

After Recording, Mail To:

U.S. Bank National Association
c/o Miller Nash LLP
Suite 3500
111 S.W. Fifth Avenue
Portland, Oregon 97204
Attention: Mr. Louis G. Henry



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DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT
OF LEASES AND RENTS, AND FIXTURE FILING

CHICAGO TITLE CO.

(Skagit County)

1042764

Document Title(s) (or transactions contained herein): Deed of Trust, Security Agreement,
Assignment of Leases and Rents, and Fixture Filing

Reference Nos. of Documents Released or Assigned: not applicable

Grantor/Borrower: Aloha Lumber Corporation

Trustee: U.S. Bank Trust Company, National Association

Grantee/Assignee: U.S. Bank National Association

Legal Description (abbreviated): Ptn. S/2, Ptn. N/2 NE SE, Sec. 8, T35N, R7EWM and S/2,
NE SE, Sec. 8, T35N (Zeidner); Ptn. SW SE, Sec. 3, T35N,
R4EWM (Day); Ptn. SE SW, Sec. 17, T35N, R9EWM (G-P);
and NE Sec. 29, T34N, R6EWM (Rocky Creek), as more
particularly described in Exhibit A to this document

Assessor's Tax Parcel ID#: 350708-1-003-0009, 350708-4-001-0005, 350708-4-001-0104, and
350708-4-002-0004 (Zeidner); 350403-4-003-0001 (Day);
350917-3-006-0009 (G-P); and 340629-1-001-0008 (Rocky Creek)

DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS, AND FIXTURE FILING

This Deed of Trust, Security Agreement, Assignment of Leases and Rents, and Fixture Filing (the "Deed of Trust") is executed as of September 21, 2007, among ALOHA LUMBER CORPORATION ("ALC"), whose address is Suite 1150, 10260 S.W. Greenburg Road, Portland, Oregon 97223; U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION ("Trustee"), whose address is 555 S.W. Oak Street (PL-7), Portland, Oregon 97204; and U.S. BANK NATIONAL ASSOCIATION ("U.S. Bank"), whose address is Suite 400, 111 S.W. Fifth Avenue, Portland, Oregon 97204. Capitalized terms used in this Deed of Trust that are not defined herein shall have the meanings assigned to such terms in that certain Term Loan Agreement of even date herewith (the "Loan Agreement") between ALC and OFG Land Company, Inc. (collectively, "Borrowers"), and U.S. Bank.

RECITALS

A. Pursuant to the terms of the Loan Agreement, U.S. Bank extends a term loan in the amount of \$4,350,000 to Borrowers.

B. In consideration of U.S. Bank's agreement to extend the above-referenced term loan, ALC has agreed to enter into and deliver this Deed of Trust to U.S. Bank.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which hereby are acknowledged, ALC hereby agrees as follows:

GRANT OF LIEN/SECURITY INTEREST

As security for the Obligations, ALC hereby irrevocably grants, pledges, sets over, confirms, transfers, conveys, and assigns to Trustee, IN TRUST, WITH POWER OF SALE, for the benefit and security of U.S. Bank, under and subject to the terms and conditions hereinafter set forth, all of the right, title, interest, estate, power, and privilege now existing or hereafter acquired, of ALC in and to the following assets:

1. The real property located in the County of Skagit, state of Washington, that is more particularly described in Exhibit A attached to this Deed of Trust and by this reference is incorporated herein (the "Real Property") (which term shall include, unless the context otherwise requires, the Timber, the Mineral Rights, the Appurtenant Rights, and the Development Rights (as such terms are defined below));

2. Any and all buildings, structures, fixtures, and improvements now or hereafter erected on or appurtenant to the Real Property, including all machinery, attachments, appliances, and other equipment now or hereafter incorporated into or attached to said buildings, structures, fixtures, and



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improvements, and all support and ancillary facilities, all roads and miscellaneous storage and parking areas, including all replacements and substitutions of and additions and accessions to the foregoing (collectively the "Improvements"), all of which shall be deemed and construed for purposes of this Deed of Trust to be a part of the Real Property;

3. All trees, timber (whether severed or unsevered and including standing and down timber), perpetual timber rights, stumps, cut timber remaining on the Real Property, logs, and other forest products, whether now located on or hereafter planted, growing, or located in or on the Real Property (the "Timber");

4. All water, steam, thermal energy, and other geothermal resources and all oil, gas, hydrocarbons, gravel, phosphate, limerock, coal, and other mineral resources and subterranean substances, and all existing or hereafter acquired surface and subsurface water and water rights and shares of stock evidencing the same, and all products thereof in, on, under, or pertaining to the Real Property (the "Minerals") and all surface access and mining rights in, on, under, or pertaining to the Real Property (collectively the "Mineral Rights");

5. All accounts, revenues, rents, issues, profits, royalties, proceeds, income, and other benefits (collectively the "Rents") derived from the Real Property, the Improvements, the Timber, or the Mineral Rights, including, without limitation, all Rents under all agreements providing for the payment of royalties (including overriding royalties) derived from any part of the Trust Estate (as defined below), all payments in respect of or related to grazing rights, and all issues and profits from the sale or other disposition of Timber, Minerals, or Mineral Rights;

6. All existing leases (if any) and future leases (including subleases thereof), whether written or oral, rental agreements, and all future agreements for use and occupancy, and any and all extensions, renewals, and replacements thereof, upon all or relating to any part of the Real Property (hereinafter collectively referred to as the "Leases");

7. All guaranties of tenant's performance under any and all of the Leases;

8. The immediate and continuing right to collect and receive all of the rents, income, receipts, revenues, issues, profits, and other income of any nature now due or that may become due, or to which ALC may now or shall hereafter (including any income of any nature coming due during any redemption period) become entitled to or may make demand or claim for, arising or issuing from or out of the Leases or from or out of the Real Property or any part thereof, including, but not limited to, minimum rents, additional rents, percentage rents, parking or common area maintenance contributions, tax and insurance



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contributions, deficiency rents and liquidated damages following default in any Lease, and all proceeds payable under any policy of insurance covering loss of rents resulting from untenantability caused by destruction or damage to the Real Property, together with any and all rights and claims of any kind that ALC may have against any tenant under the Leases or any subtenants or occupants of the Real Property (all such monies, rights, and claims described in this paragraph being hereinafter called "Cash Collateral"), excepting therefrom any sums that by the express provisions of any of the Leases are payable directly to any governmental authority or to any other person, firm, or corporation other than the landlord under the Leases;

9. All additions, accessions, replacements, substitutions, proceeds, and products of the property described herein;

10. All permits, entitlements, licenses, orders, approvals, exemptions, authorizations, certifications, franchises, building permits, subdivision approvals, timber harvesting plan reviews and approvals, site plan reviews, environmental approvals (including an environmental impact statement or report if required under applicable law for ALC's acquisition or disposition of the Real Property, harvesting of the Timber, or otherwise), sewer and waste discharge permits, appropriative water rights and permits, zoning and land use entitlements, and other authorizations whether now existing or hereafter issued to or obtained by or on behalf of ALC that relate to or concern in any way the Real Property, the Improvements, the Timber, or the Mineral Rights, and are given or issued by any governmental or quasi-governmental authority (collectively the "Authorizations");

11. All easements, rights-of-way, and rights now owned or hereafter acquired by ALC and used or usable in connection with or appurtenant to the Real Property or the Improvements, including, without limiting the generality of the foregoing, all easements, reciprocal easement agreements, rights and rights-of-way to enter, use, occupy and have access to all portions of the Improvements that may be located off the Real Property, if any, and all rights to the use of logging roads and common drive entries, and all tenements, hereditaments, easements, and appurtenances of and to the Real Property (collectively the "Appurtenant Rights");

12. All air rights, development rights, zoning rights, or other similar rights or interests that benefit or are appurtenant to the Real Property or the Improvements or any or all thereof and any proceeds arising therefrom (collectively the "Development Rights");

13. All interests, estates, or other claims, both in law and in equity, that ALC now has or hereafter may acquire in the Real Property, the Improvements, the Timber, the Minerals and Mineral Rights, the Appurtenant Rights, and the Development Rights (collectively the "Property") and all right, title, and interest



now owned or hereafter acquired by ALC in and to any greater estate in the Property;

14. All other claims or demands, both in law and in equity, including claims or demands with respect to the proceeds of insurance, that ALC now has or hereafter may acquire in the Trust Estate (as hereinafter defined) or any part thereof, and any and all awards heretofore or hereafter made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Trust Estate, including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages or any other damage to any part of the Trust Estate for which compensation shall be given by any governmental or quasi-governmental authority; and

15. All right, title, and interest of ALC in the funds (if any) deposited pursuant to Section 1.6 or Section 1.7 of this Deed of Trust.

The entire estate, property, and interest hereby conveyed to Trustee and described above and any and all proceeds thereof may be referred to in this Deed of Trust collectively as the "Trust Estate."

OBLIGATIONS SECURED

The foregoing conveyance by ALC to Trustee of the Trust Estate is for the purpose of securing the following obligations (collectively, the "Obligations") of Borrowers to U.S. Bank:

1. Payment of indebtedness in the aggregate principal amount of \$4,350,000 (or such lesser amount that may be owed under the Note at the time in question), with interest thereon, evidenced by the Note executed by Borrowers, which has been delivered to U.S. Bank and is payable to the order of U.S. Bank, and any and all amendments, extensions, modifications, renewals, restatements, and supplements thereof. The interest rate, payment terms, or the balance due on the Note and the indebtedness evidenced thereby may be indexed, adjusted, renewed, or renegotiated without affecting the priority of this Deed of Trust.

