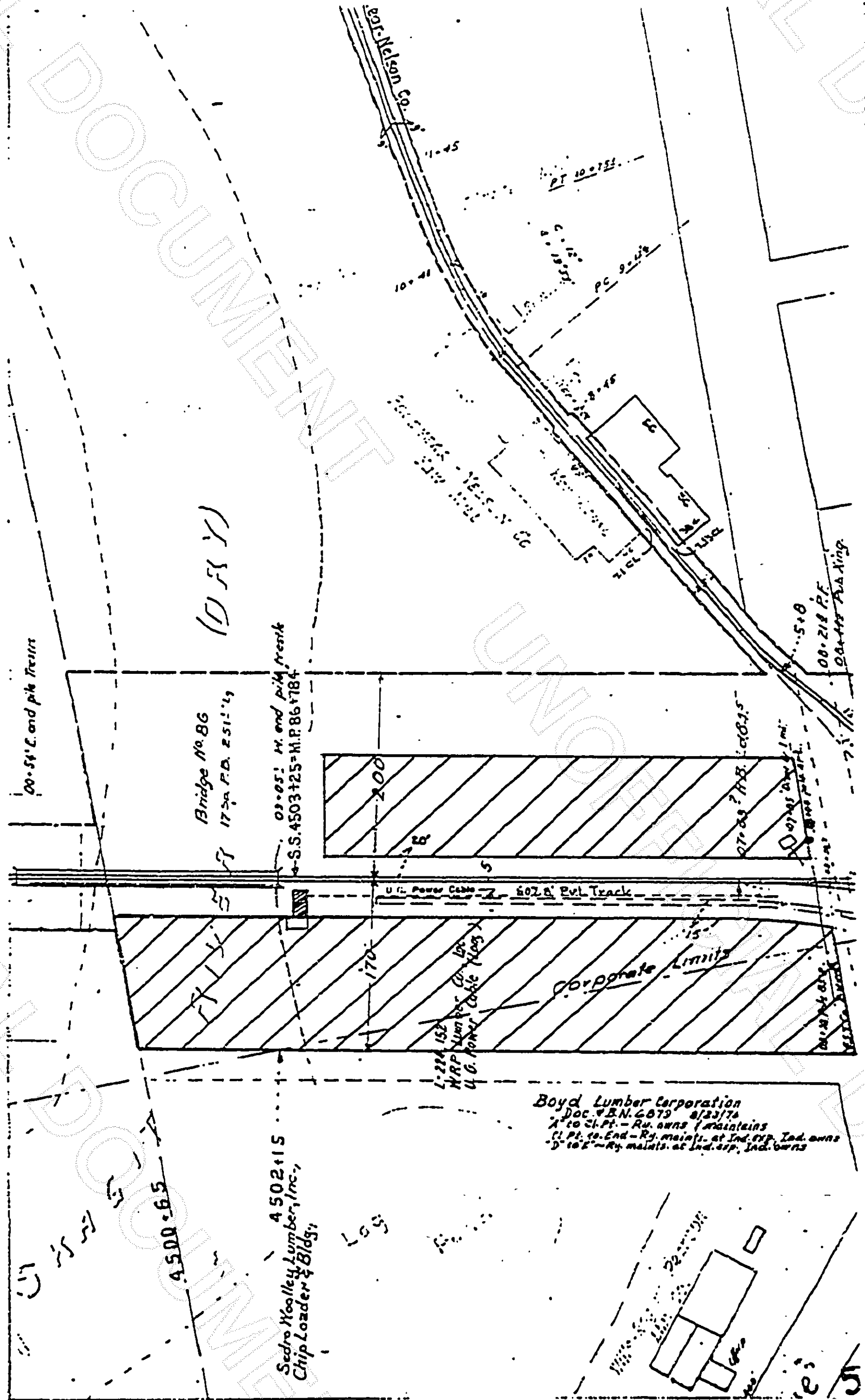
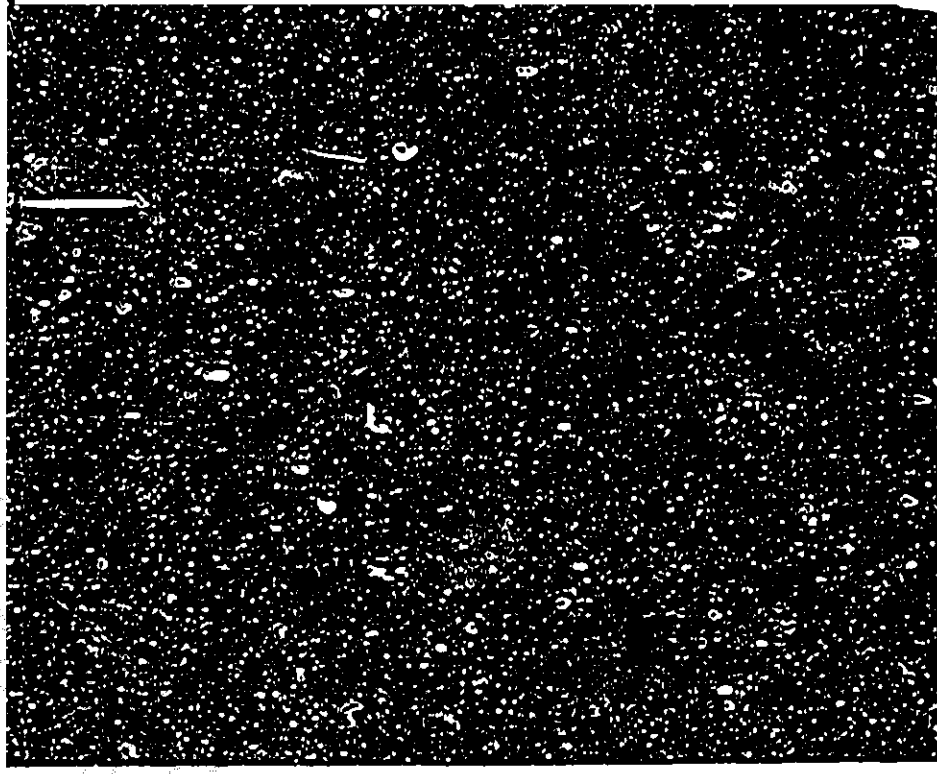
In presence of: _____
By _____
Title General Manager Vice Pres.

