

WASHINGTON STATE COUNTY AUDITOR/RECORDER'S
INDEXING FORM (Cover Sheet)

KATHY HILL
SKAGIT COUNTY RECORDER

Return Address

Rayonier Inc.
P.O. Box 34162
Seattle, WA 98124-1162

99 JUN 28 P3:57

RECORDED _____ FILED _____
REQUEST OF _____

33
9906280182

Please print or type information

088393
LAND TITLE COMPANY OF SKAGIT COUNTY

Document Title(s) (or transactions contained therein):

1. Timber Trust Deed, Security Agreement and Financing Statement
- 2.
- 3.
- 4.

Reference Number(s) of Documents assigned or released:

1. N/A
- 2.
3. Additional references on page ___ of document.

Grantor(s) (Last name first, then first name and initials):

1. Butterfield Forestry, Inc.
- 2.
- 3.
- 4.
5. Additional names on page ___ of document.

SKAGIT COUNTY WASHINGTON
Real Estate Excise Tax

JUN 28 1999

Amount Paid &
Skagit Co. Treasurer
By Deputy

Grantee(s) (last name first, then first name and initials):

1. Rayonier Inc.
- 2.
- 3.
- 4.
5. Additional names on page ___ of document.

Legal description (abbreviated: i.e. lot, block, plat or section, township, range) Ptn Gov. Lot 9 & SW1/4 of SE1/4 of Sec. 29 & all of Gov Lots 1 & 4, Sec. 32, T36, R1E W.M.

Additional legal is on page(s) 1 of document.

Assessor's Property Tax Parcel/Account Number(s): 361129-4-006-0008; 361129-0-010-0000;
361132-0-010-0005; 361132-0-001-0006

The Auditor/Recorder will rely on the information provided on the form. The staff will not read the document to verify the accuracy or completeness of the indexing information provided herein.

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**TIMBER TRUST DEED, SECURITY AGREEMENT
AND FINANCING STATEMENT**

THIS TIMBER TRUST DEED, SECURITY AGREEMENT AND FINANCING STATEMENT is made this 22nd day of June, 1999, between the following parties:

Butterfield Forestry, Inc. ("Grantors")
23424 Ben Howard Rd.
Monroe, Washington 98272

Land Title Company of Skagit County ("Trustee")
601 Second Street
Mount Vernon, Washington 98273

Rayonier Inc. ("Beneficiary")
P. O. Box 34162
Seattle, Washington 98124-1162

Grantors hereby irrevocably grant, bargain, sell and convey to Trustee in trust, with power of sale, all timber whether standing or down located on the following described property in Skagit County, State of Washington:

Government Lot 9, EXCEPT the North 660 feet thereof, and the South ½ of the Southwest ¼ of the Southeast ¼ of Section 29, and Government Lots 1 and 4, Section 32, ALL in Township 36 North, Range 11 East, W.M., Skagit County, Washington

Said timber is hereinafter referred to as the "Trust Property".

TOGETHER WITH all rents, revenues and profits thereof and all other property or rights of any kind or nature whatsoever further set forth below, SUBJECT, HOWEVER, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

THIS DEED IS GRANTED FOR ALL OF THE FOLLOWING PURPOSES:

(a) To secure performance of each covenant, agreement and obligation of Grantors according to the terms of the following instruments:

(1) A Promissory Note of even date herewith from Grantors to Beneficiary or holder (the "Promissory Note"); and
Timber Trust Deed - Washington

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(1) A Promissory Note of even date herewith from Grantors to Beneficiary or holder (the "Promissory Note"); and

(2) Log Sales Agreement No. 993703-01 dated effective June 1, 1999, from Grantors to Beneficiary (the "Agreement").

(b) To secure such other sums as may be or have been advanced or loaned by Beneficiary to Grantors, or any of their successors or assigns, whether before or after the filing of this Timber Trust Deed together with interest thereon at such rate as shall be agreed upon.

(c) To secure payment of such other sums for costs of collection, attorneys' fees or funds expended by Beneficiary to protect the collateral contemplated under the terms of the Agreement; and

(d) To secure any deficiencies in any of the foregoing after disposition of any collateral contemplated under the Agreement or any other Deed of Trust or security agreement; and

The Promissory Note, the Agreement and any agreements relating to such other sums as may be owed by Beneficiary to Grantors are jointly referred to herein as the "Debt Instruments".

THE GRANTORS COVENANT AND AGREE AS FOLLOWS:

1. The following described estate, property and rights of Grantors are also included as security for the performance of each covenant and agreement of Grantors contained herein or in the Debt Instruments and the payment of all sums of money secured hereby:

a. All the estate and rights of Grantors in and to the Trust Property and all access rights and easements appertaining thereto.

b. All of Grantors' rights further to encumber the Trust Property for debt.