2. Payment of all sums that may become due (a) from ALC, including without limitation, ALC's liability for waste on the Real Property or for wrongful retention of any Cash Collateral, insurance proceeds, or condemnation awards, or (b) for advances by U.S. Bank or its successor; in each case, with interest thereon at the rate set forth in this Deed of Trust, which include, but are not limited to, fire and other hazard insurance and taxes upon the Real Property, according to the terms of this Deed of Trust; (c) payment by ALC of all reasonable attorneys' fees and costs, including, without limitation, the cost of any appraisal of the Real Property (whether or not obtained in an action for a deficiency judgment under RCW 61.24.100(3)) incurred by Trustee or U.S. Bank in foreclosing this Deed of Trust or realizing upon any of the collateral for the Obligations; (d) payment by



ALC of all reasonable attorneys' fees and costs incurred by Trustee or U.S. Bank in defending the priority or validity of this Deed of Trust or ALC's interest in and title to the Real Property; (e) payment by ALC of all sums advanced by U.S. Bank to or on behalf of ALC for the purpose of clearing encumbrances or defects from the title to the Real Property where U.S. Bank, in good faith, believes such encumbrances to be superior to the lien of the Deed of Trust, including, without limitation, payment of ad valorem taxes and mechanics' or materialmen's liens that may have gained priority over the lien of this Deed of Trust; (f) payment by Borrowers of all reasonable attorneys' fees and costs incurred by Trustee or U.S. Bank in any case or proceedings under the United States Bankruptcy Code affecting Borrowers (or either of them), or this Deed of Trust; and (g) payment of all other sums advanced by U.S. Bank to protect the Trust Estate, with interest thereon at the rate set forth in this Deed of Trust.

3. Payment and performance of all of the obligations of Borrowers under the Loan Agreement, and any and all amendments, extensions, modifications, renewals, restatements, and supplements thereof.

4. Notwithstanding anything to the contrary in this Deed of Trust, or any of the other Loan Documents (as that term is defined below), ALC's obligation to indemnify and hold U.S. Bank harmless in accordance with the terms of that certain certificate and indemnity regarding hazardous substances of even date herewith, shall not be secured by the Trust Estate.

This Deed of Trust, the Note, the Loan Agreement, and any other instrument or document given to evidence or further secure the payment and performance of any obligation secured by this Deed of Trust hereafter may be referred to collectively as the "Loan Documents."

ARTICLE I

COVENANTS AND AGREEMENTS OF ALC

ALC hereby covenants and agrees:

1.1 Maintenance of the Trust Estate. ALC (a) shall manage and operate the Trust Estate in accordance with good business practices and shall keep the Improvements in good condition and repair; (b) shall not remove, demolish, or materially alter any of the Improvements, except with the prior written approval of U.S. Bank; (c) shall complete and shall maintain promptly and in a good and workmanlike manner any Improvement (including roads and erosion control devices or systems) now or hereafter constructed and promptly shall restore, replace, or rebuild in like manner any portion of the Improvements that may be damaged or destroyed from any cause whatsoever (whether or not insured against or insurable or affected by the exercise of the power of eminent domain) to the same condition such portion was in immediately prior to such damage or destruction, and pay when due all claims for labor performed and materials furnished therefor; (d) shall comply with all laws, ordinances, rules,



regulations, covenants, conditions, and restrictions (including those relating to silviculture, land use and development, water rights and use, noise and pollution, harvesting and transportation of timber, reforestation, road construction and maintenance, disposal of slash, maintenance of water quality standards, wetlands, fire protection, insect and disease control, forest practices, and threatened or endangered species) now or hereafter affecting the Trust Estate; (e) shall not commit or permit any waste or deterioration of the Trust Estate; (f) shall comply with the provisions of every material Authorization; and (g) shall not commit, suffer, or permit any act to be done in or upon the Trust Estate in violation of any law, ordinance, rule, or regulation, or of any Authorization; (h) shall maintain memberships in forest protective associations where any of the Trust Estate falls within a forest protective district under the jurisdiction of any such associations; (i) shall pay as due any forest patrol assessments of the state forester, or a forest protective association described in the clause above; (j) shall within 30 days from any determination that an operation on the Trust Estate has resulted in an additional hazard, obtain a release of such additional hazard from the state forester by performing all necessary burning or other work to reduce the hazard or by paying a fee designated by the state forester for such release.

1.2 Required Insurance. In the event Improvements are constructed on the Real Property, then ALC shall at all times provide, maintain, and keep in force, or cause to be provided, maintained, and kept in force, the following policies of insurance:

(a) Insurance against loss or damage to the Improvements by fire and any of the risks covered by insurance of the type now known as "broad form of extended coverage," in an amount not less than the greater of (i) 100 percent of the full replacement cost of the Improvements (exclusive of the cost of excavations, foundations, and footings below the lowest basement floor), or (ii) an amount sufficient to prevent ALC and/or U.S. Bank from becoming a co-insurer within the terms of the applicable policies; and with not more than \$25,000 deductible from the loss payable for any casualty. The policies of insurance carried in accordance with this subparagraph (a) shall contain the "Replacement Cost Endorsement";

(b) Insurance against loss or damage to any personal property on the Real Property by fire and other risks covered by insurance of the type now known as "broad form of extended coverage";

(c) Such other insurance and in such amounts as may, from time to time, reasonably be required by U.S. Bank against the same or other hazards, including, without limitation, business interruption insurance or insurance covering loss of rents and flood insurance where applicable; and

(d) All policies of insurance required by the terms of this Deed of Trust shall contain an endorsement or agreement by the insurer that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of ALC that otherwise might result in forfeiture of said insurance and the further agreement of the insurer waiving all rights of set-off, counterclaim, or deductions against ALC



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(Non-Contributory Standard Mortgage Clause and Lender's Loss Payable Endorsement—
Form 438 BFU NS or CP 12- or their equivalent).

1.3 Delivery of Policies; Payment of Premiums and Proceeds.

(a) All policies of insurance required to be maintained by ALC pursuant to this Deed of Trust shall be issued by companies and in form and amounts in each instance satisfactory to U.S. Bank. All such policies of insurance shall have attached thereto a lender's loss payable endorsement for the benefit of U.S. Bank in form satisfactory to U.S. Bank. ALC shall furnish U.S. Bank with an original policy of all policies of required insurance. If U.S. Bank consents to ALC providing any of the required insurance through blanket policies carried by ALC and covering more than one location, then ALC shall furnish U.S. Bank with a certificate of insurance for each such policy setting forth the coverage, the limits of liability, the name of the carrier, the policy number, and the expiration date.

(b) At least 30 days prior to the expiration of each such policy of insurance that ALC is required to maintain under this Deed of Trust, ALC shall furnish U.S. Bank with evidence satisfactory to U.S. Bank of the full payment of premium and the reissuance of a policy continuing insurance in force as required by this Deed of Trust. All such policies shall contain a provision that such policies will not be canceled or materially amended (which term shall include any reduction in the scope or limits of coverage) without at least 30 days' prior written notice to U.S. Bank. If ALC fails to provide, maintain, keep in force, or deliver and furnish to U.S. Bank the policies of insurance required by this section, U.S. Bank may procure such insurance or single-interest insurance for such risks covering U.S. Bank's interest, and ALC shall pay all premiums thereon promptly upon demand by U.S. Bank and, until such payment is made in full by ALC, the amount of all such premiums shall be secured by this Deed of Trust.

(c) ALC shall give prompt notice to U.S. Bank of the happening of any material casualty to or in connection with the Trust Estate, whether or not covered by insurance, specifically describing the nature and cause of such casualty and the extent of the damage or destruction to the Trust Estate. U.S. Bank may make proof of loss if it is not made by ALC promptly or to the satisfaction of U.S. Bank. ALC hereby assigns to U.S. Bank all insurance proceeds that ALC may be entitled to receive with respect to any casualty. U.S. Bank at its sole option may apply the insurance proceeds to the reduction of the Obligations in such order as U.S. Bank may determine, whether or not such Obligations are then due, or apply all or any portion of insurance proceeds to the cost of restoring and rebuilding the portion of the Trust Estate that was damaged or destroyed. If U.S. Bank elects to apply the insurance proceeds to rebuilding and restoration, U.S. Bank shall be entitled to hold the proceeds, and the proceeds shall be released only on such terms and conditions as U.S. Bank shall require in its sole discretion, including, but not limited to, prior approval of plans and release of liens. No insurance proceeds shall be



released to ALC if an Event of Default exists. U.S. Bank may compromise with any insurance company and make a final settlement that shall be binding upon ALC.

1.4 Assignment of Policies Upon Foreclosure. In the event of foreclosure of this Deed of Trust or other transfer of title or assignment of the Trust Estate in extinguishment, in whole or in part, of the debt secured hereby, all right, title, and interest of ALC in and to all policies of insurance required by Section 1.2 of this Deed of Trust shall inure to the benefit of and pass to the successor in interest to ALC, or the purchaser or grantee of the Trust Estate. ALC shall execute any and all further documents necessary or required to evidence and/or effectuate any such assignment and hereby appoints U.S. Bank as its attorney-in-fact with full power of substitution to execute any such documents in the event ALC fails to do so, and such appointment is coupled with an interest and is irrevocable.

1.5 Indemnification; Subrogation; Waiver of Offset.

(a) If U.S. Bank is made a party defendant to any litigation concerning this Deed of Trust or the Trust Estate, or any part thereof or interest therein, or the occupancy thereof by ALC, then ALC shall indemnify, defend, and hold U.S. Bank harmless for, from, and against all liability, loss, cost, or damage by reason of said litigation (except to the extent such litigation is caused by the gross negligence or willful misconduct of U.S. Bank), including reasonable attorney fees and expenses incurred by U.S. Bank in any such litigation, whether or not any such litigation is prosecuted to judgment.

(b) ALC waives any and all right to claim or recover against U.S. Bank, its officers, employees, agents, and representatives, for loss of or damage to ALC, the Trust Estate, ALC's property, or the property of others under ALC control, from any cause insured against or required to be insured against by the provisions of this Deed of Trust.