SEDRO-WOLLEY LUMBER CO.
By *Richard A. Strangfeld*
Title General Manager Vice Pres.

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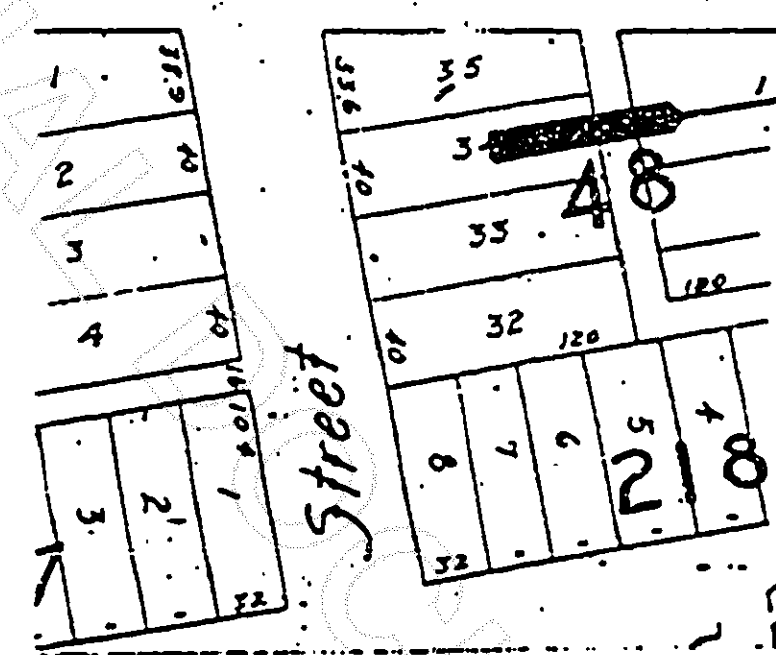
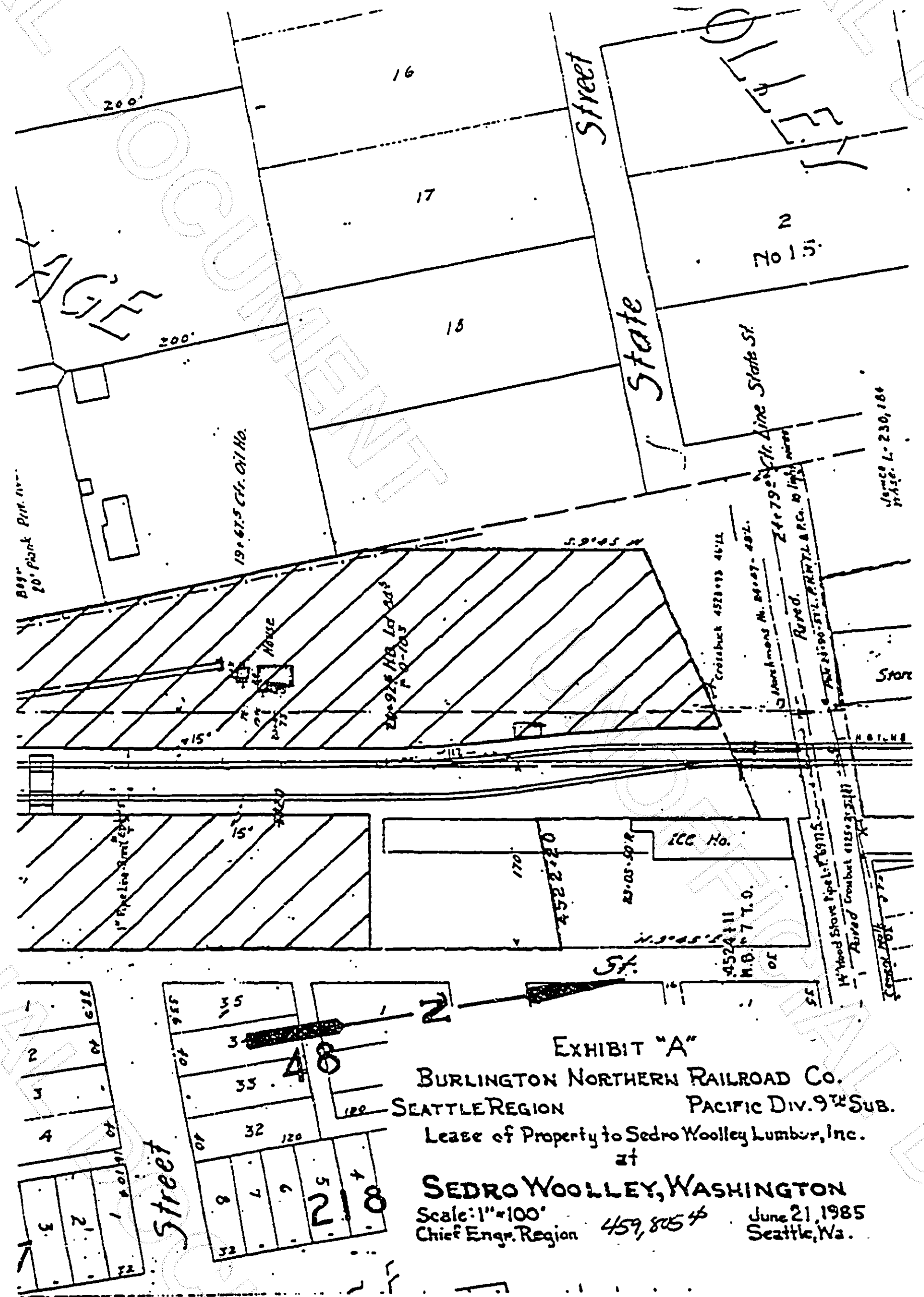


EXHIBIT "A"
 BURLINGTON NORTHERN RAILROAD CO.
 SEATTLE REGION PACIFIC DIV. 9TH SUB.
 Lease of Property to Sedro Woolley Lumber, Inc.
 at
SEDRO WOOLLEY, WASHINGTON
 Scale: 1"=100'
 Chief Engr. Region 459,805 \$ June 21, 1985
 Seattle, Wa.