2. This instrument shall constitute a security agreement under the Uniform Commercial Code with respect to timber and logs removed from the Property to secure all indebtedness and obligations secured by this Timber Trust Deed and all other advances, indebtedness or obligations of Grantor to Beneficiary. Grantor agrees to execute such financing statements or other documents as Beneficiary may request in order to perfect Beneficiary's security interest. In the event Grantor fails for any reason to sign a financing statement, this instrument shall also constitute a financing statement

which may be filed by Beneficiary in the manner provided in the Uniform Commercial Code

3. To pay all debts and monies secured hereby, when from any cause the same shall become due. To keep the Trust Property free from statutory and governmental liens of any kind. That the Grantors are seized in fee simple of the Trust Property and own outright every part thereof except as specifically set forth above, that there are no liens or encumbrances against or upon the same except as permitted in the Debt Instruments and none superior to this Timber Trust Deed will be created or suffered to be created by the Grantors during the life of this Timber Trust Deed, that they have good right to make this Timber Trust Deed and that they will forever warrant and defend the Trust Property unto the Beneficiary, its successors and assigns, against every person whomsoever lawfully claiming or to claim the same or any part thereof. The Grantors upon request by mail will furnish a written statement duly acknowledged of the amount due on this Timber Trust Deed and whether any offsets or defenses exist against the debt secured hereby.

4. In the event that any payment or portion thereof is not paid when due, Grantors reaffirm their obligation to pay interest pursuant to provisions dealing with late payments under the Debt Instruments.

5. To appear in and defend any suit, action or proceeding that might affect the value of this security instrument or the security itself or the rights and powers of Beneficiary or Trustee. and should Beneficiary or Trustee elect also to appear in or defend any such action or proceeding, be made a party of such by reason of this Timber Trust Deed, or elect to prosecute such action as appears necessary to preserve said value, the Grantors will, at all times, indemnify from, and, on demand reimburse Beneficiary or Trustee for any and all loss, damage, expense or cost, including cost of evidence of title and attorney's fees, arising out of or incurred in connection with any such suit, action or proceeding, and the sum of such expenditures shall be secured by this Timber Trust Deed with interest as provided in the Debt Instruments secured hereby and shall be due and payable on demand. To pay costs of suit, cost of evidence of title and a reasonable attorney's fee in any proceeding or suit brought by Beneficiary to foreclose this Timber Trust Deed.

6. To pay in full when due all taxes, assessments and encumbrances, charges or liens with interest, that may now or hereafter be levied, assessed or claimed upon the property that is the subject of this Timber Trust Deed or any part thereof, which at any time appear to be prior or superior hereto for which provision has not been made heretofore, and upon request will exhibit to Beneficiary official receipts therefor, and to pay all taxes imposed upon, reasonable costs, fees and expenses of this Trust. On default under this paragraph Beneficiary may, at its option, pay any such sums, without waiver of

any other right of Beneficiary by reason of such default of Grantors, and Beneficiary shall not be liable to Grantors for a failure to exercise any such option.

7. To repay immediately on written notice to Grantors all sums expended or advanced hereunder by or on behalf of Beneficiary or Trustee, with interest from the date of such advance or expenditure at the rate of interest then applicable under the Debt Instruments until paid, and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within ten (10) days of the mailing of such notice will, at Beneficiary's option, constitute an event of default hereunder, or, Beneficiary may, at its option, commence an action or actions against Grantors for the recovery of such expenditure or advance and interest thereon, and in such event Grantors agree to pay, in addition to the amount of such expenditure or advance, all costs and expenses incurred in such action, together with a reasonable attorney's fee.

8. Should Grantors fail to make any payment or to do any act as herein provided, the Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Grantors and without releasing Grantors from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Trust Property for such purposes; commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and in exercising any such power, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor including costs of (a) evidence of title, (b) employment of counsel, and (c) payment of reasonable attorney fees.

9. Should the Trust Property or any part of appurtenance thereof or right or interest therein be taken or damaged by reason of any public or private improvement, condemnation proceeding (including change of grade), fire, earthquake or other casualty, or in any other manner, Beneficiary may, at its option, commence, appear in and prosecute, and in its own name, any action or proceeding or make any compromise or settlement, in connection with such taking or damage, and obtain all compensation, awards or other relief therefor. All such compensation, awards, damages, rights of action and proceeds, including the proceeds of any policies or insurance affecting the Trust Property, are hereby assigned to Beneficiary, which may, after deducting therefrom all its expenses, including attorney's fees, release any monies so received by it, or apply the same on any indebtedness secured hereby or apply the same to the repair or restoration of the Trust Property, as it may elect. Grantors further assign to Beneficiary any return premiums or other repayments upon any insurance at any time provided for the benefit of the Beneficiary, refunds or rebates made of taxes or assessments on said property, and Beneficiary may at any time collect said return premiums, repayments, refunds, rebates, etc., notwithstanding that no sum secured hereby be overdue when such right to

collection be asserted. Grantors also agree to execute such further assignments of any such compensation, award, damages, rebates, return of premiums, repayments, rights of action and proceeds as Beneficiary or Trustee may require.