(c) All sums payable by ALC hereunder shall be paid without notice, demand, counterclaim, setoff, deduction, or defense and without abatement, suspension, deferment, diminution, or reduction; and the obligations and liabilities of ALC hereunder shall in no way be released, discharged, or otherwise affected (except as expressly provided herein) by reason of (i) any damage to or destruction of or any condemnation or similar taking of the Trust Estate or any part thereof; (ii) any restriction or prevention of or interference with any use of the Trust Estate or any part thereof; (iii) any title defect or encumbrance or any eviction from the Real Property or the Improvements or any part thereof by title paramount or otherwise; (iv) any bankruptcy, insolvency, reorganization, dissolution, liquidation, or other like proceeding relating to ALC, or any action taken with respect to this Deed of Trust by any trustee or receiver of ALC, or by any court, in any such proceeding; (v) any claim that ALC has or might have against U.S. Bank; (vi) any default or failure on the part of U.S. Bank to perform or comply with any of the terms hereof or of any other agreement with ALC; or (vii) any other occurrence whatsoever, whether similar or dissimilar to the foregoing and whether or not ALC shall have notice or knowledge of any of the foregoing. ALC waives all rights now or



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hereafter conferred by statute or otherwise to any abatement, suspension, deferment, diminution, or reduction of any sum secured hereby and payable by ALC.

1.6 Taxes and Liens. ALC shall pay before they become delinquent all taxes and assessments levied against or on account of the Trust Estate (each of which taxes and assessments is referred to in this Deed of Trust as an "Imposition") and shall pay as due all claims for work done on or for services rendered or material furnished to the Real Property or the Improvements. Special assessments shall be paid currently, without deferral, unless the lien for deferred assessments is subordinate to the interest of U.S. Bank under this Deed of Trust, or U.S. Bank gives its prior, written consent to the deferral. ALC shall maintain the Trust Estate free of any liens having priority over or equal to the interest of U.S. Bank under this Deed of Trust, except for "Permitted Encumbrances" as defined in Section 1.10 of this Deed of Trust, the lien of taxes and assessments not delinquent, and except as hereinafter otherwise provided. ALC may withhold payment of any tax, assessment, or claim in connection with a good faith dispute over the obligation to pay, so long as U.S. Bank's interest in the Trust Estate is not jeopardized or likely to be jeopardized (as determined by U.S. Bank in its reasonable discretion). If a lien arises or is filed as a result of nonpayment, ALC shall within 15 days after the lien arises or, if a lien is filed, within 15 days after ALC has notice of the filing, secure the discharge of the lien or deposit with cash or a sufficient corporate surety bond or other security satisfactory to U.S. Bank in an amount sufficient to discharge the lien plus any costs, attorney fees, or other charges that could accrue as a result of a foreclosure or sale under the lien. The assessor or tax collector of the county in which the Real Property is located is authorized to deliver to U.S. Bank a written statement of the property taxes assessed or owing at any time. ALC shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition by appropriate proceedings, but this shall not be construed in any way as relieving, modifying or extending ALC's covenant to pay any such Imposition at the time and in the manner provided in this Section 1.6 of this Deed of Trust, unless ALC has given prior written notice to U.S. Bank of ALC's intent to contest or object to an Imposition, and unless, at U.S. Bank's sole option: (a) ALC shall demonstrate to U.S. Bank's satisfaction that the proceedings to be initiated by ALC shall conclusively operate to prevent the suspension, termination, nonrenewal, or revocation of any Authorization and to prevent the sale of the Trust Estate to satisfy such Imposition prior to final determination of such proceedings; or (b) ALC shall furnish a good and sufficient bond or surety as requested by and in form, substance, and amount and issued by a Person satisfactory to U.S. Bank; or (c) ALC shall demonstrate to U.S. Bank's satisfaction that ALC has provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such suspension, termination, nonrenewal, revocation, or sale. If ALC pays the Imposition, it shall have the right to contest or object to the amount or validity of such Imposition without U.S. Bank's consent.

1.7 Reserves. If ALC and U.S. Bank do not otherwise expressly agree in writing, after an Event of Default (as set forth in Section 5.1 of this Deed of Trust) has occurred, U.S. Bank may require ALC to maintain reserves for payment of taxes (including special assessments and other charges against the Trust Estate by governmental or quasi-governmental bodies) or premiums on property insurance or both. The reserves shall be created by payment



each month to U.S. Bank of an amount determined by U.S. Bank in its commercially reasonable discretion to be sufficient to produce by the date they are due amounts equal to the estimated taxes and insurance premiums to be paid. If at the time that payments are to be made the reserve for either taxes or insurance premiums is insufficient, ALC shall upon demand pay such additional sum as U.S. Bank reasonably shall determine to be necessary to cover the required payment. If ALC desires to carry a package plan of insurance that includes coverage in addition to that required under this Deed of Trust, U.S. Bank, if allowed by law, after an Event of Default (as set forth in Section 5.1 of this Deed of Trust) has occurred, may at its option establish and administer a reserve for that purpose. In such event, the premium attributable to the required insurance coverage shall be quoted separately, and U.S. Bank may permit ALC to furnish a certificate of insurance rather than deposit the policy as required above. If at any time U.S. Bank holds an insufficient amount in the insurance reserve to cover the premium for the entire package policy, U.S. Bank may, at its commercially reasonable discretion, pay only that portion of the premium attributable to the required insurance coverage. If the blanket policy does not permit such partial payment, U.S. Bank may use the reserve funds for the premium on a new, separate policy providing the required insurance coverage and allow the package policy to lapse. U.S. Bank shall not charge a service charge for collecting reserves and paying taxes and insurance premiums. The reserves shall not constitute a trust. ALC agrees that U.S. Bank may commingle reserve funds with other funds of U.S. Bank and need not invest them for the benefit of ALC. ALC agrees that U.S. Bank need not pay ALC interest on reserves, unless applicable statutes require payment of interest notwithstanding any contrary agreement.

1.8 Expenditures by U.S. Bank. If ALC shall fail to comply with any provision of this Deed of Trust beyond any applicable cure period, U.S. Bank may, at its option, on ALC's behalf take the required action and any amount that U.S. Bank expends in so doing shall be added to the indebtedness secured hereby and become part of the Obligations. Amounts so added shall be payable on demand with interest at the rate specified in the Note, or if more than one interest rate is applicable, at the highest rate applicable to any portion of the principal balance of the Note (the "Note Rate") from the date of expenditure. The rights provided for in this section shall be in addition to any other rights or any remedies to which U.S. Bank may be entitled on account of the default, and U.S. Bank shall not by taking the required action cure the default so as to bar U.S. Bank from any remedy that it otherwise would have had.

1.9 Utilities.

(a) ALC shall pay or cause to be paid when due all utility charges that are incurred by ALC for the benefit of the Trust Estate, or that may become a charge or lien against the Trust Estate for gas, electricity, water, or sewer services furnished to the Trust Estate and all other assessments or charges of a similar nature, whether public or private, affecting the Trust Estate or any portion thereof, whether or not such assessments or charges are liens thereon.

(b) ALC shall have the right before any delinquency occurs to contest or object to the amount or validity of any such utility charge by appropriate proceedings, but



U.S. Bank of its intent to contest or object to a utility charge, and unless, at U.S. Bank's sole option, (i) ALC shall demonstrate to U.S. Bank's satisfaction that the proceedings to be initiated by ALC shall operate conclusively to prevent the suspension, termination, nonrenewal, or revocation of any material service and to prevent the sale of the Trust Estate to satisfy such utility charge prior to final determination of such proceedings; or (ii) ALC shall furnish a good and sufficient bond or surety as requested by and in form, substance, and amount and issued by a Person satisfactory to U.S. Bank; or (iii) ALC shall demonstrate to U.S. Bank's satisfaction that ALC has provided a good and sufficient undertaking as may be required or permitted by law to accomplish a stay of any such suspension, termination, nonrenewal, revocation, or sale. If ALC pays the utility charge, it shall have the right to contest or object to the amount or validity of such utility charge without U.S. Bank's consent.

1.10 Warranty; Defense of Title. ALC warrants that ALC holds merchantable title to the Real Property in fee simple, free of all encumbrances except liens for taxes and assessments and those encumbrances described on Exhibit B attached hereto (which encumbrances are referred to in this Deed of Trust as the "Permitted Encumbrances"). ALC warrants and will forever defend the title to the Real Property against the claims, other than the Permitted Encumbrances, of all persons. If any action or proceeding is commenced that questions ALC's title or interest in the Real Property, or the interest of U.S. Bank under this Deed of Trust, ALC shall defend the action at ALC's expense. If any Permitted Encumbrance is a lien, ALC shall pay any sums and do any other acts necessary to prevent a default or prevent any action or condition that with the lapse of time, the giving of notice, or any other action of a creditor, would be a default or enable any creditor to declare a default or foreclose any Permitted Encumbrance that is a lien.

1.11 Actions Affecting Trust Estate. With respect to the Trust Estate, ALC shall appear in and defend any action or proceeding purporting to affect the security hereof, the other Loan Documents, any additional or other security for the obligations secured hereby, the interests of U.S. Bank or any of U.S. Bank, or the rights, powers, or duties of Trustee hereunder. ALC shall pay all costs, fees, and expenses, including costs of evidence of title, trustees' fees, court costs, and reasonable attorney and consultant fees paid or incurred by U.S. Bank or any of U.S. Bank in any action or proceeding in which U.S. Bank, any of U.S. Bank, or Trustee may appear or be made a party, whether or not pursued to final judgment, and in any exercise of the power of sale contained herein, whether or not such sale actually is consummated.

