

**AFTER RECORDING RETURN TO:**  
Department of Natural Resources  
Asset Management & Recreation Division  
Attention: Kirsten Deyman  
PO Box 47014  
Olympia, WA 98504-7014



200906190094

Skagit County Auditor

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**STATUTORY WARRANTY DEED**  
Skagit County

Grantor: PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP)  
Grantee: STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES

**Legal Description:** GL 4, (NW $\frac{1}{4}$ NW $\frac{1}{4}$ ), 05-35N-05E; N $\frac{1}{2}$ NW $\frac{1}{4}$ ; SW $\frac{1}{4}$ NW $\frac{1}{4}$ ; E $\frac{1}{2}$ SW $\frac{1}{4}$ ; PTN SW $\frac{1}{4}$ SW $\frac{1}{4}$  LYG E OF LINE 20' E OF CENTRLINE OF RD RUNN'G N & S ACROSS SW $\frac{1}{4}$ SW $\frac{1}{4}$ , 32-36N-05E  
**GUARDIAN NORTHWEST TITLE CO.**

Tax Parcel Numbers: *P38486* 350505-0-004-0005; *P51214* 360532-2-001-0000 *95422*

THE GRANTOR, PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP), for and in consideration of the conveyance by the State of Washington of real property, hereby conveys and warrants to the STATE OF WASHINGTON, acting by and through the DEPARTMENT OF NATURAL RESOURCES, GRANTEE, the real property situated in Skagit County, State of Washington, and legally described on the attached Exhibit A, subject to those matters and encumbrances described on the attached Exhibit B.

Grantor hereby reserves for itself, its successors and assigns, all rights and interests in minerals, excluding surface minerals such as rock, sand, and gravel, in perpetuity, as set forth in and according to the terms and conditions of the Mineral Reservation attached hereto as Exhibit C, over and across those portions of said real property described in Parcel B of Exhibit A.

*1776*  
SKAGIT COUNTY WASHINGTON  
REAL ESTATE EXCISE TAX

JUN 19 2009

Amount Paid \$ *12,536.20*  
Skagit Co. Treasurer  
By *[Signature]* Deputy

Dated this 29 day of May, 2009.

PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP),  
a Washington limited partnership

By: [Signature]  
Court Stanley, President

By: [Signature]  
Michael Mosman, Sr. Vice President, Lands  
and Resources

STATE OF WASHINGTON

ss.

COUNTY OF THURSTON

I certify that I know or have satisfactory evidence that Court Stanley and Michael Mosman are the person(s) who appeared before me, and said person(s) acknowledged that he signed this instrument, on oath stated that they are authorized to execute the instrument and acknowledge it as the President and Sr. Vice President of Lands and Resources, respectively, for PORT BLAKELY TREE FARMS (LIMITED PARTNERSHIP), a Washington limited partnership to be the free and voluntary act of such party(ies) for the uses and purposes mentioned in this instrument.

Dated: May 29, 2009

[Signature]

Notary name printed or typed: CATHRIN WEIG

Notary Public in and for the State of Washington

Residing at Kyal, WA 98031

My appointment expires: Sept. 9, 2009



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## EXHIBIT 'A'

The land referred to in this Exhibit 'A' is situated in the County of Skagit, State of Washington, and described as follows:

**PARCEL "A" (PB-S-01):**

GOVERNMENT LOT 4 OF SECTION 5, TOWNSHIP 35 NORTH, RANGE 5, EAST W.M..

APN: 350505-0-004-0005 (P38466)

**PARCEL "B" (PB-S-02):**

THE SOUTHWEST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 32, TOWNSHIP 36 NORTH, RANGE 5 EAST, W.M., EXCEPT THAT PORTION THEREOF LYING WESTERLY OF A LINE PARALLEL TO AND 20 FEET WESTERLY OF THE CENTERLINE OF A ROAD BUILT BY THE NORTHERN STATE HOSPITAL, AS SAID ROAD EXISTING ON APRIL 5, 1938;

TOGETHER WITH THE EAST HALF OF THE SOUTHWEST QUARTER OF SAID SECTION 32;