1ST AM

9212110104

BK 144 PG 0274

ASSIGNMENT

AGREEMENT, made this 16th day of August, 1985 between BURLINGTON NORTHERN RAILROAD COMPANY (formerly known as Burlington Northern Inc.), a Delaware corporation, successor in interest by merger to Northern Pacific Railway Company, hereinafter called "Railway Company", WRP LUMBER COMPANY, INC., a Washington corporation, hereinafter called "Assignor", and SEDRO-WOOLLEY LUMBER CO., a Washington corporation, hereinafter called "Assignee",

WITNESSETH:

WHEREAS, Railway Company issued to Assignor or its predecessor company the following leases or permits covering sites or facilities at Sedro-Woolley, Washington:

| <u>No.</u> | <u>Date</u> | <u>Purpose</u> |
|--------------|-------------------|---|
| *(NP) 77325 | December 15, 1953 | Catch basin and drain pipeline permit |
| *(NP) 100582 | December 15, 1968 | Inter-communication cable crossing permit |
| 224,152 | January 1, 1977 | Longitudinal underground power cable. |

*Assigned from Willis, Rogers & Pearson Lumber Co., Inc. to WRP Lumber Corporation by Agreement dated July 16, 1973.

WHEREAS, Assignor and Assignee desire that Assignor's interest in said agreements be assigned to Assignee and that Railway Company consent thereto.

NOW THEREFORE, the parties hereto, in consideration of their mutually-dependent promises, hereby agree as follows:

1. For a valuable consideration, the receipt of which by Assignor is acknowledged, Assignor sells, assigns, transfers and sets over to Assignee all of Assignor's interest in and under said agreements as the same may have heretofore been amended or modified by any supplemental agreement.

2. Assignee assumes and shall perform and be bound by all the terms, conditions and provisions of said agreements as the same may have heretofore been amended or modified by any supplemental agreement, and Assignee shall use said premises for the purposes specified in said agreements.