10. Time is of the essence hereof in connection with all obligations of the Grantors herein, any Timber Trust Deed, security agreement or in the Debt Instruments. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

11. At any time upon written request of Beneficiary, payment of its fees and presentation of this Deed and the Promissory Note for endorsement (in case of full reconveyance, for cancellation and retention), without affecting the liability of any person for the payment of the indebtedness, Trustee may (a) consent to the making of any map or plat of said property; (b) join in granting any easement or creating any restriction thereof; (c) join in any subordination or other agreement affecting this Deed or the lien or charge thereof, (d) reconvey, without warranty, all or any part of the property. The Grantee in any reconveyance may be described as the "person or persons legally entitled thereto", and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Grantors agree to pay a reasonable Trustee's fee for full or partial reconveyance, together with a recording fee if Trustee, at its option, elects to record said reconveyance.

12. In case of a sale under this Timber Trust Deed, the said property, real, personal and mixed, may be sold in one parcel.

13. The Grantors shall not, without first obtaining the Beneficiary's written consent, assign any of the rents or profits of the property or collect any rent for more than once a month in advance or change the general nature of the occupancy or initiate or acquiesce in any zoning reclassification, or do or suffer any act or thing which would impair the security for said debt or the Beneficiary's lien upon the Trust Property or the rents thereof. In the event of breach of any requirement of this paragraph, the Beneficiary may, in addition to any other rights or remedies, at any time thereafter declare the whole of said principal sum immediately due and payable.

14. The holder of this Timber Trust Deed, in any action to foreclose it, shall be entitled (without notice and without regard to the adequacy of any security for said debt) to the appointment of a receiver of the rents and profits of the Trust Property.

15. The entering upon and taking possession of the Trust Property, the collection of such rents, issues, and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Trust Property, and

the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

16. All sums secured hereby shall become immediately due and payable, at the option of the Beneficiary without demand or notice, after any of the following occur, each of which shall be an event of default: (a) default by Grantors in the payment of any indebtedness secured hereby or in the performance or observance of any agreement contained herein; or (b) any assignment made by Grantors or the then owner of said property for the benefit of creditors; or (c) any transfer of title made by the Grantors or the then owner of the Trust Property to a Grantee or successor in interest without the assumption of all of the terms and conditions herein contained; or (d) any of the following shall occur, with respect to the Trust Property, the Grantors or the then owner of the Trust Property: (i) the appointment of a receiver, liquidator, or Trustee; (ii) the adjudication as a bankrupt or insolvent; (iii) the filing of any Petition for Bankruptcy or reorganization; (iv) the institution of any proceeding for dissolution or liquidation; (v) if Grantors be unable, or admit in writing an inability to pay their debts when due; or (vi) a default in any provision of any other instrument which may be held by Beneficiary as security for the indebtedness secured by this Trust Deed, including related documents and other Deeds of Trust and security agreements, the terms and covenants of which are incorporated herein by reference as though fully set forth herein, but subject to any applicable cure provisions contained in the Debt Instruments. No waiver by Beneficiary of any default on the part of Grantors shall be construed as a waiver of any subsequent default hereunder. In event of such default, and upon written request of Beneficiary, Trustee shall sell at public auction to the highest bidder the Trust Property, in accordance with the UCC where applicable and in accordance with the Deed of Trust Act of the State of Washington (RCW Chapter 61.24 as existing now, or hereafter amended) unless (a) in said written request Beneficiary has instructed Trustee to foreclose in accordance with a different statute or (b) unless selling in accordance with said State of Washington statute would not be enforceable under the laws of the state where enforcement was sought. In the event either (a) or (b) in the preceding sentence shall be the case, then Trustee shall sell the Trust Property in accordance with the laws of the jurisdiction where property is located and in the event of (b), Trustee shall further implement the provisions of said Washington statute to the extent permissible under the laws of the applicable jurisdiction. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Timber Trust Deed; (3) the surplus, if any, shall be distributed in accordance with said Deed of Trust Act. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Trust Property which Grantors had or had the power to convey at the time of their execution of this Timber Trust Deed, and such as they may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Timber Trust Deed, which recital shall be prima facie evidence of such compliance and conclusive evidence

