

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of Securities Exchange Act of 1934 (the "Exchange Act")

For the fiscal year ended December 31, 2001

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 [No Fee Required]

For the transition period from _____ to _____

Commission File No. 1-9035

Pope Resources, A Delaware Limited Partnership

(Exact name of registrant as specified in its charter)

Delaware
(State of Organization)

91-1313292
(IRS Employer I.D. No.)

19245 Tenth Avenue NE, Poulsbo, WA 98370
(Address of principal executive offices Zip Code)

Registrant's telephone number, including area code: (360) 697-6626

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
Depository Receipts (Units)	Nasdaq National Market System

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K.

Approximate aggregate market value of the non-voting equity in the form of units held by nonaffiliates of the registrant as of March 7, 2002 was \$46,845,287.

Documents incorporated by reference: See Item 14. Exhibit Index Item IV.

PART I

Item 1. BUSINESS

OVERVIEW

Pope Resources, A Delaware Limited Partnership (the "Partnership"), was organized in October 1985 as a result of a spin-off by Pope & Talbot, Inc. (P&T), Pope & Talbot Development, Inc. and other P&T affiliates, of certain of their timberland and real estate development assets, including two subsidiaries: Ludlow Water Company and Gamble Village Water & Sewer Company.

The Partnership currently operates in three primary business segments: (1) Fee Timber, (2) Timberland Management and Consulting, and (3) Real Estate. Fee Timber operations consist of the growing and harvesting of timber from the Partnership's tree farms. Timberland Management and Consulting encompasses providing timberland management and forestry consulting services to third-party owners of timberlands. Until August 2001, Real Estate operations consisted primarily of residential development and income-producing property operations in the resort community of Port Ludlow, Washington. Real Estate operations currently consist of efforts to enhance the value of the Partnership's land investments by obtaining the entitlements necessary to make further development possible.

DESCRIPTION OF BUSINESS SEGMENTS

Fee Timber

Operations. The Partnership's Fee Timber segment consists of operations surrounding management of the Partnership's core assets: the Hood Canal tree farm which consists of 72,000-acres located in the Hood Canal area of Washington which the Partnership has held since its formation, and the 40,000-acre Columbia tree farm located in the southwestern area of Washington state which the Partnership purchased in March 2001. The Partnership views its two tree farms as core holdings and now manages them as a single operating unit. Operations on the tree farms consist of the growing of timber to its optimal harvest age and the subsequent harvesting and marketing of timber and timber products to both domestic and Pacific Rim markets. The Partnership's Fee Timber segment produced 52%, 42%, and 46% of the Partnership's consolidated gross revenues in 2001, 2000, and 1999, respectively.

Inventory. The dominant timber species on the Partnership's tree farms is Douglas fir. Douglas fir is noted for its strength, flexibility and other physical characteristics that make it generally preferable to other softwoods and hardwoods for the production of construction grade lumber and plywood. As of December 31, 2001, the tree farms' total merchantable inventory volume (Hood Canal and Columbia tree farms) was estimated to be 473 million board feet (MMBF). Prior to 2001 the Partnership's merchantable timber inventory volumes of 376 MMBF and 383 MMBF as of December 31, 2000 and 1999, respectively, represented the Hood Canal tree farm only. Merchantability is defined as timber inventory in productive timber stands older than 34 years of age, which represents management's estimate of when merchantable value would be assigned to the timber in a timberland sale. Stands are not normally at their economic rotation age until after 39 years. The economic rotation age varies by geographic site and specie. Economic rotation age represents the estimated optimal age to harvest a specific stand of timber.

The Partnership's merchantable inventory is spread between age classes as follows:

Age Class	Volume (in MMBF)
35 to 39	51
40 to 44	48
45 to 49	59
50 to 54	79
55 to 59	67
60 to 64	96
65 +	73
	<u>473</u>

The 2001 inventory volume takes into account the new Forests and Fish rules that supplement Washington State's forest practice regulations to provide for expanded riparian management zones, wildlife leave trees, and other harvest restrictions. The timber inventory volume is accounted for by the Partnership's standing timber inventory system, which utilizes periodic statistical sampling of the timber (cruising) with annual adjustments made for estimated growth and the depletion of areas harvested.