AND TOGETHER WITH THE WEST HALF OF THE NORTHWEST QUARTER OF SAID SECTION 32;

AND ALSO TOGETHER WITH THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 32

APN: 360532-2-001-0000 (P51214)



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EXHIBIT B

1. Rights or claims of parties in possession, or claimed possession, not shown by the Public Records.
2. Any encroachments, encumbrance, violation, variation, or adverse circumstance affecting the Grantor's title that would be disclosed by an accurate and complete land survey of the land.
3. Easements, prescriptive rights, rights-of-way, liens or encumbrances or claims thereof, not shown by the Public Records.
4. Any lien, or right to a lien, for contributions to employees benefit funds, or for state workers' compensation, or for services, labor or material heretofore or hereafter furnished, all as imposed by law and not shown by the public records.
5. Taxes or special assessments which are not yet payable or which are not shown as existing liens by the public records.
6. Any lien for service, installation, connection, maintenance, tap, capacity, or construction or similar charges for sewer, water, electricity, natural gas or other utilities, or for garbage collection and disposal not shown by the public records.
7. Unpatented mining claims, and all rights relating thereto.
8. Reservations and exceptions in United States Patents or in Acts authorizing the issuance thereof.
9. Indian tribal codes or regulations, Indian treaty or aboriginal rights, including easements or equitable servitudes.
10. Water rights, claims or title to water.
11. Any liens or encumbrances arising by, through or under Grantee.
12. All land use (including environmental and wetlands), building, forestry, and zoning laws, rules, regulations, codes and ordinances affecting the real property or the use thereof.
13. Any rights of the United States of America, or the State of Washington, or riparian owners, in the use and continuous flow of any brooks, streams or other natural water courses or water bodies within, crossing or abutting said real property and lying below the ordinary high-water mark thereof, including, without limitation, riparian rights and navigational servitudes, or to the beds and banks of such water courses below the ordinary high-water mark thereof and the rights of the general public to use such bodies of water and the beds and banks of such navigable water courses below the ordinary high-water mark thereof.
14. Easement, including the terms and provisions thereof:  
Grantee: State of Washington  
Dated: November 2, 1911  
Recorded: January 5, 1912  
Auditor's No: 88431  
Volume 87 of Deeds, Page 566  
Purpose: Right to construct, maintain, etc., a water pipe line  
  
Area Affected: Portion of Parcel "B" as follows:  
A strip of land 10 feet in width in the Southwest 1/4 of the Southwest 1/4 of Section 32, Township 36 North, Range 5 East, W.M., the center line of which being described as follows: Beginning on



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the South line of said Section at a point North 88 degrees 44' East a distance of 705 feet From the Southwest corner thereof; thence North 11 degrees 18' West 1347 feet to the North line of said Southwest 1/4 of the Southwest 1/4.

15. Easement, including the terms and provisions thereof:  
Grantee: State of Washington, Division of Forestry  
Dated: December 6, 1939  
Recorded: December 12, 1939  
Auditor's No: 319920  
Volume 178 of Deeds, Page 397  
Purpose: Right to construct, maintain etc., a road for forest protection purposes only  
Area Affected: The exact location of said right of way in the Southwest 1/4 of the Southwest 1/4 of Section 32, Township 36 North, Range 5, East W.M. is not disclosed on the record (Affects Parcel "B")
16. Easement, including the terms and provisions thereof:  
Grantee: Skagit Mill Company  
Dated: December 2, 1940  
Recorded: December 18, 1940  
Auditor's No: 333171  
Volume 182 of Deeds, Page 128  
Purpose: Right of way for logging truck road  
Area Affected: The exact location of said road is not disclosed on the record (Parcel "B")
17. Easement, including the terms and provisions thereof:  
Grantee: United States of America  
Dated: June 12, 1973  
Recorded: July 2, 1973  
Auditor's No: 787435  
Purpose: Construct, maintain, etc., one line of electric power transmission structures  
Area Affected: Parcel "B"

Over and across a 150 foot strip of land, together with the right to clear brush, etc., within 29 feet of any conductor along, together with the right to build a 50 foot wide road. The centerline of said 150 foot strip of land is described as follows:

Beginning at a point in the South line of said Section 32, Township 36 North, Range 5, East W.M., which is North 89 degrees 53' 30" West, 960.0 feet from the South quarter corner of said Section 32; thence North 46 degrees 12' 40" West, 2,312.9 feet to the West line of said Section 32 at a point which is South 1 degrees 12' 20" West, 1,041.7 feet from the West quarter corner of said Section 32.