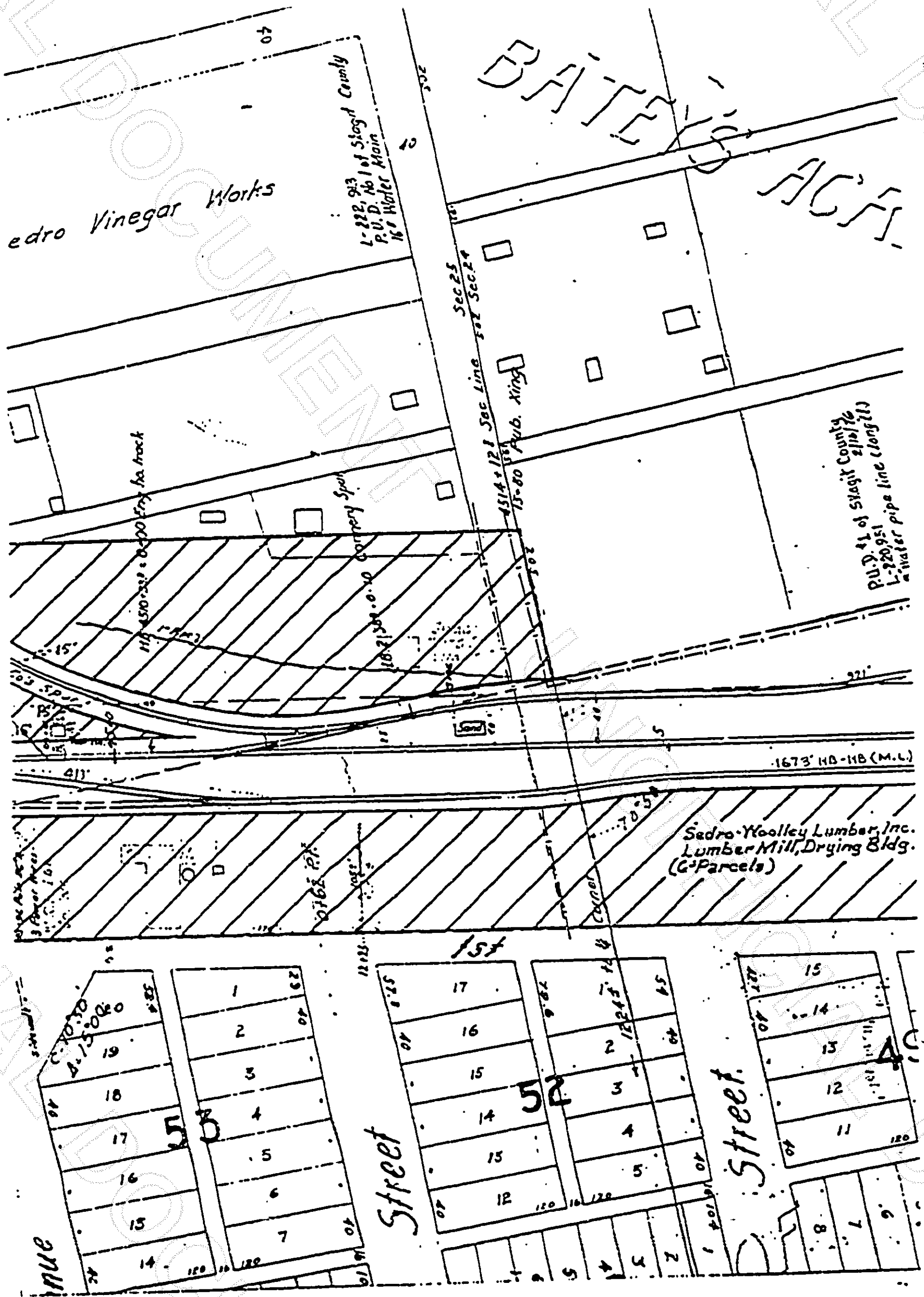
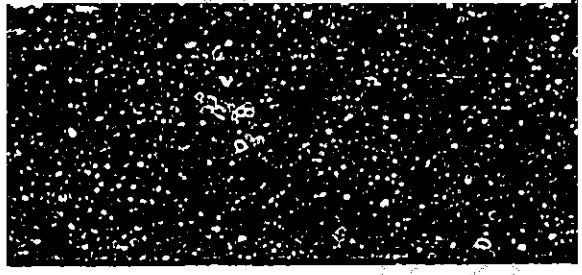
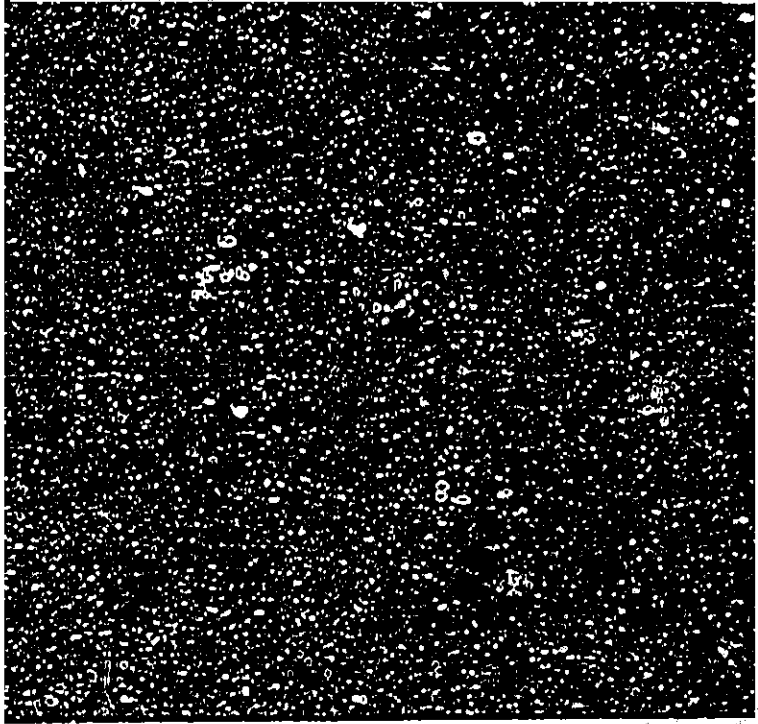
3. Railway Company consents to the assignment from Assignor to Assignee provided that such consent shall not be construed as consent to any further assignment of said agreements.