The Hood Canal tree farm has a large number of acres with mature timber and an even larger number of acres with relatively immature trees resulting in an age class gap. The Partnership's acquisition of the Columbia tree farm served to partially fill in this age-class gap. Over the next five years, the Partnership plans to seek out opportunities to make additional reasonably priced timberland acquisitions to continue to fill in this age-class gap.

The Partnership's tree farms total approximately 112,000 acres. Of total acres, approximately 97,000 acres are designated productive acres. Productive acres represent land that is suitable for growing and harvesting timber and excludes acreage that is unavailable for harvest because it is in one of the following categories: wetlands, riparian management zones (stream set-asides), roads, and other land characteristics that inhibit its suitability for growing or harvesting timber. Total productive acres are spread by timber age class as follows:

Age Class	Acres
Clearcut	1,327
0 to 4	7,190
5 to 9	10,482
10 to 14	10,563
15 to 19	16,810
20 to 24	13,557
25 to 29	6,765
30 to 34	4,669
35 to 39	4,109
40 to 44	3,248
45 to 49	3,318
50 to 54	3,999
55 to 59	3,633
60 to 64	4,564
65 +	3,256
	<u>97,490</u>

The Partnership's annual harvest policy is to schedule harvesting to coincide with a given stand's economic rotation age, consistent with rate-of-harvest regulations in the State Forest Practices Act. From year to year the policy allows for flexibility in response to external market conditions. For instance, when log markets are weak, annual harvest levels might be reduced whereas in strong log markets annual levels may be above the average. The Partnership's harvesting schedules are based on both inventory data and projected growth rates. Inventory data includes species, site index, classification of soils, volume, size and age of the timber. From this information, the Partnership develops its annual and long-term harvest plans predicated on existing and anticipated economic conditions with the objective of maximizing long-term values.

Marketing and Markets. The Partnership markets timber using one of two methods: manufactured log sales, and “stumpage sales”. Under the manufactured log method, the Partnership engages independent logging contractors to harvest the standing timber and manufacture it into logs that the Partnership then sells on the open market. Logs produced are sold both domestically and internationally. Nearly all of the Partnership’s timber sold in 2001 was marketed in this fashion. One of the principal international markets served is the Pacific Rim. Logs going to this destination are generally sold to brokers who in turn sell direct to offshore destinations. Japan is by far the largest buyer of logs in the Pacific Rim market, though Korea and China are significant from time to time.

Under the stumpage sale method, standing timber is sold to purchasers who manage the harvesting and marketing of the timber. These operations are governed by provisions of the sales contract and are closely monitored by the Partnership to facilitate sound forestry and stewardship practices and regulatory compliance. Stumpage sales are generally used in unique situations when the Partnership believes returns can be improved by selling timber immediately “on the stump” rather than waiting for the harvest to be completed and selling manufactured logs.

Customers. The Partnership sells its logs domestically to lumber mills (and other processors of wood fiber) located throughout western Washington and northwest Oregon. Timber sold to the export market is sold to export intermediaries located at the ports of Tacoma and Longview. The cost of transporting logs places limits on the range of destinations to which the Partnership can profitably sell its logs.

The Fee Timber segment had two major customers that represented 12% and 9% of segment revenue, respectively, in 2001.

Competition. There are many competitors of the Partnership who are, for the most part, comparable in size or larger. Forest product suppliers compete on the basis of quality, pricing and the ability to satisfy volume demands for various types and grades of logs to respective markets. Management believes that the location, type and grade of the Partnership’s timber will enable it to effectively compete in these markets. However, the Partnership’s products are subject to increasing competition from a variety of non-wood and engineered wood products as well as competition from foreign-produced products.