18. Terms and provisions of Road Easement  
Recorded: July 2, 1990, under Skagit County Auditor's File No. 9007020114  
and subsequent recording of "Clarification of Road Easement Agreement",  
Recorded: December 22, 1992  
Auditor's File No. 9212220117.  
(Affects Parcel "B")

19. Easement, including the terms and provisions thereof:



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In Favor of: Port Blakely Tree Farms (Limited Partnership) and State of  
Washington  
Dated: March 30, 1993  
Recorded: April 5, 1993  
Auditor's No: 9304050156  
Purpose: Construction, reconstruction, use and maintenance of a road or  
roads for the purposes of hauling forest products and other valuable materials from lands now  
owned by the parties hereto, and to provide access to said lands for land management and  
administrative activities only.  
(Affects portion of Parcel "B")

20. Reservations contained in deed  
Executed by: Glacier Park Company  
Dated: February 4, 1948  
Recorded: February 27, 1948  
Auditor's No: 414942  
As Follows: Excepting and Reserving unto the following party, its  
successors and assigns, forever, all minerals of any nature whatsoever, including, but not limited  
to coal, iron, natural gas and oil, upon or in said land, together with the use of such of the surface  
as may be necessary for exploring for and mining or otherwise extracting and carrying away the  
same.  
(Affects Parcel "A" only).

21. Agreement, and the terms and provisions thereof:  
Between: Skagit Coal and Coke Company  
And: State of Washington  
Dated: September 20, 1911  
Recorded: January 5, 1912  
Auditor's No.: 88432  
Regarding: Right-of-way for water pipeline  
(Affects: Portion of Parcel "A")



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## EXHIBIT 'C'

### Mineral Reservation

Grantor hereby expressly saves, excepts, and reserves out of the grant hereby made unto itself and its successors and assigns forever, all geothermal steam and heat and all metals, ores, oils, gases, coal, fossils and minerals of any nature whatsoever and of every name, kind, or description (excluding surface minerals such as sand, rock and gravel) in, under or upon that portion of the land legally described on the attached Exhibit A as Parcel B (the "Mineral Land"), including, but not limited to, coal, lignite, peat, oil and gas, including coal seam gas, together with the right to enter upon said land for the purpose of exploring the same for such geothermal resources, metals, ores and minerals, and drilling, opening, developing and working mines and wells thereon and taking out and removing therefrom, including by surface mining methods, all such geothermal resources, metals, ores and minerals and to occupy and make use of so much of the surface of said Mineral Land as may be reasonably necessary for said purposes; and to that end it further expressly reserves out of the grant hereby made, unto itself, its successors and assigns, forever, the right by its or their agents, servants, and attorneys at any and all times to erect, construct, maintain, and use all such buildings, machinery, roads, and railroads, sink such shafts, remove such soil, and to remain on the Mineral Land or any part thereof for the business of mining and to occupy as much of the Mineral Land as may be necessary or convenient for the successful prosecution of such mining business, hereby expressly reserving to itself and its successors and assigns, as aforesaid, generally, all rights and powers in, to, and over said Mineral Land, whether herein expressed or not, reasonably necessary or convenient to render beneficial and efficient the complete enjoyment of the property and the rights hereby expressly reserved.