thereof in favor of bona fide purchasers and encumbrancers for value. The Power of Sale conferred by this Timber Trust Deed and by the Deed of Trust Act of the State of Washington or such other act is not an exclusive remedy and when not exercised, Beneficiary may foreclose this Timber Trust Deed as a mortgage. At any time Beneficiary may appoint in writing a successor trustee, or discharge and appoint a new Trustee in the place of any Trustee named herein, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original Trustee. The Trustee is not obligated to notify any party hereto of a pending sale under any other Deed of Trust or of any action or proceeding in which Grantors, Trustee or Beneficiary shall be a party, unless such action or proceeding is brought by the Trustee.

17. The real property which is the subject of this Timber Trust Deed is not used principally or primarily for agricultural or farming purposes.

18. In the event of the passage after the date of this Timber Trust Deed of any Federal, state or local law applicable to the property which is the subject of this Timber Trust Deed or such Timber Trust Deed itself, deducting from the value of real property for the purpose of taxation any lien thereon, or changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or debts secured thereby, for Federal, state or local purposes, or the manner of the collection of any such taxes so as to affect the interest of Beneficiary, then and in such event, Grantors shall bear and pay the full amount of such taxes, provided that if for any reason payment by Grantors of any such new or additional taxes would be unlawful or if the payment thereof would constitute usury or render the loan or indebtedness secured hereby wholly or partially usurious under any of the terms or provisions of the Debt Instruments, or the within Timber Trust Deed or otherwise, Beneficiary may, at its option, upon ninety (90) days' notice, declare the whole sum secured by this Timber Trust Deed with interest thereon to be immediately due and payable, or Beneficiary may, at its option, pay that amount or portion of such taxes as renders the loan or indebtedness secured hereby unlawful or usurious, in which event Grantors shall concurrently therewith pay the remaining lawful and non-usurious portion or balance of said taxes.

19. If from any circumstances whatever fulfillment of any provisions of this Timber Trust Deed or the Debt Instruments at the time performance of such provision shall be due shall involve transcending the limit of validity prescribed by the applicable usury statute or any other law, then ipso facto the obligation to be fulfilled shall be reduced to the limit of such validity, so that in no event shall any exaction be possible under this Timber Trust Deed that is in excess of the limit of such validity; but such obligation shall be fulfilled to the limit of such validity. The provisions of this paragraph shall control every other provision of this Timber Trust Deed.

20. All Beneficiary's rights and remedies herein specified are intended to be cumulative and not in substitution for any right or remedy otherwise available and no requirement whatsoever may be waived at any time except by a writing signed by the Beneficiary, nor shall any waiver be operative upon other than a single occasion. This Timber Trust Deed cannot be changed or terminated orally. This Timber Trust Deed applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, successors and assigns. All obligations of Grantors hereunder are joint and several. The term "Beneficiary" shall mean the holder and owner, including pledgees, of the Debt Instruments secured hereby, whether or not named as Beneficiary herein. Without affecting the liability of any other person for the payment of any obligation herein mentioned (including Grantors should they convey said property) and without affecting the lien hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or part of the Trust Property, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security either concurrently herewith or thereafter, and sell same or otherwise realize thereon, either before, concurrently with, or after sale hereunder. This Timber Trust Deed shall be so construed that wherever applicable, the use of the singular number shall include the plural number, the use of any gender shall be applicable to all genders and shall likewise be so construed as applicable to and including a corporation. Notwithstanding any other provisions hereof, if any of the provisions hereof shall be determined to contravene or be invalid under the laws of the state where its enforcement is sought, such contravention or invalidity shall not invalidate any other provisions of this agreement, but it shall be construed as if not containing the particular provision or provisions held to be invalid, and all rights and obligations of the parties shall be construed and enforced accordingly. Any notices to be given to Grantors by Beneficiary hereunder shall be sufficient if mailed postage prepaid, to the address of the Grantors stated above or to such other address as Grantors have requested in writing to the Beneficiary, that such notices be sent. Any time period provided in the giving of any notice hereunder, shall commence upon the date such notice is deposited in the mail.

Grantors understand the loan, secured by this Timber Trust Deed on real property, is personal to them and that their personal responsibility and occupancy and/or control of such real property is a material inducement to Beneficiary to make said loan. Grantors shall not convey title to or any interest in the Trust Property without Beneficiary's written consent, which consent shall not be unreasonably withheld.

The undersigned Grantors request that a copy of any Notice of Default and of any Notice of Sale hereunder be mailed to it at the address hereinbefore set forth.

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