Forestry and Stewardship Practices. The Partnership’s timberland operations incorporate management activities that include reforestation, control of competing brush in young stands, thinning of the timber to achieve optimal spacing after stands are established, and fertilization. During 2001, the Partnership planted 667,000 seedlings on 2,100 acres of the Partnership’s tree farms. This compares to the years 2000 and 1999 in which the Partnership planted 644,000 and 1,003,000 seedlings on 1,500 and 2,100 acres, respectively. The number of acres and seedlings planted will vary from year to year based upon harvest level and timing of harvest and weather conditions that affect seedling survival. Management’s policy is to stay current on its reforestation program, returning all timberlands to productive status as soon as economically feasible following harvest.

Governmental Regulation. In the operation and management of its tree farms, the Partnership is subject to federal and state laws that govern land use. Management’s objective is to be in compliance with such laws and regulations at all times. We anticipate that increasingly strict requirements relating to the environment, threatened and endangered species, natural resources, forestry operations, and health and safety matters, as well as increasing social concern over environmental issues, may result in additional restrictions on the timber operations of the Partnership. This will in turn result in increased costs, additional capital expenditures, and reduced operating flexibility. Although management does not consider current laws and regulations to be materially burdensome, there can be no assurance that future legislative, governmental, or judicial decisions will not adversely affect the Partnership’s operations. See “—Governmental Regulation”, below.

Fire Management. Risk of loss from fire, while possible on any timberland, is minimized on Partnership’s lands for several reasons. First, the Partnership maintains a well-developed road system that allows access and quick response to any fire that may occur. Second, management maintains a fire plan and program that provides for increased monitoring activities and requires all operators to maintain adequate fire suppression equipment during the summer fire season. The Washington State Department of Natural Resources is ultimately responsible for all fire suppression activities in the state.

Timberland Management and Consulting

Background. In March 1997, the Partnership’s unitholders authorized management to expand its timberland business with the Investor Portfolio Management Business (IPMB). The IPMB has two complementary business strategies: (a) timberland management and (b) portfolio development. In 1997, the Partnership formed its wholly-owned subsidiaries ORM, Inc. and Olympic Resource Management LLC (ORMLLC) to facilitate the IPMB activities. In 1998, ORM LLC formed its wholly-owned subsidiaries ORM International, Inc. and ORM Resources Canada Ltd. to acquire the timberland management and forestry consulting assets and employees of Simons Reid Collins, a division of H.A. Simons Ltd. of Vancouver, British Columbia.

Operations. The Timberland Management and Consulting segment’s key operation is providing various aspects of timberland management services to third-party timberland owners. The Partnership earns revenue from management and consulting fees received from third-party timberland owners. This segment produced 20%, 22%, and 23% of the Partnership’s consolidated gross revenues in 2001, 2000, and 1999, respectively.

Timberland Management. ORM LLC currently has over 460,000 acres under management in Washington, Oregon, and California, and another 61,000 acres of timberland is under management in British Columbia through its subsidiary ORM Resources Canada Ltd. Total acres under management will continue to change as portfolios are adjusted by our client-owners. Current management contracts run for one year and are subject to renewal in the fourth quarter of 2002. Fee income is generated directly and indirectly by providing services to large investors in acquiring, managing, and/or eventually disposing of timberland investments. Disposition services are currently being provided to one of the timberland management clients. Over time such dispositions are expected to reduce acres under management by over 300,000 acres. If successful, these disposition activities will reduce management fee revenue but increase non-recurring disposition fee income. The Partnership is actively seeking other opportunities to manage timberlands on behalf of current and prospective clients.

Portfolio Development. ORM LLC, has in the past sought investors interested in developing risk-diversified portfolios of timberland. Portfolio development’s goal is to build and manage diversified portfolios of timberlands for third-party investors, sometimes acting exclusively as an investment manager, while at other times co-investing as a partner on behalf of Pope Resources. To date, ORM LLC has not been successful at developing a client base for the portfolio development business. The Partnership does not expect portfolio development activities to be a focus of management’s time for the foreseeable future.