4. This assignment shall be effective as of July 1, 1985.

1ST AM

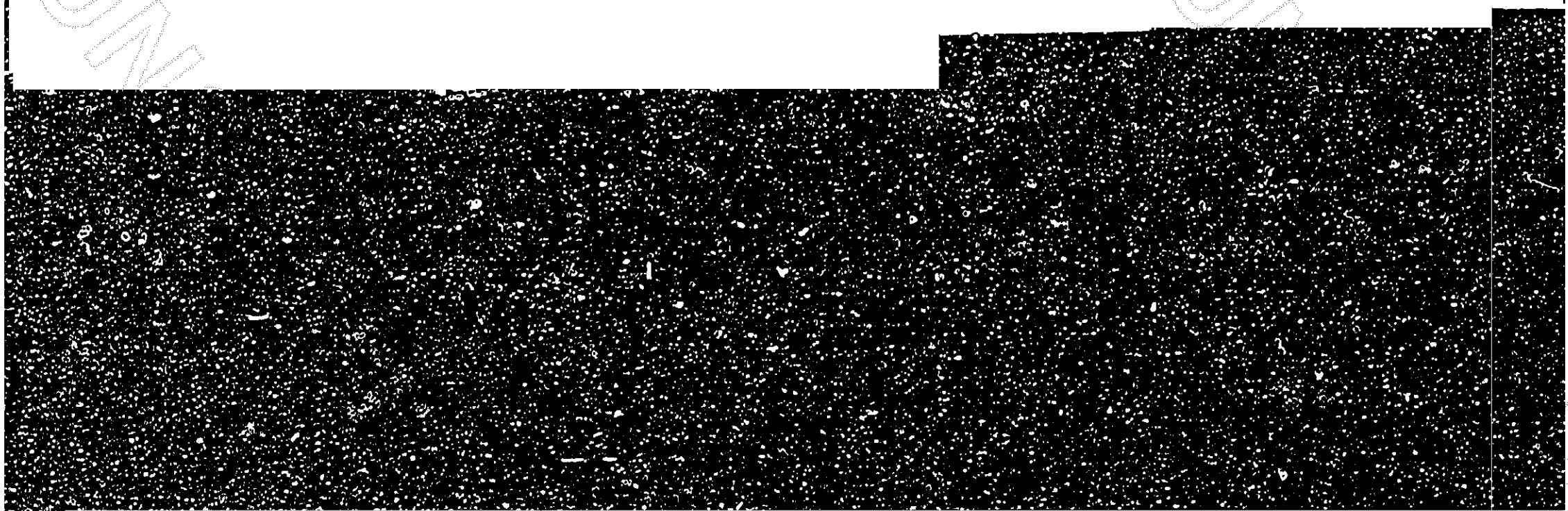
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BK 1144 PG 0275



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BK 1144 PGO276



5. Prior to completion of this instrument a processing fee of Two Hundred Dollars (\$200.00) shall be paid to Railway Company.

IN WITNESS WHEREOF, the parties hereto have executed these presents the day and year first above written.

BURLINGTON NORTHERN RAILROAD COMPANY

By _____
Manager - Leases

Witnesses to execution by Assignor:

WRP LUMBER CORPORATION

By _____
Title: _____
(Assignor)

SEDRO-WOLLEY LUMBER CO.

Bonnie E. Nelson
Donald R. Nelson

By Rick Stringfield
Title: GENERAL MANAGER-VIC. PRES
(Assignee)

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Exhibit B-2

LEASE

THIS INDENTURE OF LEASE Made and entered into this 12th day of Sept. 1986, by and between the CITY OF SEDRO-WOOLLEY, a municipal corporation, as lessor, and SEDRO WOOLLEY LUMBER CO. a corporation, as lessee,

WITNESSETH: That the lessor, in consideration of the rentals herein provided and the covenants and agreements herein contained, does hereby let and lease unto the lessee, and the lessee does hereby take and rent from the lessor, the following described real estate situated in Skagit County, State of Washington, to-wit:

That portion of the Southeast Quarter of the Northwest Quarter of Section 25, Township 35 North, Range 4 East of W.M., consisting of one acre, more or less, described as follows:

Beginning at the North center 1/16 corner of said Section 25; thence North 89° 50' West 226.00 feet to the true point of beginning; thence South 1° 00' West 374.30 feet along the West boundary of Third Street; thence North 49° 15' West 156.07 feet; thence North 1° 00' East, 271.52 feet; thence South 89° 50' East 120.30 feet to the point of beginning;

for the term of three years commencing on the 1st day of January, 1986, and ending on the 31st day of December, 1987, for and in consideration of rental in the sum of \$100.00 per year for each year of said term, which said rental the lessee agrees to pay yearly in advance on or before the 1st day of January of each year during the term hereof.

This lease is made for the purpose of making available to the lessee an area on which to store hog fuel and shavings, but shall not be limited to said purpose, and the lessee's operations shall at all times be carried on in accordance with the best standards for similar operations in the area.

The lessee shall be responsible for all liability for any damage or injury which may arise as a result of its operations on said premises, and shall hold the lessor harmless on account thereof. The lessee further agrees that it will not commit any waste on said premises or suffer any waste to be committed thereon.