1.12 Actions by Trustee or U.S. Bank to Preserve Trust Estate. If ALC fails to make any payment or to perform any obligation as and in the manner provided in this Deed of Trust, U.S. Bank and/or Trustee, each in its own discretion, without obligation to do so, without releasing ALC from any Obligation and without notice to or demand upon ALC, may make or do the same in such manner and to such extent as either may deem necessary to protect the security



hereof. Upon the occurrence and during the continuation of an Event of Default (without limiting their general powers, whether conferred herein, in another Loan Document, or by law), U.S. Bank and Trustee shall have and are hereby given the right, but without the obligation, without releasing ALC from any Obligation and without notice to or demand upon ALC: (a) to enter upon and take possession of the Trust Estate, in which event prior notice shall be given to ALC; (b) to make additions, alterations, repairs, and improvements (including those required by good forest management practice) to the Trust Estate that they (or any of them) consider necessary or proper to keep the Trust Estate in good condition and repair, in which event prior notice shall be given to ALC; (c) to appear and participate in any action or proceeding affecting or that may affect the security hereof or the rights or powers of U.S. Bank or Trustee; (d) to pay, purchase, contest, or compromise any encumbrance, claim, charge, lien, or debt that in the judgment of U.S. Bank or Trustee may affect the security of this Deed of Trust or be prior or superior hereto; (e) in exercising such powers, to pay necessary expenses, including employment of an independent consulting engineer and counsel or other necessary or desirable consultants; and (f) to take any and all actions to protect the rights of U.S. Bank or Trustee set forth herein or in the other Loan Documents, or to sustain the lien or priority of this Deed of Trust. Immediately upon demand therefor by U.S. Bank and Trustee (or either of them), ALC shall pay to U.S. Bank and Trustee an amount equal to all costs and expenses incurred by them in connection with the exercise by U.S. Bank or Trustee of any of the foregoing rights in respect of the Trust Estate, including costs of evidence of title, court costs, appraisals, cruises of timberland, surveys and receiver's, trustee's and reasonable attorney fees, together with interest thereon from the date of such expenditures until fully reimbursed by ALC at the Note Rate, and such costs and expenses shall be added to the Obligations secured by this Deed of Trust and be a lien or charge on the Trust Estate.

1.13 Full Performance Required; Survival of Warranties. All representations, warranties, and covenants of ALC made to U.S. Bank or any of U.S. Bank in connection with the Obligations secured hereby or contained in the Loan Documents or incorporated by reference therein shall survive the execution and delivery of this Deed of Trust and shall remain continuing covenants, warranties, and representations of the person making such so long as any portion of the Obligations secured by this Deed of Trust remains outstanding.

1.14 Eminent Domain.

(a) If any proceeding or action be commenced for the taking of the Trust Estate for public or quasi-public use under the power of eminent domain, or if the Trust Estate be damaged or its value diminished by reason of any taking or any public improvement or any inverse condemnation, or should ALC receive any notice or other information regarding such proceeding, action, taking, or damage, ALC shall give prompt written notice thereof to U.S. Bank. ALC shall have the right to commence, appear in, and prosecute in its own name any such action or proceeding. U.S. Bank shall be entitled at its option, without regard to the adequacy of its security, to join ALC in any such action and, in any case involving a taking or damage in excess of \$50,000, to commence, appear in, and prosecute in the name of ALC or in its own name any such action or



proceeding. ALC may, upon written notice to U.S. Bank, make any compromise or settlement in connection with such taking or damage not in excess of \$50,000. ALC shall consult with U.S. Bank in settling or compromising any such taking or damage for more than \$50,000 but less than the aggregate outstanding principal balance of the Note, provided that U.S. Bank may settle or compromise any such taking or damage after five Business Days' notice to ALC. ALC may settle or compromise any taking or damage for more than the aggregate outstanding principal amount of the Note, provided that if ALC has not settled or compromised such taking or damage within sixty days after the occurrence thereof, then U.S. Bank may settle or compromise such taking or damage after five Business Days' notice to ALC. All compensation, awards, damages, rights of action, and proceeds awarded with respect to the Trust Estate by reason of any such taking or damage (including any sale in lieu of condemnation) (the "Condemnation Proceeds") are hereby assigned to U.S. Bank as security for the Obligations, and ALC agrees to execute such further assignments of the Condemnation Proceeds as U.S. Bank reasonably may require.

(b) After deducting therefrom all costs and expenses (regardless of the particular nature thereof and whether incurred with or without suit), including, without limitation, reasonable attorneys' fees, incurred by U.S. Bank in connection with any such action or proceeding, U.S. Bank shall apply the net Condemnation Proceeds to the repayment of the outstanding balance of the Note, together with accrued interest thereon, notwithstanding that said outstanding balance may not be due and payable, and of all Obligations of ALC secured hereby. If the Condemnation Proceeds are not sufficient to repay the Note in full, then U.S. Bank at its option may accelerate the Maturity Date of the Note and declare the Note and all the other Obligations secured hereby immediately due and payable, and ALC immediately shall pay any remaining balance of the Note and Obligations, together with accrued interest. If there are Condemnation Proceeds remaining after repayment of the Note and the satisfaction of all Obligations in full, such remaining proceeds shall be paid to ALC as ALC may direct.

(c) Any expense incurred by U.S. Bank in connection with the foregoing, and interest thereon at the Note Rate accruing from the date paid by U.S. Bank until reimbursed by ALC, shall be added to the Obligations secured by this Deed of Trust and shall be a lien or charge on the Trust Estate.

1.15 Imposition of Tax. The following shall constitute taxes to which this paragraph applies:

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

(b) A specific tax on the owner of property covered by a deed of trust that the taxpayer is authorized or required to deduct from payments on the deed of trust;



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(c) A tax on premises covered by a deed of trust chargeable against U.S. Bank under the deed of trust or the holder of the Note; and

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

If any federal, state, or local tax to which this paragraph applies is enacted subsequent to the date of this Deed of Trust, this shall have the same effect as a default and U.S. Bank may exercise any or all of the remedies available to it in the event of a default, unless the following conditions are met:

(y) ALC may lawfully pay the tax or charge imposed; and

(z) ALC pays the tax or charge within 30 days after notice from U.S. Bank that the tax law has been enacted.

1.16 No Waiver. By accepting payment of any obligation herein mentioned after its due date, U.S. Bank does not waive U.S. Bank's right either to require prompt payment when due of all other obligations herein mentioned, or to declare default for ALC's failure to timely pay the obligation in question.

1.17 Accounting. ALC will keep and maintain or will cause to be kept and maintained in accordance with sound accounting practice accurate and proper books of record and account relating to the Trust Estate. ALC shall permit U.S. Bank to examine the books of account and other records of ALC, to discuss the affairs, finances, and accounts of ALC and to be informed as to the same by ALC, all at such reasonable times and intervals as U.S. Bank may desire. At the request of U.S. Bank, ALC will, at its own cost and expense, furnish to U.S. Bank within 120 days after the end of each fiscal year, annual financial statements of ALC and copies of the balance sheet and operating statements relating to the Trust Estate for such year, in reasonable detail and in form and substance satisfactory to U.S. Bank. In addition, at the request of U.S. Bank, ALC shall furnish U.S. Bank, within 30 days from the end of each calendar quarter, a rent roll, including but not limited to a listing of each tenant, the space occupied, the amount of rent and the expiration of the lease, together with unaudited statements setting forth rental income (itemized as to source, itemized operating expenses, and net income before federal income taxes) relating to the Trust Estate for such month, certified to as being correct by ALC. In the event ALC fails to furnish any of the financial statements hereinabove required, U.S. Bank may cause an audit to be made of ALC's books and records, at ALC's sole cost and expense.

1.18 Repayment of Advances. Upon receipt of notice, ALC immediately shall repay all sums expended or advanced hereunder by or on behalf of U.S. Bank or Trustee, with interest from the date of such advance or expenditure at the Note Rate, and the repayment thereof shall be secured hereby. Failure to repay such expenditure or advance and interest thereon within 10 days of such notice will, at U.S. Bank's option, constitute an Event of Default hereunder; or U.S. Bank may, at its option, commence an action against ALC for the recovery of such expenditure or advance and interest thereon, and in such event ALC agrees to pay, in



addition to the amount of such expenditure or advance, all costs and expenses incurred in such action, together with reasonable attorney's fee at trial and on appeal.

1.19 Use of Loan Proceeds. The commercial loans evidenced by the Note were not made, and their proceeds were not used for, personal, family, or household purposes.

1.20 Authorizations. ALC hereby agrees not to amend, supplement, cancel, surrender, release, or waive any material Authorization issued to it and required for the management, cutting, harvesting, or other disposition of the Timber, or any provision thereof, or permit any of the foregoing without the prior written consent of U.S. Bank. Consent to one amendment, supplement, cancellation, surrender, release, or waiver shall not be deemed to be a waiver of the right to require consent to other, further, or successive amendments, supplements, cancellations, surrenders, releases, or waivers. Any such amendment, supplement, cancellation, surrender, release, or waiver, whether oral or in writing, made without the prior written consent of U.S. Bank shall, to the extent permitted by law, not be valid or effective against U.S. Bank. ALC shall perform all of the requirements and covenants under the material Authorizations and shall not take any action or omit to take any action that would adversely affect, or permit the suspension, termination, non-renewal, or revocation of any such Authorizations. ALC agrees promptly to notify U.S. Bank in writing with respect to any default or alleged default by ALC under any such Authorization, or the commencement of any investigations, hearings, or proceedings that specifically involve any such Authorization and could lead to modification, suspension, termination, nonrenewal, or revocation of any such Authorization. ALC also promptly shall deliver to U.S. Bank copies of all notices, demands, complaints, or other communications received or given by ALC with respect to any such default or alleged default or such investigation, hearing, or proceeding. Upon receipt by U.S. Bank of any notice of default issued by the issuer of any Authorization, U.S. Bank may give notice thereof to ALC and if ALC shall fail to correct such default within 30 days after the delivery of such notice, U.S. Bank may rely thereon and take any action to cure such default even though the existence of such default, or the nature thereof, is questioned or denied by ALC; provided, that U.S. Bank shall not be required to give ALC notice in an emergency or if the security for the Note and other Obligations of ALC would be jeopardized or impaired by the passage of time. U.S. Bank shall have the option, but not the obligation, to cure any such default and to perform any or all of ALC's Obligations thereunder that are in default, and may enter the Trust Estate for such purposes, but no such action by U.S. Bank shall relieve ALC of its obligations under the Authorizations or this Deed of Trust. All sums expended by U.S. Bank in curing any such default shall be added to the Obligations secured hereby, be a lien or charge on the Trust Estate, and be immediately due and payable by ALC upon notice from U.S. Bank and shall bear interest from the date of expenditure until fully reimbursed by ALC at the Note Rate.