Forestry Consulting. In addition to its timberland management activities, ORM LLC also earns revenue by providing forestry consulting services to third-party owners and managers of timberland assets in Washington, Oregon, and California. ORM Resources Canada Ltd. provides forestry consulting services in technical services, inventory, and field services throughout Canada, and until 2001, in Argentina and Jamaica. As part of its year 2000 strategic refocusing, the Partnership decided to dispose of its British Columbia forestry consulting operations, but was not successful in doing so during 2001. As a result, the Partnership decided to rationalize its Canadian operations by discontinuing less profitable services (including services provided in Argentina and Jamaica) to focus only on the most profitable business lines: field services, inventory and technical services.

Marketing. ORMLLC pursues third-party timberland management opportunities in North America through direct marketing to timberland owners. Marketing includes regular contact with forest product industry representatives to develop new business opportunities. ORMLLC has developed brochures and other marketing materials that describe the services provided through the Timberland Management and Consulting segment. The Partnership's acquisition and disposition activities keep management informed of changes in timberland ownership that can represent opportunities for the Partnership to market its services.

Customers. Timberland management revenue includes two major customers representing 62% of segment revenue in 2001. Revenue from these management contracts, disposition service contracts and additional services are provided under agreements that expire during the fourth quarter of 2002.

Competition. ORMLLC and its subsidiaries compete against both larger and smaller companies providing similar services. The larger competitors may have access to larger amounts of capital and increased economies of scale that can put the Partnership at a competitive disadvantage. Smaller companies compete effectively on price for limited scope assignments.

Real Estate

Background. The Partnership's Real Estate activities are closely associated with the management of its timberlands. After logging its timberlands, the Partnership has the option of reforestation of the land, developing it for sale as improved property, or selling it in developed or undeveloped acreage tracts. Management continually evaluates its timberlands in terms of best economic use, whether this means continuing to grow timber or reclassifying the property for sale or development. As the Partnership reclassifies timber properties for sale or development, the Partnership may replace such properties with timberland purchases in more remote areas.

In 2001, the Real Estate segment consisted of the following components:

Sold in August 2001	Continuing Real Estate Operations
Port Ludlow:	Commercial/residential leases:
Residential development	Port Gamble
27-hole golf course	Kingston
300-slip marina	
37-room Heron Beach Inn	Other land investments:
Leased retail/office space	Gig Harbor
Water and sewer utilities	Bremerton
	Hansville
	Grandridge (Port Orchard)
	Seabeck

Port Ludlow. In 1991, the Partnership became a partner in Ludlow Associates, a Washington partnership, for the purpose of owning the Heron Beach Inn on Ludlow Bay, and in 1993, formed Ludlow Bay Realty, Inc. In 1998, Ludlow Associates was dissolved and the Partnership acquired the entire ownership of the Heron Beach Inn on Ludlow Bay. Also at that time the Partnership (a) formed the following wholly owned subsidiaries: Olympic Property Group LLC, Olympic Real Estate Development LLC, and Olympic Resorts LLC, (b) changed the name of Ludlow Bay Realty, Inc. to Olympic Real Estate Management, Inc., and (c) changed the name of Ludlow Water Company to Olympic Water and Sewer, Inc.

Operations before the Port Ludlow Disposition. The operations of these entities consisted of real estate development and commercial property operations in Port Ludlow, Washington and, to a lesser extent, investments in land located in Kingston, Hansville, Seabeck, Gig Harbor, and Bremerton, Washington. Residential development in Port Ludlow consisted of the sale of single-family homes, finished lots and undeveloped acreage. Port Ludlow is an active adult community and resort on approximately 2,000 acres of which 1,300 acres were included in the August 2001 sale. In addition to the residential development activities, assets at Port Ludlow included several commercial property operations including a golf course, marina, inn, leased retail and office space, and water and sewer utilities. In August 2001, the Partnership sold its residential development and commercial property assets in Port Ludlow, along with ownership of Olympic Water and Sewer, Inc. The Real Estate segment produced 28%, 36%, and 31% of the Partnership's consolidated gross

revenues, in 2001, 2000, and 1999, respectively, the majority of which was generated by the Port Ludlow operations. Port Ludlow produced 25%, 34%, and 26% of the Partnership's consolidated gross revenues, in 2001, 2000, and 1999, respectively.