1ST AM

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BK 1144 PG 0278

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The lessee further agrees that it will not make any assignment of this lease nor sublet the said premises or any portion thereof without the written consent of the lessor having been first obtained, and any such assignment or subletting without such written consent shall be absolutely void and shall vest no right, title, or interest whatsoever in the assignee or subtenant.

The lessee further agrees that upon the termination of this lease, it will quit, vacate, and surrender up possession of the leased premises in as good state and condition as they were at the time of the commencement of this lease, damage by unavoidable casualty excepted.

If the lessee fails to keep and perform any covenant or agreement herein contained on its part to be kept and performed, or if it be adjudged bankrupt, makes an assignment for the benefit of creditors, or suffers a receivership on account of insolvency, then the lessor shall have the right to enter upon the leased premises and retake possession thereof and remove all persons therefrom, and may at its option terminate this lease. Such remedy is cumulative and in addition to any and all other remedies which the lessor may have on account of any breach of this lease by the lessee. No waiver of default nor extension of time of payment of rental hereunder shall constitute a waiver of any subsequent default, nor estop the lessor from strict enforcement of any right under the terms hereof.

IN WITNESS WHEREOF, the lessor and the lessee have caused these presents to be executed by their proper officers thereunto duly authorized the day and year first hereinabove written.

CITY OF SEDRO-WOOLLEY

SEDRO WOOLLEY LUMBER CO.

By [Signature] MAYOR
By [Signature] CITY CLERK
LESSOR

By [Signature] VICE-PRESIDENT
By [Signature] CONTROLLER
LESSEE

1ST AM

92121101C4

EK 1144 PG 0279

Sedro Wooley

EXHIBIT C

Leased Property

Parcel 1 - Skagit County, Washington

That portion of the Southeast Quarter of the Northwest Quarter of Section 25, Township 35 North, Range 4 East of W.M., consisting of one acre, more or less, described as follows:

Beginning at the North center 1/16 corner of said Section 25; thence North $89^{\circ} 50'$ West 226.00 feet to the true point of beginning; thence South $1^{\circ} 00'$ West 374.30 feet along the West boundary of Third Street; thence North $49^{\circ} 15'$ West 156.07 feet; thence North $1^{\circ} 00'$ East, 271.52 feet; thence South $89^{\circ} 50'$ East 120.00 feet to the point of beginning;

Together with the real property described in Exhibit B-1.

Sedro Wooley

EXHIBIT D

General Permitted Encumbrances

1. Rights of the public in streets, roads and highways.
2. Rights of way interests, road use agreements and use permits.
3. Rights of public and governmental bodies in and to any portion of the property lying below the ordinary high water mark of any river or stream.
4. Access restrictions or the lack of insurable means of ingress or egress.
5. Liens for property taxes that are to be paid or satisfied pursuant to WTD's Plan of Reorganization.
6. Certain unrecorded leases wherein Grantor has leased certain properties to third parties.
7. Any lien or encumbrance with respect to real property leased to Grantor by a third party, excluding any such liens or encumbrances of which Borrowers have actual knowledge. Borrowers have no knowledge of any lien that would encumber its leasehold interest.
8. With respect to titled vehicles where Grantor may not be named as title owner, the possible interest of certain unknown third parties.

Specific Permitted Encumbrances

1. SAID LANDS HAVE BEEN RECLASSIFIED FOR TAX PURPOSES, NOTICE OF WHICH IS GIVEN BY INSTRUMENT AS HEREIN SET FORTH. THEY WILL BE SUBJECT TO FURTHER TAXATION AND INTEREST THEREUPON AS PROVIDED BY CHAPTER 84.34 and 84 R.C.W. UPON WITHDRAWAL FROM SUCH CLASSIFICATION OR CHANGE IN USE.

Reclassified As: Farm and Agricultural
Recorded: MAY 15, 1974 and MAY 29, 1974
Auditor's No.: 800886 and 801459

2. A SECURITY INTEREST IN GOODS UNDER THE PROVISIONS OF THE UNIFORM COMMERCIAL CODE, RCW 62A, DISCLOSED BY FINANCING STATEMENT FILED IN THE OFFICE OF THE COUNTY AUDITOR:

Debtor: Sedro-Woolley Lumber Co.
Secured Party: First Interstate Bank of Oregon,
N.A., as collateral agent for
Aetna Life Insurance Company, *
Filed: JULY 24, 1990
Auditor's No.: 9007240040
Collateral: Equipment, receivable, inventory,
timber assets, etc.
Affects: Includes other property

*Principal Mutual Life Insurance Company, The Northwestern Mutual Life Insurance Company, and First Interstate Bank of Oregon, N.A.