No rights shall be exercised under the foregoing reservation by the Grantor or its successors or assigns (including a lessee under any oil and gas lease) until provision has been made by the Grantor or its successors or assigns to pay to the owner of the Mineral Land, or portion of the Mineral Land upon which the rights reserved herein to the Grantor or its successors or assigns are sought to be exercised, full payment for all damages sustained or to be sustained by said owner by reason of entering upon said Mineral Land and exercising such rights; PROVIDED, That if the owner of said Mineral Land from any cause whatever refuses or neglects to settle said damages, then the Grantor or its successors or assigns, or any applicant for a lease or contract from the Grantor for the purpose of prospecting for or mining valuable minerals, or option contract, or lease, for mining coal, or lease for extracting petroleum or natural gas, shall have the right to institute such legal proceedings in the superior court of the county wherein the Mineral Land is situate, as may be necessary to determine the damages which said owner of said land may suffer; provided, however, the Mineral Land owner may, at its option, require that such determination be made by arbitration in accordance with the rules of the American Arbitration Association; provided, Grantor shall not be obligated to so arbitrate if Grantor's lessee under any applicable oil and gas lease is not legally required to so arbitrate.



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As used in the foregoing paragraph, the term "damages" shall include, without limitation, actual and consequential damages, including loss of or damage to the surface, improvements, growing crops and timber, loss of future timber production, injury or damage to the Mineral Land owner's business operations thereon, all compensating or roll-back taxes arising or to arise from the loss of the forest land or timberland tax classification due to the exercise of any such reserved rights, and the cost of road maintenance, resurfacing and repair arising or to arise from the exercise of such reserved rights. To the extent the Mineral Land owner or its successors or assigns receives compensation for such damages from a successor or assign of Grantor (such as a lessee under an oil and gas lease) with respect to a particular activity or operation by such party, then Grantor shall not be required to make payment for such particular activity or operation (i.e., Mineral Land owner shall not be entitled to receive duplicative payment for damages for the same activity or operation).

At all times during the exercise of any rights under this Mineral Reservation, (i) Grantor and its successors and assigns shall comply with the below insurance-related provisions and procure and maintain the insurance described below and (ii) Grantor and its successors and assigns shall require their respective mineral rights lessees to comply with the below insurance-related provisions and procure and maintain the insurance described below.

- (1) Evidence of Insurance: Furnish Grantee evidence of insurance in the form of a Certificate of Insurance, executed by a duly authorized representative of each insurer showing compliance with the insurance requirements set forth below.
- (2) Cancellation: The Certificate(s) of Insurance must provide at least 45 days written notice to Grantee before the cancellation, non renewal, or material change of any insurance coverage included therein. Notices must be sent to Grantee's office at Department of Natural Resources, Asset Management & Protection Division, PO Box 47014, Olympia, WA 98504-7014, via certified mail, or to such other address as Grantee or its successors or assigns may specify by notice to Grantor.
- (3) Additional Requirements:
  - (a) All insurance policies procured by Grantor or its successors and assigns and all policies procured by Grantor's or its successors' and assigns' mineral rights lessees under any oil and gas leases shall name Grantee or its successors or assigns as an additional insured.
  - (b) All insurance policies must include Other Insurance provisions that indicate each such policy provides primary insurance coverage.



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- (c) All insurance policies must provide liability coverage on an **occurrence** basis.
- (d) Policies must be issued by an insurer admitted and licensed by the Insurance Commissioner to do business in the State of Washington. Excess or "surplus lines" carriers must be approved in advance by Grantee. All insurers must have a Best's rating of B plus (B+) or better.

(4) Minimum Coverage Requirements: The Minimum Coverage Requirements set forth the *minimum* limits of insurance Grantor and its successors and assigns must carry and that Grantor and Grantor's successors and assigns shall require their respective mineral rights lessees to carry to meet the requirements of this Mineral Reservation. These limits may not be sufficient to cover all liability losses and related claim settlement expenses. Purchase of these minimum limits of coverage does not relieve Grantor or Grantor's successors and assigns or Grantor's mineral rights lessees or Grantor's successors' and assigns' mineral rights lessees from liability for losses and settlement expenses greater than these amounts.