1.21 Limitations of Use. ALC shall not initiate, join in, or consent to any change in any private restrictive covenant, zoning ordinance, or other public or private restrictions limiting or defining the uses that may be made of the Real Property if, in U.S. Bank's reasonable discretion, any of the foregoing would be likely to have a Material Adverse Effect.



1.22 Permitted New or Modified Authorizations. Notwithstanding anything to the contrary in this Deed of Trust, ALC shall not be obligated to obtain U.S. Bank's consent to any new or modified Authorizations that do not materially impair the value of the Real Property subject to the new or modified Authorization, nor shall it be obligated to obtain U.S. Bank's consent to the dedication of, or grant of any right to, any portion of the Real Property to a Governmental Authority in connection with such new or modified Authorization.

ARTICLE II

SECURITY AGREEMENT

2.1 Creation of Security Interest. ALC hereby grants to U.S. Bank a security interest in (a) the personal property located on or at the Real Property, including without limitation any and all property of similar type or kind hereafter located on or at the Real Property, (b) the Cash Collateral, and (c) all other property in which a security interest may be granted under the Uniform Commercial Code of Washington (collectively, the "Secured Property"), for the purpose of securing all obligations of ALC contained in any of the Loan Documents. ALC hereby authorizes U.S. Bank to file one or more financing statements and renewals and amendments thereof pursuant to the Uniform Commercial Code in form satisfactory to U.S. Bank, and ALC will pay the cost of filing the same in all public offices wherever filing is deemed by U.S. Bank to be necessary or desirable.

2.2 Warranties, Representations, and Covenants of ALC. ALC hereby warrants, represents, and covenants as follows:

(a) Except for the security interest granted hereby, ALC is, and as to portions of the Secured Property to be acquired after the date hereof will be, the sole owner of the Secured Property, free from any adverse lien, security interest, encumbrance, or adverse claims thereon of any kind whatsoever. ALC will notify U.S. Bank of, and will defend the Secured Property against, all claims and demands of all persons at any time claiming the same, or any interest therein.

(b) The Secured Property is not used or bought for personal, family, or household purposes.

(c) ALC will not change its legal name or state of organization without prior written notice to U.S. Bank.

(d) All covenants and obligations of ALC contained herein relating to the Trust Estate shall be deemed to apply to the Secured Property whether or not expressly referred to herein.

(e) This Deed of Trust constitutes a security agreement as that term is used in the Uniform Commercial Code of Washington.



ARTICLE III

FIXTURE FILING

3.1 Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing in the official records of the county in which the Real Property is located with respect to any and all fixtures included within the term "Trust Estate" as used herein and with respect to any goods or other personal property that may now or hereafter become such fixtures.

ARTICLE IV

ASSIGNMENT OF LEASES AND RENTS

4.1 Assignment. ALC hereby assigns to U.S. Bank and grants to U.S. Bank a security interest in all Leases as security for performance of all obligations secured by this Deed of Trust.

4.2 Representations and Warranties. ALC represents and warrants as follows:

(a) ALC has good right, title, and interest in and to the Leases and Cash Collateral and good right to assign the same, and no other person has any right, title, or interest therein.

(b) ALC has performed all the terms, covenants, conditions, and warranties of the Leases on ALC part to be kept, observed, and performed and is not in material default under any of the terms thereof.

(c) The existing Leases, if any, are valid and unmodified and are in full force and effect.

(d) Except for Permitted Encumbrances, ALC has not previously sold, assigned, transferred, mortgaged, pledged, or granted a security interest in the Cash Collateral, whether now due or hereafter to become due.

(e) None of the Cash Collateral due and issuing from the Real Property or from any part thereof has been collected for any period in excess of one month from the date hereof, and payment of any of same has not otherwise been anticipated, waived, released, discounted, set off, or otherwise discharged or compromised.

(f) ALC has not received any funds or deposits from any tenant for which credit has not already been made on account of accrued Cash Collateral.

(g) None of the tenants under any existing Leases is in default of any of the terms thereof.



4.3 Covenants of Performance. ALC covenants and agrees as follows:

(a) ALC shall observe, perform, and discharge, duly and punctually, all of the obligations of the Leases on the part of ALC to be kept, observed, and performed; and shall give prompt notice to U.S. Bank of any failure on the part of ALC to observe, perform, and discharge same.

(b) ALC shall notify and direct in writing each and every present or future tenant or occupant of the Real Property, or any part thereof, that any security deposit or other deposits heretofore delivered to ALC have been retained by ALC or assigned and delivered to U.S. Bank as the case may be.

(c) ALC shall enforce the performance of each and every obligation, term, covenant, condition, and agreement in the Leases by any tenant to be performed, and shall notify U.S. Bank of the occurrence of any material default under the Leases.

(d) ALC shall appear in and defend any action or proceeding arising under, occurring out of, or in any manner connected with the Leases or the obligations, duties, or liabilities of ALC or any tenant thereunder at the expense of ALC.

4.4 Prior Approval for Actions Affecting Leases. ALC further covenants and agrees that, without the prior written consent of U.S. Bank:

(a) ALC shall not receive or collect any Cash Collateral from any present or future tenant of the Real Property or any part thereof for a period of more than one month in advance (whether in cash or by promissory note) nor pledge, transfer, mortgage, grant a security interest in, or otherwise encumber or assign future payments of Cash Collateral.

(b) ALC shall not waive, forgive, excuse, condone, discount, set off, compromise, or in any manner release or discharge any tenant under any Leases having a term in excess of one year or from any material obligations, covenants, conditions, and agreements by such tenant to be kept, observed, and performed, including the obligation to pay the Cash Collateral thereunder in the manner and at the place and time specified therein.

(c) ALC shall not cancel, terminate, or consent to any surrender of any of the Leases having a term in excess of one year, nor commence any action of ejectment or any summary proceedings for dispossession of the tenant under any such Leases, nor exercise any right of recapture of the Real Property provided in any such Leases, nor modify or in any way alter the terms thereof.

(d) ALC shall not lease any part of the Real Property for a term in excess of one year, nor renew or extend the term of any Leases of the Real Property other than



month-to-month rental agreements unless an option therefor was originally so reserved by tenants in the Leases.

(e) ALC shall not relocate any commercial tenant within the Real Property nor consent to any modification of the express purposes for which the Real Property has been leased, nor consent to any subletting of the Real Property or any part thereof, or to any assignment of the Leases by any commercial tenant thereunder or to any assignment or further subletting of any sublease.

4.5 Rejection of Leases. ALC further covenants and agrees as follows:

(a) In the event any tenant under the Leases should become the subject of any proceeding under the United States Bankruptcy Code or any other federal, state or local statute which provides for the possible termination or rejection of the Leases assigned hereby, ALC covenants and agrees that in the event any of the Leases are so rejected, no damage settlement shall be made without the prior written consent of U.S. Bank.

(b) ALC hereby assigns any such payment to U.S. Bank and further covenants and agrees that upon request of U.S. Bank, it will duly endorse to the order of U.S. Bank any such check, the proceeds of which will be applied to any portion of the indebtedness secured by this Deed of Trust in such manner as U.S. Bank may elect.

4.6 License to Collect Cash Collateral. As long as no Event of Default exists hereunder, ALC shall have the right under a license granted hereby (but limited as provided herein) to collect, but not prior to accrual, all of the Cash Collateral arising from or out of said Leases or any renewals, extensions, and replacements thereof, or from or out of the Real Property or any part thereof. ALC shall receive such Cash Collateral and hold the Cash Collateral, together with the right and license herein granted as a trust fund to be applied, and ALC hereby covenants to so apply them, as required by U.S. Bank, first to the payment of taxes and assessments upon the Real Property before penalty or interest is due thereon; second to the costs of insurance, maintenance, and repairs required by the terms of this Deed of Trust; third to satisfaction of all obligations under the Leases; and fourth to the payment of interest, principal, and any other sums becoming due under the Note and Deed of Trust, before using any part of the same for any other purposes. Upon the conveyance by ALC and its successors and assigns of ALC interest in the Real Property, all right, title, interest, and powers granted under the license aforesaid automatically shall pass to and may be exercised by each subsequent owner.

4.7 Limitation of U.S. Bank's Obligations. Notwithstanding the assignment provided for in this Section 4.7 of this Deed of Trust, U.S. Bank shall not be obligated to perform or discharge, and U.S. Bank does not undertake to perform or discharge, any obligation or liability with respect to the Leases or the Rents. This assignment shall not operate to place responsibility for the control, care, maintenance, or repair of the Trust Estate upon U.S. Bank, or to make U.S. Bank responsible for any conditions of the Real Property. U.S. Bank shall be accountable to ALC only for the sums actually collected and received by U.S. Bank pursuant to this assignment. ALC shall hold U.S. Bank and each of U.S. Bank fully harmless from,



indemnify U.S. Bank and each of U.S. Bank for, and defend U.S. Bank and each of U.S. Bank against any and all claims, demands, liabilities, losses, damages, and expenses, including attorney fees, arising out of any of the Leases, with respect to any of the Rents, or in connection with any claim that may be asserted against U.S. Bank and each of U.S. Bank on account of this assignment, or any obligation or undertaking alleged to arise therefrom.