Operation after the Port Ludlow Disposition. Real Estate operations following the Port Ludlow transaction will include the following residential and commercial properties in Port Gamble and the sale of developed lots at the Seabeck and Grandridge plats.

Port Gamble. As part of its July 1999 Washington State Growth Management Act (GMA) plan submission, Kitsap County designated Port Gamble as a "Rural Historic Town." This designation, upheld by the GMA Hearings Board, provides for substantial new commercial, industrial and residential development of the town utilizing historic land use patterns, densities and architectural character. The Partnership also initiated a legislative amendment to the GMA, signed into law in March 2000 that provides additional clarification and opportunities for designations involving national historic townsites. The Partnership is now in a position to better evaluate potential opportunities and strategies for redevelopment of the Port Gamble townsite. The P&T settlement in January 2002 resulted in the Partnership taking over the millsite as well as providing for the initiation of environmental cleanup activities. These outcomes of that settlement represent significant steps toward defining Port Gamble's future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Real Estate—Environmental Remediation Costs."

Seabeck/Grandridge. The Partnership sells developed lots from Seabeck located in Seabeck, Washington and Grandridge located in Port Orchard, Washington. The Seabeck plat had 11 unsold lots at December 31, 2001. Grandridge had 10 unsold lots at December 31, 2001.

Other Land Investments. The Partnership is also involved in adding value to other real estate development properties located in Bremerton, Gig Harbor, Kingston, and Hansville, Washington, through obtaining approved development plans. These investments are long term in nature. With the passage of the Growth Management Act in the early 1990's, the Partnership worked to place as many of its properties as possible within designated Urban Growth Areas to increase long-

term values. Value adding activities include securing favorable zoning and obtaining final plat approvals to allow for the highest and best use of the properties. Once the Partnership has maximized the land value, options will be considered to realize value from the properties, including outright sale or joint ventures with experienced property developers. The Partnership expects to realize sales revenue from portions of the aforementioned properties within the next five years.

Bremerton. The City of Bremerton approved the request for a planned development on the Partnership’s 233-acre mixed-use property within the city limits of Bremerton. The planned development has a mix of industrial and residential uses. In July 2000, a 15-year development agreement was approved and adopted by the City of Bremerton. Notwithstanding that this project has full approval for the first phase of the industrial park, management’s view is that market conditions are not yet ripe for project initiation.

Gig Harbor. Gig Harbor, a suburb of Tacoma, is the site of a 326-acre mixed-use development consisting of 200 acres for residential development; 126 acres for a business park; and a site for a neighborhood commercial center. The Partnership continues to work with officials in Gig Harbor regarding this development. The Partnership applied for an amendment to the comprehensive plan to rezone a portion of the Gig Harbor property from business-park to commercial retail. The application is pending.

Kingston and Hansville. There are two other on-going projects in Kitsap County, a 714-acre residential development in Kingston and a 210-acre residential development in Hansville. While significant progress has been made in the governmental entitlement process, final approval was delayed pending the outcome of a court case, in which the Partnership was not a party. In 2000, the Washington State Supreme Court delivered its final decision upholding the vesting of projects to the land use regulations in place at the time of the project application. The Partnership will now develop a plan with Kitsap County to resume processing the project applications for the two projects. With respect to Kingston property, the Partnership continued work in 2001 to bring urban-level zoning to some or all the property. Such new zoning coupled with a proposed new wastewater treatment plant would allow reconfiguration of the existing plan to allow a more diverse set of residential products.

Marketing. Marketing activities in the Real Estate segment consist of marketing the remaining lots in the Seabeck and Grandridge plats. The lots are listed for sale with local real estate agents.

Customers. The Partnership’s customers following the sale of Port Ludlow consist of residential and commercial renters as well as private individuals and residential contractors interested in the purchase of lots.

Competition. The Partnership’s Real Estate activities following the sale of Port Ludlow consist primarily of adding value to current land holdings. Once those properties are ready for development, the Partnership will likely seek property developers for a sale or joint venture. Other bulk parcel owners in the Puget Sound area have similar strategies.