During the exercise of any rights under this Mineral Reservation, Grantor and Grantor's successors and assigns shall purchase and maintain and Grantor and its successors and assigns shall require their respective mineral rights lessees to purchase and maintain, and shall require all independent contractors to maintain while performing work on the Mineral Land, the minimum insurance coverages and limits specified below, which may be increased on a commercially reasonable basis by Grantee:

- (a) Commercial General Liability (CGL) Insurance. CGL insurance written under Insurance Services Office (ISO) form CG 00 01 or equivalent form, covering liability arising from property, operations, independent contractors, personal injury, and liability assumed under an insured contract. Such insurance must be provided on an occurrence basis unless otherwise specified herein. such insurance must include liability coverage with limits not less than those specified below:

Description

Each Occurrence Limit	\$1,000,000
General Aggregate Limit	\$2,000,000

- (b) Business Auto Policy (BAP) Insurance. BAP insurance on an Insurance Services Office (ISO) form CA 00 01 or equivalent form. The Description of Covered Autos must include one or more of the following:



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"Any Auto" (Symbol 1), "Hired Autos Only" (Symbol 8), "Non-Owned Autos" (Symbol 9).

Such insurance must be provided on an occurrence basis. The BAP insurance must include liability and physical damage coverage with limits not less than those specified below. Grantor shall require its mineral rights lessees to be responsible for any deductible, and Grantor and Grantor's successors and assigns shall also be responsible for any deductible.

<u>Description</u>	<u>Each Accident</u>
Bodily Injury and Property Damage	\$1,000,000

(c) Worker's Compensation and Employer's Liability Insurance: Insurance covering obligations imposed by Federal and State statutes having jurisdiction of its employees in the performance of work, including Employer's Liability Insurance. Evidence of "Qualified Self-Insurance Status" will suffice to meet the requirements of this section.

<u>Each Employee Description</u>	<u>Policy Limit By Accident</u>	<u>By Disease</u>	<u>By Disease</u>
Bodily Injury	\$1,000,000	\$1,000,000	\$1,000,000

(d) Environmental/Pollution Liability. When Grantor's mineral rights lessees or Grantor's successors and assigns or their respective mineral rights lessees engage in operations that could expose Grantee to potential environmental liability, to be determined by Grantee at its sole discretion, Grantor and Grantor's successors and assigns shall purchase and maintain in force and Grantor and Grantor's successors and assigns shall require their respective mineral rights lessees to purchase and maintain in force, environmental/pollution liability insurance at Grantee's request. Such insurance may be provided on an occurrence or claims-made basis. If such coverage is provided on a claims-made basis, the following additional conditions must be met:

- (i) The Insurance Certificate must state that the insurer is covering hazardous substance removal.
- (ii) The policy must contain no retroactive date, or the retroactive date must precede abatement services.



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(iii) Coverage must be continuously maintained with the same insurance carrier through the completion of all operations and all reclamation activities associated with such operations that are required by applicable law, unless otherwise approved in writing by Grantee. Grantee must be notified at least 45 days prior to any intended change. Grantee's approval will be based on its determination that coverage is equal to or better than that currently provided.

(iv) The extended reporting period (tail) must be purchased to cover a minimum of 24 months beyond the date of completion or termination of such operations.

(v) Insurance must include liability coverage with limits not less than those specified below:

**Description**

General Aggregate Limit	\$25,000,000
Each Claim/Occurrence Limit	\$10,000,000

Grantor and its successors and assigns, on the one hand, and Grantee and its successors and assigns on the other, shall indemnify, defend and hold the other and its successors and assigns harmless from and against any and all claims, demands, costs, losses, damages, liabilities, causes of action and expenses, including court costs and attorney fees, arising from violations of and obligations or governmental or private claims under, environmental law which violations, obligations, or claims arise from or are connected with any operations by the indemnifying party on the subject property, including, without limitation, any act or omission of the indemnifying party, its agents, lessees, contractors or subcontractors, whether negligent or intentional, but excluding any losses, damages, or liabilities to the extent they arise from the negligence of the indemnified party or its successors or assigns or their agents or employees.

Grantee shall have the right to manage and use the Mineral Land for any and all purposes (other than those reserved by Grantor herein), including, without limitation, the production and harvest of timber and other natural resources, to the extent that such activities do not unreasonably interfere with the exercise by Grantor or its successors and assigns of the rights herein reserved.



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