By document recorded under Auditor's File No. 9106260007 said Financing Statement was partial released and modified.

3. Deleted.

9212110104

BK 1144 PG 0281

4. EASEMENT, INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantee: City of Sedro-Woolley
Recorded: NOVEMBER 28, 1955
Auditor's No.: 533112
Purpose: Public Utilities or services
Area Affected: Vacated Fidalgo Street and Metcalf Street in Parcels D, E and F

5. EASEMENT, INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantee: City of Sedro Woolley
Recorded: AUGUST 25, 1974
Auditor's No.: 798288
Purpose: Public Utilities and services
Area Affected: Vacated alley in Block 55 of Parcel D and E

6. EASEMENT, INCLUDING THE TERMS AND CONDITIONS THEREOF:

Grantee: Sedro Woolley Commercial Club, a corporation
Recorded: AUGUST 21, 1922
Auditor's No.: 158386
Purpose: Channel through the slough
Area Affected: Portion of Parcel A

7. Reservation of right to exercise and grant easements in respect to vacated alley for the construction, repair, maintenance and use of Public Utilities or services, reserved in Ordinance No. 537 of the City of Sedro Woolley, vacating said Alley. (Affects Block 55)

8. Reservation of right of exercise and grant easements in respect to vacated Metcalf Street for the construction, repair, maintenance and use of Public Utilities or services, reserved in Ordinance No. 543 of the City of Sedro Woolley, vacating said Metcalf Street.

9. EASEMENT AND CONDITIONS THEREIN:

Grantee: Puget Sound Power & Light Co.
Dated: DECEMBER 10, 1986
Recorded: DECEMBER 19, 1986
Auditor's No.: 8612190054
Purpose: Right to construct, operate maintain repair, replace and enlarge one or more electric transmission and/or distribution lines over and/or under the right of way;
Location: A right of way 10 feet in width having 5 feet of such width on each side of a centerline described as follows:

Beginning at a point on the East line of the above described Parcel A that is approximately 14 feet South of the Northeast corner thereof; thence West 10 feet to its terminus. PGU 282

9212110104

EXHIBIT E

Exceptions to Lease Status

Defaults arising from Grantor's failure to pay rents, taxes or utility payments required to be paid under the Lease prior to January 31, 1991, which defaults, if any, will be cured in a timely manner consistent with Grantor's Plan of Reorganization or applicable Order of the Bankruptcy Court permitting assumption of such lease.

Schedule 1

List of Borrowers

WTD Industries, Inc., an Oregon corporation
Alturas Lumber Co.
Burke Lumber Co.
Central Point Lumber Co.
Cle Elum Lake Veneer Co.
Columbia Falls Forest Products, Inc.
Cottage Grove Lumber Co.
Crater Lake Lumber Co.
Custer Lumber Co.
Eugene Wood Products Co.
Glide Lumber Products Co.
Goshen Veneer Co.
Graham Plywood Co.
Halsey Veneer Co.
Judith Gap Lumber Co.
Junction City Lumber Co.
Midway Forest Products Co.
Morton Forest Products Co.
North American Enterprises Co.
North Powder Lumber Co.
Olympia Forest Products Co.
Orient Lumber Co.
Pacific Hardwoods-Aberdeen Co.
Pacific Hardwoods-South Bend Co.
Pacific Softwoods Co.
Philomath Forest Products Co.
Port Westward Pulp Co.
Puget Sound Reload Co.
Riverside Lumber Co.
Sedro-Woolley Lumber Co.
Silverton Forest Products Co.
Spanaway Lumber Co.
Trask River Lumber Co.
Treesource, Inc.
Treesource Sales, Ltd.
Tumwater Lumber Co.
Union Forest Products Co.
Union Rail Enterprises, Inc.
Valley Wood Products Co.
Western Timber Co.
Whitehall Plywood, Inc.
Crater Lake Co-Gen Partners, Ltd.

1ST AM