Transportation. Land values in Jefferson and Kitsap counties are affected by transportation limitations between the Kitsap Peninsula and the Seattle-Tacoma corridor. The Washington State Department of Transportation has been working for several years to add a new span to the Tacoma Narrows Bridge connecting Tacoma and Gig Harbor. The project was proposed as a public/private partnership that would be financed through the imposition of tolls. In November 2000, the Washington State Supreme Court ruled that the financing scheme conflicted with a 1961 law that prevents tolls from being used to improve existing bridges. In March of 2002, the Washington State legislature passed a law to construct this new span using public financing. The bridge is expected to be completed in 2007.

Employees

At year-end 2001, the Partnership employed 117 full-time, year-round salaried employees and up to 25 part-time and seasonal personnel, who are distributed between the segments as follows:

<u>Segment</u>	<u>Full Time</u>	<u>Part Time/ Seasonal</u>	<u>Total</u>
Fee Timber	10	7	17
Timberland Management and Consulting	85	16	101
Real Estate	5	1	6
General and Administrative	17	1	18
Totals	117	25	142

None of the Partnership’s employees are subject to a collective bargaining agreement and the Partnership has no knowledge that any steps toward unionization are in progress. The Partnership considers its relations with its employees to be good.

Government Regulation

Regulatory Structure

Growing and harvesting timber are subject to numerous laws and government policies to protect the environment, non-timber resources such as wildlife and water, and other social values. Changes in those laws and policies can significantly affect local or regional timber harvest levels and market values of timber-based raw materials. Real estate development activities are also subject to numerous state and local regulations such as the Washington State Growth Management Act. In addition, the Partnership is subject to federal, state or provincial, and local pollution controls (with regard to air, water and land); solid and hazardous waste management, disposal and remediation laws and regulations in each segment and all geographic region in which it has operations.

Endangered Species and Habitats. A number of fish and wildlife species that inhabit geographic areas near or within Partnership timberlands have been listed as threatened or endangered under the federal Endangered Species Act (ESA) or similar state laws in the United States. Federal ESA listings include the northern spotted owl, marbled murrelet, a number of salmon species, bull trout and steelhead trout in the Pacific Northwest. Listings of additional species or populations may result from pending or future citizen petitions or be initiated by federal or state agencies. Federal and state requirements to protect habitat for threatened and endangered species have resulted in restrictions on timber harvest on some timberlands, including some timberlands of the Partnership. Additional listings of fish and wildlife species as endangered,

threatened or sensitive under the ESA and similar state laws as well as regulatory actions taken by Federal or state agencies to protect habitat for these species may, in the future, result in additional restrictions on timber harvests and other forest management practices, could increase operating costs, and could affect timber supply and prices.

Forestry Management Practices. Forest practice acts in some states in the United States increasingly affect present or future harvest and forest management activities. For example, in some states, these rules limit the size of clearcuts, require some timber to be left unharvested to protect water quality and fish and wildlife habitat, regulate construction and maintenance of forest roads, require reforestation following timber harvest, and contain procedures for state agencies to review and approve proposed forest practice activities. Federal, state and local regulations protecting wetlands could affect future harvest and forest management practices on some of the Partnership's timberlands.

Each state in which the Partnership owns timberlands has developed "best management practices" (BMPs) to reduce the effects of forest practices on water quality and aquatic habitats. Additional, more stringent regulations may be adopted in order to achieve the following: enhance water quality standards under the federal Clean Water Act; protect fish and wildlife habitats; or advance other public policy objectives.

The regulatory and non-regulatory forest management programs described above have increased operating costs, resulted in changes in the value of timber and logs from the Partnership's timberlands. These kinds of programs also can make it more difficult to respond to rapid changes in markets, extreme weather or other unexpected circumstances. One additional effect may be further reductions in usage of, and some substitution of other products for lumber and plywood. The Partnership does not believe that these kinds of programs have had, or in 2002 will have, a significant effect on the Partnership's total harvest of timber, although they may have such an effect in the future. Further, the Partnership does not expect to be disproportionately affected by these programs as compared with typical owners of comparable timberland owners. Likewise, the Partnership does not expect that these programs will significantly disrupt its planned operations over large areas or for extended periods.