ARTICLE V

DEFAULT; REMEDIES UPON DEFAULT

5.1 Events of Default. Any of the following events shall be deemed an event of default hereunder (the "Events of Default"):

(a) A writ of execution or attachment or any similar process shall be issued or levied against all or any material part of or interest in the Trust Estate, or any judgment involving monetary damages shall be entered against ALC that shall become a lien on the Trust Estate or any portion thereof or interest therein, and such execution, attachment, or similar process or judgment is not released, bonded, satisfied, vacated, or stayed within 60 days after its entry or levy; or

(b) The default by ALC in the performance of any of its covenants under this Deed of Trust, or any breach of any warranty or representation made by ALC in this Deed of Trust; or

(c) Any event of default under Section 10.1 of the Loan Agreement.

5.2 Rights and Remedies on Default. Upon the occurrence of any Event of Default hereunder and at any time thereafter, U.S. Bank may exercise any one or more of the following rights and remedies:

(a) The right at its option by notice to ALC to declare the Obligations secured hereby immediately due and payable.

(b) With respect to all or any part of the Trust Estate, the right to foreclose by judicial foreclosure in accordance with applicable law.

(c) The right to have Trustee sell the Trust Estate in accordance with the Deed of Trust Act of Washington and the Uniform Commercial Code where applicable, at public auction to the highest bidder. Any person or entity except Trustee may bid at the foreclosure sale conducted by Trustee. The power of sale conferred by this Deed of Trust and the law is not an exclusive remedy, and when not exercised, U.S. Bank may foreclose this Deed of Trust as a mortgage. 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 ALC, Trustee, or U.S. Bank shall be a party, unless such action or proceeding is brought by Trustee.



(d) With respect to all or any part of the Trust Estate that constitutes personalty, the rights and remedies of a secured party under the Uniform Commercial Code of Washington.

(e) The right, without notice to ALC, to collect the Cash Collateral without taking possession, and to demand, collect, receive, sue for, attach, and levy against the Cash Collateral in U.S. Bank's name; to give proper receipts, releases, and acquittances therefor; and after deducting all necessary and proper costs and expenses of operation and collection as determined by U.S. Bank, including reasonable attorney fees, to apply the net proceeds thereof, together with any funds of ALC deposited with U.S. Bank, upon any indebtedness secured hereby and in such order as U.S. Bank may determine. In furtherance of this right, U.S. Bank may require any tenant or other user to make payments of rent or use fees directly to U.S. Bank, and payments by such tenant or user to U.S. Bank in response to its demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed.

(f) The right to have a receiver appointed to take possession of any or all of the Trust Estate, with the power to protect and preserve the Trust Estate and to operate the Trust Estate preceding foreclosure or sale and apply the proceeds, over and above cost of the receivership, against the indebtedness secured hereby. The receiver may serve without bond if permitted by law. U.S. Bank's right to the appointment of a receiver shall exist whether or not the value or apparent value of the Trust Estate exceeds the Obligations by a substantial amount. ALC hereby irrevocably consents to the appointment of a receiver on the terms set forth herein. Employment by U.S. Bank shall not disqualify a person from serving as receiver. Upon taking possession of all or any part of the Trust Estate, the receiver may:

(1) Use, operate, manage, control, and conduct business on the Trust Estate;

(2) Make expenditure for all maintenance, renewals, replacements, alterations, additions, and improvements to the Trust Estate as in the receiver's judgment are proper;

(3) Insure and reinsure the Trust Estate and all risks incidental to the possession, operation, and management of the Trust Estate;

(4) Collect the Cash Collateral and any other revenues and income from the Trust Estate and apply such sums to the expenses of use, operation, and management in such priority as the receiver deems appropriate. ALC promptly shall turn over to the receiver all documents, books, records, papers, and accounts, together with the amount of any deposits, rentals, and use fees from any tenant or other user. The receiver may appear in any proceeding or bring suit on ALC's behalf, as necessary to enforce obligations of any tenant or other user, including actions for the recovery of rent and actions in forcible detainer;



(5) Cancel or terminate any Lease or agreement for any cause for which ALC would be entitled to cancel the same;

(6) Extend or modify any Lease and make any new Lease on any portion of the Trust Estate. Any such instruments shall be binding upon ALC and all persons whose interests in the Trust Estate are subordinate to this Deed of Trust, and upon the purchaser or purchasers at any foreclosure sale, notwithstanding any redemption from sale, discharge of indebtedness, satisfaction of the foreclosure decree, or issuance of any certificate of sale or deed to any purchaser;

(7) Complete any construction in progress on the Real Property, and in that connection, pay bills, borrow funds, employ contractors, and make any changes in plans or specifications as the receiver deems appropriate; or

(8) If the revenues and income are insufficient to pay expenses, the receiver may (but shall not be entitled to) borrow from U.S. Bank such sums as the receiver deems necessary for the purposes stated in this paragraph. The amounts borrowed shall bear interest from the date of expenditure until repaid at the Note Rate. Such sums shall become a part of the Obligations secured by this Deed of Trust and shall be payable by ALC on demand.

(g) Subject to any limitations imposed by law, the right to obtain a deficiency judgment (i) in the event the net sale proceeds of any foreclosure sale are insufficient to pay the entire unpaid indebtedness secured hereby, or (ii) as provided by RCW 61.24.100(3).

(h) The right to maintain an action against ALC or any other person liable on the Obligations prior to a notice of trustee's sale having been given or after the discontinuance of a trustee's sale.

(i) Any other right or remedy provided in this Deed of Trust, the Note, any other Loan Documents, or under law.

5.3 Foreclosure by Power of Sale. If U.S. Bank elects to foreclose by exercise of the power of sale herein contained, U.S. Bank shall notify Trustee and shall deposit with Trustee this Deed of Trust and the Note and such receipts and evidence of expenditures made and secured hereby as Trustee may require. Upon receipt of such notice from U.S. Bank, Trustee shall cause to be given such notice of default as then required by law, including any notices required to preserve U.S. Bank's right to seek a deficiency judgment against ALC or any guarantor. Trustee shall, without demand on ALC, after lapse of such time as may then be required by law and after notice of sale and notice of foreclosure having been given as required by law, sell the Trust Estate at the time and place of sale fixed by it in such notice of sale and notice of foreclosure, either as a whole, or in separate lots or parcels or items as Trustee shall deem expedient, and in such order as it may determine, at public auction to the highest bidder for

cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers thereof good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. After deducting all costs, fees, and expenses of Trustee and of this trust, including costs of evidence of title and reasonable attorney fees in connection with sale, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest, all other sums then secured hereby and the remainder, if any, shall be paid to the Person or Persons entitled thereto.

5.4 Sale of Personal Property. U.S. Bank shall give ALC 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 ten days before the time of the sale or disposition.

5.5 Due on Sale or Increase in Interest Rate on Sale. ALC agrees and acknowledges that the indebtedness evidenced by the Note is personal to ALC, and that ALC's personal responsibility and/or control of the Real Property is a material inducement to U.S. Bank to agree to enter into this transaction. Any conveyance of the whole or any part of the Real Property, whether by deed, contract, further encumbrance, or otherwise, lease of the same (other than a lease of any portion of the space in the improvements on the Real Property in the ordinary course of business without an option to purchase) without U.S. Bank's prior written consent, or any transfer of membership or ownership interests in ALC without U.S. Bank's prior written consent shall be deemed to increase the risk of U.S. Bank, and U.S. Bank or other holder may declare the entire unpaid balance of the Obligations immediately due and payable, or, in its reasonable discretion, it may consent to such conveyance, or transfer of membership or ownership interests in writing and may increase the interest rate on the Note, change the maturity date of the Note, modify the loan terms, or impose whatever other conditions it shall deem necessary to compensate it for such increased risk. Any increase in interest shall entitle the holder to increase monthly payments on the loan evidenced by the Note so as to retire the obligation within the original stipulated time. In the event ALC shall request the consent of U.S. Bank in accordance with the provisions of this Section 5.5 of this Deed of Trust, ALC shall deliver a written request to U.S. Bank, together with such information as U.S. Bank may reasonably request regarding such conveyance, further encumbrance, lease, or transfer of membership or ownership interests and shall allow U.S. Bank 30 days to evaluate such request. If U.S. Bank approves such conveyance, encumbrance, lease, or transfer of capital stock or partnership interest, ALC shall pay U.S. Bank a reasonable processing fee in an amount to be determined by U.S. Bank but in no event less than \$500 to compensate U.S. Bank for its costs in processing such request. Consent as to any one transaction shall not be deemed to be a waiver of the right to require consent to any further or successive transaction. The execution and delivery by ALC of any joint venture agreement, partnership agreement, declaration of trust, option agreement, or other instrument whereunder any person, corporation, or other entity may become entitled, directly or indirectly, to the possession or enjoyment of the Real Property, or the income or other benefits derived or to be derived therefrom, shall in each case be deemed to be a



conveyance or assignment of ALC's interest in the Real Property for the purposes of this section, and shall require the prior written consent of U.S. Bank. In the event ownership of the Real Property or any portion thereof becomes vested in a person other than ALC, U.S. Bank may, without notice to ALC, whether or not U.S. Bank has given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Deed of Trust and the obligations secured hereby, in the same manner as with ALC, without in any way vitiating or discharging ALC's liability hereunder or the obligations hereby secured.

5.6 Attorney Fees. In the event suit, action, or arbitration proceeding is instituted to enforce any of the terms of this Deed of Trust, the prevailing party therein shall be entitled to recover from the other party thereto such sum as the court or arbitrator may adjudge reasonable as attorney fees at trial, on any appeal, and in any bankruptcy proceeding. All reasonable expenses incurred by U.S. Bank that are necessary at any time in U.S. Bank's opinion for the protection of its interest or the enforcement of its rights, including without limitation, the cost of any appraisal of the Trust Estate (whether or not obtained in an action for a deficiency judgment under RCW 61.24.100(3)), searching records, obtaining title reports, surveyors' reports, demanding payment, attorneys' opinions, or title insurance, whether or not any court action is involved, shall become a part of the indebtedness secured hereby, payable on demand, and shall bear interest at the Note Rate from the date of expenditure until paid.

5.7 Surviving Obligations. The obligations and liabilities of ALC for waste on the Real Property or for wrongful retention of any Cash Collateral, insurance proceeds, or condemnation awards shall survive any termination, satisfaction, assignment, entry of judgment of foreclosure, delivery of trustee's deed in a nonjudicial foreclosure proceeding, or delivery of a deed in lieu of foreclosure.

ARTICLE VI

MISCELLANEOUS

6.1 Governing Law. This Deed of Trust shall be governed by the laws of the State of Washington, without regard to its principles of conflicts of law.

6.2 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof or any application of any provision is declared to be illegal or invalid for any reason whatsoever by a court of competent jurisdiction, such illegality or invalidity shall not affect the balance of the terms and provisions hereof or any other application of such provision, which terms and provisions shall remain binding and enforceable. If the lien or charge of this Deed of Trust is invalid or unenforceable as to any part of the Obligations secured hereby, or if the lien is invalid or unenforceable as to any part of the Trust Estate, the unsecured or partially secured portion of the Obligations shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the Obligations, and all payments made in respect of the Obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid



on and applied to the full payment of that portion of the Obligations that is not secured or fully secured by the lien of this Deed of Trust.

6.3 Modification. The terms and provisions of this instrument cannot be waived, changed, discharged, or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change, discharge, or termination is sought.

6.4 Inspections and Appraisals. U.S. Bank or its agents may enter upon the Real Property with reasonable prior notice and at any reasonable times to inspect the Real Property or to perform any of the acts U.S. Bank is authorized to perform under any of the Loan Documents, whether or not any default exists hereunder. If ALC refuses to permit such inspection, U.S. Bank may specifically enforce performance of this provision. U.S. Bank may complete an appraisal in the Event of Default or as set forth in this Section 6.4 of this Deed of Trust, and ALC agrees to pay the cost of all appraisals required by U.S. Bank (a) to comply with (i) any applicable statute or regulation, or (ii) the request or directive (whether or not having the force of law) of any regulatory authority with jurisdiction over U.S. Bank, (b) to comply with U.S. Bank's policies concerning appraisals, or (c) at any time after the occurrence of an Event of Default. All such appraisal costs shall become a part of the Obligations secured hereby and shall be payable on demand, together with interest thereon at the Note Rate.

6.5 Reconveyance by Trustee. Upon written request of U.S. Bank stating that all Obligations secured hereby have been paid, and upon surrender of the Note to Trustee for cancellation and retention and upon payment by ALC of Trustee's fees, Trustee shall reconvey to ALC, or the person or persons legally entitled thereto, without warranty, any portion of the Trust Estate then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

6.6 Notices. Whenever U.S. Bank, ALC, or Trustee shall desire to give or serve any notice, demand, request, or other communication with respect to this Deed of Trust, each such notice, demand, request, or other communication shall be in writing and shall be effective only if the same is delivered by personal service or mailed by registered or certified mail, postage prepaid, return receipt requested, and addressed as follows:

(a) If to ALC:

c/o Obsidian Finance Group, LLC
Suite 1150
10260 S.W. Greenburg Road
Portland, Oregon 97223
Attention: Mr. David W. Brown



With a copy to:

Tonkon Torp LLP
Suite 1600
888 S.W. Fifth Avenue
Portland, Oregon 97204
Attention: Mr. Leon Simson

(b) If to U.S. Bank:

U.S. Bank National Association
Suite 400
111 S.W. Fifth Avenue
Portland, Oregon 97204
Attention: Ms. Sally J. Williams

With a copy to:

Miller Nash LLP
Suite 3500
111 S.W. Fifth Avenue
Portland, Oregon 97204
Attention: Mr. Louis G. Henry

(c) If to Trustee:

U.S. Bank Trust Company, National Association
555 S.W. Oak Street (PL-7)
Portland, Oregon 97204

Any communication that is mailed as provided above shall be deemed delivered 72 hours after mailing. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto a notice of such change in accordance with this Section 6.6 of this Deed of Trust.

6.7 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

6.8 Captions. The captions or headings at the beginning of each section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

6.9 No Merger. If both the lessor's and lessee's estates under any lease or portion thereof that constitutes a part of the Trust Estate shall at any time become vested in one owner, this Deed of Trust and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger and, in such event, U.S. Bank shall continue to have and



enjoy all of the rights and privileges of a beneficiary of a deed of trust as to the separate estates. In addition, upon the foreclosure of the lien created by this Deed of Trust on the Trust Estate pursuant to the provisions hereof, any leases or subleases then existing and created by ALC shall not be destroyed or terminated by application of the law of merger, as a matter of law, or as a result of such foreclosure unless U.S. Bank or any purchaser at any such foreclosure sale shall so elect. No act by or on behalf of U.S. Bank or any such purchaser shall constitute a termination of any lease or sublease unless U.S. Bank or such purchaser shall give written notice thereof to such tenant or subtenant.

6.10 Late Charge. ALC recognizes that default by Borrowers in making the payments under the Note or in any of the other Loan Documents when due will result in U.S. Bank incurring additional expense servicing the loan, loss to U.S. Bank of the use of the money due, and frustration to U.S. Bank in meeting its other loan commitments. To the extent provided in the Loan Documents, in the event that any payment or portion thereof is not paid within 19 days after the date it is due, U.S. Bank may collect, and ALC agrees to pay with such payment, a late charge of 5 percent of any overdue amount as liquidated damages for the additional expense of handling such delinquent payments. Such late charge represents the reasonable estimate of U.S. Bank and ALC of a fair, average compensation due to the failure of Borrowers to make timely payments. Such late charge shall be paid without prejudice to the right of U.S. Bank to collect any other amounts provided to be paid or to declare a default hereunder.

6.11 Interpretation. In the event of any conflict between the terms of this Deed of Trust and the terms of the Loan Agreement, the terms of the Loan Agreement shall control.

6.12 Not Agricultural. The Real Property is not used principally for agricultural purposes.



IN WITNESS WHEREOF, ALC has executed this Deed of Trust as of the day and year first above written.

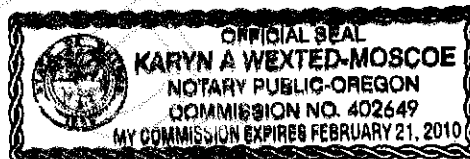
ALOHA LUMBER CORPORATION

By David W. Brown
Name: David W. Brown
Title: President

STATE OF OREGON)
COUNTY OF Washington) SS

This instrument was acknowledged before me on this 19th day of September, 2007, by David W. Brown as President of Aloha Lumber Corporation.

Karyn A Wexted-Moscoe
Notary Public for the State of Oregon



PARCEL A:

The South Half of the Northeast Quarter and the North Half of the Northeast Quarter of the Southeast Quarter of Section 8, Township 35 North, Range 7 East of the Willamette Meridian;

EXCEPT from said North Half of the Northeast Quarter of the Southeast Quarter a 50-foot strip of land conveyed to John D. Bird, by deed recorded October 4, 1928, in Volume 148 of Deeds, page 249, records of Skagit County, Washington, said 50-foot strip being 25 feet, measured at right angles, to each side of the centerline of a certain roadway bed and railway grade, as constructed on the ground on September 12, 1928.

Situated in Skagit County, Washington

PARCEL B:

The South Half of the Northeast Quarter of the Southeast Quarter of Section 8, Township 35 North, Range 7 East of the Willamette Meridian;

EXCEPT that portion, if any of a 50-foot strip of land conveyed to John D. Bird, by deed recorded October 4, 1928, in Volume 148 of Deeds, page 249, records of Skagit County, Washington, said 50-foot strip being 25 feet, measured at right angles, to each side of the centerline of a certain roadway bed and railway grade, as constructed on the ground on September 12, 1928.

Situated in Skagit County, Washington



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The Southwest Quarter of the Southeast Quarter of Section 3, Township 35 North, Range 4
East of the Willamette Meridian.

Situated in Skagit County, Washington



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The Southeast Quarter of the Southwest Quarter of Section 17, Township 35 North, Range 9
East of the Willamette Meridian;

EXCEPT that portion conveyed to the State of Washington in that deed dated
September 25, 1952, for lands within the State Highway right-of-way.

Situated in Skagit County, Washington



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UNOFFICIAL DOCUMENT

The Northeast Quarter of Section 29, Township 34 North, Range 6 East of the Willamette Meridian.

Situated in Skagit County, Washington



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Exhibit A - Page 4 of 4

Easement, including the terms and conditions thereof, granted by instrument(s);
Recorded: November 18, 1955
Auditor's No(s): 527377, records of Skagit County, Washington
In favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution line, together with necessary appurtenances
Affects: A portion of the Northeast Quarter of the Southeast Quarter

Easement, including the terms and conditions thereof, granted by instrument(s);
Recorded: July 31, 1984
Auditor's No(s): 8407310027, records of Skagit County, Washington
In favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution line, together with necessary appurtenances
Affects: A portion of the North Half of the Northeast Quarter of the Southeast Quarter

Easement, including the terms and conditions thereof, granted by instrument(s);
Recorded: January 21, 1985
Auditor's No(s): 8501210006, records of Skagit County, Washington
In favor of: Donald L. Bradley
For: Ingress, egress and utilities
Affects: A portion of the Northeast Quarter of the Southeast Quarter

Easement, including the terms and conditions thereof, granted by instrument(s);
Recorded: April 25, 1989
Auditor's No(s): 8904250008, records of Skagit County, Washington
In favor of: Water District No. 1
For: Pipe lines and appurtenances
Affects: A portion of the Northeast Quarter of the Southeast Quarter

We note a Revocation of said easement recorded July 7, 1989, under Auditor's File No. 8907070063, records of Skagit County, Washington, executed by Philip E. Zeidner and Kathryn J. Zeidner, husband and wife.