Water Quality. The U.S. EPA also promulgated regulations in 2000 requiring states to develop total maximum daily load (TMDL) allocations for pollutants in water bodies determined to be water quality impaired. The TMDL requirements may set limits on pollutants that may be discharged to a body of water or set additional requirements, such as best management practices for nonpoint sources, including timberland operations, to reduce the amounts of pollutants. TMDLs will be established for specific water bodies in many of the states in which the Partnership operates. TMDLs will be written to achieve water quality standards within 10 years when practicable. It is not possible at this time to estimate the capital expenditures that may be required for the Partnership to meet pollution allocations until a specific TMDL is promulgated.

Washington State Growth Management Act (GMA)

Land holdings throughout Washington State are affected by the GMA, which requires counties to submit comprehensive plans that identify the future direction of growth and stipulate where population densities are to be concentrated. The purposes of the GMA include: (1) direct population growth to population centers (Urban Growth Areas), (2) reduce "suburban sprawl", and (3) protect historical sites. The Partnership works with local governments within the framework of the GMA to develop its real estate holding to their highest and best use.

Item 2. PROPERTIES

Property	Segment	Acres/ Sq. Ft.	Type	Owned/ Leased	Encumbrance
Poulsbo headquarters building	G&A	10,000 Sq. Ft.	Office building	Owned	None
Poulsbo auxiliary building	G&A	7,029 Sq. Ft.	Office building	Leased	None
Hood Canal tree farm	Fee Timber	72,000 acres	Timberland property	Owned	\$39.5 Million
Columbia tree farm	Fee Timber	40,000 acres	Timberland property	Owned	None
Port Gamble townsite	Real Estate	131 acres	Land held for development	Owned	None
Kingston	Real Estate	1 acre	Land held for development	Owned	None
Seabeck	Real Estate	23 acres	Lots held for sale	Owned	None
Grandridge	Real Estate	8 acres	Lots held for sale	Owned	None
Bremerton	Real Estate	233 acres	Land held for development	Owned	None
Gig Harbor	Real Estate	326 acres	Land held for development	Owned	None
Hansville	Real Estate	210 acres	Land held for development	Owned	None
Teal Vista	Real Estate	235 acres	Land held for development	Owned	None
Shine Canyon	Real Estate	70 acres	Land held for development	Owned	None
Arborwood	Real Estate	714 acres	Land held for development	Owned	None
Point No Point	Real Estate	163 acres	Land held for development	Owned	None
Other	Real Estate	108 acres	Land held for development	Owned	None

Item 3. LEGAL PROCEEDINGS

None.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of the Partnership's unit holders during the fourth quarter of 2001.

Market Information

The units are traded on the Nasdaq National Market System. The Partnership's units trade under the ticker symbol "POPEZ". The following table sets forth the 2000 — 2001 quarterly ranges of low and high prices for the Partnership's units:

	2000		2001	
	High	Low	High	Low
First Quarter	\$ 29.25	\$ 17.75	\$ 24.50	\$ 19.50
Second Quarter	\$ 25.00	\$ 19.75	\$ 20.00	\$ 17.00
Third Quarter	\$ 21.00	\$ 18.13	\$ 20.00	\$ 16.30
Fourth Quarter	\$ 25.50	\$ 19.25	\$ 18.00	\$ 14.00

Unitholders

As of March 7, 2002, there were approximately 808 beneficial holders and 325 registered holders of 4,518,095 outstanding units.

Distributions

All cash distributions are at the discretion of the Partnership's managing general partner, Pope MGP, Inc. (the "Managing General Partner"). During 2001, no cash distributions were declared or paid on the units, except that in October 2001 the Partnership repurchased 10,000 units from one unitholder in a privately-negotiated transaction at the then-market price. The Partnership intends to make future distributions to cover the estimated flow-through tax liability incurred by unit holders as a result of owning the Partnership's units. During 2000, cash distributions totaled \$1,811,000 consisting of 10 cents per unit each quarter.

Issuance of Unregistered Securities

The Partnership did not conduct any unregistered offering of its securities in 2001.