Easement, including the terms and conditions thereof, granted by instrument(s);
Recorded: June 16, 1993
Auditor's No(s): 9306160097, records of Skagit County, Washington
In favor of: Puget Sound Power & Light Company
For: Electric transmission and/or distribution line, together with necessary appurtenances
Affects: A portion of the Northeast Quarter of the Southeast Quarter



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Exhibit B - Page 1 of 7

Easement, including the terms and conditions thereof, disclosed by instrument(s):
Recorded: October 28, 1993
Auditor's No(s): 9310280159, records of Skagit County, Washington
In favor of: Donald J. Dando and Amy M. Dando, husband and wife
For: Common Drive
Affects: A portion of the Northeast Quarter of the Southeast Quarter

Exceptions and reservations contained in Deed whereby the Grantor excepts and reserves all oils, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working mines, etc., provided that no rights shall be exercised until provision has been made for full payment of all damages sustained by reason of such entry; Together With the right, upon paying reasonable compensation, to acquire rights of way for transporting and moving products from other lands, contained in Deed

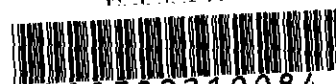
From: The State of Washington
Recorded: October 22, 1917
Auditor's No.: 121746, records of Skagit County, Washington
Executed By: David Tozer Company, a corporation of Minnesota
Affects: The South Half of the Northeast Quarter
As Follows: Any and all minerals or mining rights which have been heretofore reserved or excepted from any conveyance of any of said lands by any of the grantors in any of the deeds now of record in the office of the County Clerk and Recorder of said Skagit County, under which the said party of the first part claims title to any of the lands above described.

Affects: The South Half of the Northeast Quarter

Agreement, including the terms and conditions thereof, entered into;
By: Philip E. Zeidner, M.D. Trustee for the Retirement Trust for the benefit of Philip E. Zeidner, M.D. wwl Katy Zeidner
And Between: Donald J. Dando and Amy M. Dando, husband and wife
Recorded: May 26, 1983
Auditor's No. 8305260009, records of Skagit County, Washington
Providing: The location of the boundary between the properties of the above parties is not the fence

Agreement, including the terms and conditions thereof, entered into;
By: Philip E. Zeidner, M.D. individually and as Trustee for the Retirement Trust for the benefit if Philip Zeidner, M.D. wwl Katy Zeidner
And Between: Donald J. Dando and Amy M. Dando, husband and wife
Recorded: October 28, 1993
Auditor's No. 9310280159, records of Skagit County, Washington
Providing: Common Drive

Easement, including the terms and conditions thereof, granted by instrument;
Recorded: July 17, 2006
Auditor's No.: 200607170159, records of Skagit County, Washington
In favor of: Puget Sound Energy, Inc.
For: Underground electric system, together with necessary appurtenances



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Terms and conditions set forth in Skagit County Variance No. PP 05-0457;
Recorded: December 1, 2005
Auditor's No(s): 200512140138, records of Skagit County, Washington

Terms, conditions, and restrictions of that instrument entitled Protected Critical Area Site
Plan;
Recorded: February 16, 2005
Auditor's No(s): 200502160067, records of Skagit County, Washington

Terms and conditions contained in Application for Current Use Classification (entered into
pursuant to RCW 84.33; Notice of Approval
Classification: Forest Land
Affects: The South Half of the Northeast Quarter

Continued thereof;
Recorded: December 20, 2004
Auditor's File No.: 200412200027, records of Skagit County, Washington

The property described herein may be subject to additional taxes, assessments, interest,
and penalties upon withdrawal from said classification or change in use.

General taxes for the second half of 2007, which become delinquent November 1st, if
unpaid.

Amount Due: \$69.63
Total Amount: \$139.26, billed for 2007
Account No.: 350708-1-003-0009
Property No.: P42280
Located in: Unincorporated Skagit County
Affects: The Northerly portion of Parcel A

General taxes for the second half of 2007, which become delinquent November 1st, if
unpaid.

Amount Due: \$1,155.56
Total Amount: \$2,311.12, billed for 2007
Account No.: 350708-4-001-0005
Property No.: P42294
Located in: Unincorporated Skagit County
Affects: Parcel B

General taxes for the second half of 2007, which become delinquent November 1st, if
unpaid.

Amount Due: \$25.18
Total Amount: \$50.37, billed for 2007
Account No.: 350708-4-001-0104
Property No.: P42295
Located in: Unincorporated Skagit County
Affects: The Southerly portion of Parcel A



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Terms, conditions, and restrictions of that instrument entitled Notice of Moratorium on Non-Forestry Use of Land;

Recorded: September 27, 2004

Auditor's No(s): 200409270111, records of Skagit County, Washington

Easement Agreement, including the terms and conditions thereof, disclosed by instrument(s);

Recorded: November 25, 2003

Auditor's No(s): 200311250170, records of Skagit County, Washington

In favor of: Robert E. Reid and David E. Day

For: Non-exclusive 30 foot easement for the purpose of reconstruction, use and maintenance over the existing road for the purpose of hauling forest products from the benefited property and to provide access to said lands for forest land management and administrative activities

Easement Agreement, including the terms and conditions thereof, disclosed by instrument(s);

Recorded: November 25, 2003

Auditor's No(s): 200311250171, records of Skagit County, Washington

In favor of: Trillium Corporation

For: Non-exclusive 30 foot easement for the purpose of reconstruction, use and maintenance over the existing road for the purpose of hauling forest products from the property

Easement, including the terms and conditions thereof, granted by instrument(s);

Recorded: July 7, 1945

Auditor's No(s): 381664, records of Skagit County, Washington

In favor of: Puget Sound Power & Light Company

For: Electric transmission and/or distribution line, together with necessary appurtenances

General taxes for the second half of 2007, which become delinquent November 1st, if unpaid.

Amount Due: \$872.10

Total Amount: \$1,744.21, billed for 2007

Account No.: 350403-4-003-0001

Property No.: P35737

Located in: Unincorporated Skagit County

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Terms, covenants, and conditions contained in Current Use Classification, pursuant to RCW 84.33 or RCW 84.34, including potential liability for future applicable taxes, rollbacks, penalties and interest upon breach of, or withdrawal from, said classification. According to the Assessor's records, said premises is classified for tax purposes as Forest Land.

Agreement, including the terms and conditions thereof; entered into;
By: Aloha Lumber Corporation, a Washington corporation
And Between: Rodney Bain and Nina Dent
Recorded: September 29, 2006
Auditor's No. 200609290298, records of Skagit County, Washington
Providing: Option to adjust real property boundary

Memorandum of Option to Adjust Boundary Line between Rodney Bain et ux and Aloha Timber;
Recorded: September 29, 2006
Auditor's File No.: 200609290297, records of Skagit County, Washington

General taxes for the second half of 2007, which become delinquent November 1st, if unpaid.

Amount Due: \$33.60
Total Amount: \$67.20, billed for 2007
Account No.: 350917-3-006-0009
Property No.: P44442
Located in: Unincorporated Skagit County

Exhibit B - Page 5 of 7



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Affect, if any, of document entitled "Assignment and Assumption Agreement for Access Rights" from Lincoln Timber LLC to Mid-Valley Resources, Inc;
Recorded: June 28, 2002
Auditor's File No.: 200206280180, records of Skagit County, Washington
A copy of which is hereto attached

Agreement, including the terms and conditions thereof, entered into;
By: John Hancock Mutual Life Insurance
And Between: Aloha Lumber Corporation
Recorded: November 6, 1996
Auditor's No. 9611060071, records of Skagit County, Washington
Providing: Reciprocal Forestry Road Easement

Reservation of mineral rights as disclosed in WD from Boise Cascade to John Hancock Mutual Life Insurance, recorded April 21, 1987, under Auditor's File No. 8704210001, records of Skagit County, Washington, as follows:

There is reserved to the Grantor, its successors and assigns, all mineral rights in the properties described on Exhibit 'A' including, without limitation, base and precious metals, oil, gas and other liquid or gaseous hydrocarbons, coal, and geothermal resources (excluding, however, sand, gravel, and rock, together with the right to the use of the surface and subsurface of the lands to explore for, extract and remove said minerals by any means, whether now in use or hereinafter developed, provided that the mineral owner shall compensate the surface owner for any damages to timber, crops or improvements thereon resulting from the exercise of the mineral rights hereby reserved; give the surface owner reasonable prior written notice before commencing any activity to remove ore or extract any minerals under the aforesaid reservation; conduct all activity so as to minimize interference with the surface owner's use and operation of the surface; comply with all applicable laws and regulations then in effect regarding restoration and repair of any surface damage caused by such extraction and removal activity; and whether or not required by law, upon conclusion of its extraction or exploration activities, restore the surface to substantially the same condition in which it existed prior to the exploration and/or extraction activities.

Terms and conditions contained in Application for Current Use Classification (entered into pursuant to RCW 84.33) disclosed by Skagit County Tax Rolls;
Classification: Timberland

Continuance thereof;
Recorded: June 30, 2005
Auditor's File No.: 200506300011, records of Skagit County, Washington

The property described herein may be subject to additional taxes, assessments, interest, and penalties upon withdrawal from said classification or change in use.



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General taxes for the second half of 2007, which become delinquent November 1st, if unpaid.

Amount Due: \$86.22
Total Amount: \$172.45, billed for 2007
Account No.: 340629-1-001-0008
Property No.: P30700
Located in: Unincorporated Skagit County



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