Item 6. SELECTED FINANCIAL DATA

Actual Results. The financial information set forth below for each of the indicated years is derived from the Partnership's audited financial statements. This information should be read in conjunction with the financial statements and related notes included with this report and previously filed with the Securities and Exchange Commission ("SEC"). Per unit amounts reflected below have been restated to reflect the 5-for-1 unit split completed in 1997.

	2001	2000	1999	1998	1997
(Dollars in thousands, except per unit data)					
Statement of Operations Data					
Revenues:					
Fee Timber (1)	\$ 24,999	\$ 21,444	\$ 23,467	\$ 20,985	\$ 20,082
Timberland Management and Consulting	9,703	11,011	11,705	8,906	—
Real Estate (2)	13,143	18,202	15,681	13,061	10,027
Total Revenues	47,845	50,657	50,853	42,952	30,109
Operating income (loss):					
Fee Timber (1)	9,190	12,895	13,609	12,061	11,893
Timberland Management and Consulting (4)	1,685	75	1,861	3,224	(904)
Real Estate (2)(3)	(2,709)	(11,593)	(508)	2,023	(1,251)
General and Administrative	(5,110)	(7,254)	(8,282)	(6,945)	(4,884)
Total operating income (loss)	3,056	(5,877)	6,680	10,363	4,854
Net income (loss)	(432)	(6,251)	5,066	8,792	3,509
EBITDDA	10,583	(2,978)	9,047	11,943	6,164
Earnings (loss) per Unit — Diluted	(.10)	(1.38)	1.11	1.94	0.78
Distribution per Unit	—	0.40	0.40	0.40	0.49
Balance Sheet Data					
Total assets	84,187	60,857	66,880	62,706	56,319
Long-term debt	39,208	12,801	13,282	13,818	14,323
Partners' capital	40,673	\$ 41,280	\$ 49,302	\$ 45,896	\$ 38,911
Other Data					
Acres owned/managed (Thousands)	617	655	534	640	74
Fee timber harvested (MMBF)	36.3	37.3	42.0	38.9	33.2
Homes sold	22	34	28	13	14
Lots sold	16	14	48	39	24

- (1) The Partnership acquired the Columbia Tree Farm in March 2001.
- (2) The Partnership sold its assets and operations in Port Ludlow, Washington in August 2001. Real Estate results for the 2001-year end include asset impairment costs of \$1.3 million resulting from negotiations surrounding the sale of assets in Port Ludlow.
- (3) In December 2000, the Partnership recorded an asset impairment charge of \$9.2 million as a result of the planned disposition of Port Ludlow. Year 2000 Real Estate results also include a \$2.0 million charge for estimated environmental remediation costs at the Port Gamble Townsite.
- (4) In December 2000, the Partnership recorded an asset impairment charge of \$0.9 million as a result of the planned disposition of the forestry consulting operations in British Columbia.

Pro Forma Results. The following chart compares the Partnership's actual 2001 financial information to the pro forma financial information as if the Port Ludlow disposition had occurred on December 31, 2000 and the Columbia tree farm acquisition had not occurred.

	2001 (audited)	%	2001 (pro forma)	%
(Dollars in thousands, except per unit data)				
Statement of Operations Data				
Revenues:				
Fee Timber	\$24,999	52 %	\$15,219	58 %
Timberland Management and Consulting	9,703	20 %	9,703	37 %
Real Estate	13,143	28 %	1,255	5 %
Total revenues	47,845	100 %	26,177	100 %
Operating income (loss):				
		<u>% of Revenues</u>		<u>% of Revenues</u>
Fee Timber	9,190	19 %	8,422	32 %
Timberland Management and Consulting	1,685	4 %	1,685	6 %
Real Estate	(2,709)	(6%)	(884)	(3%)
General and Administrative	(5,110)	(11%)	(4,692)	(18%)
Total operating income (loss)	3,056	6 %	4,531	17 %
Net income (loss)	(432)	(1%)	2,608	10 %
EBITDDA	10,583	22 %	6,157	24 %
Earnings (loss) per Unit — Diluted	(.10)	N/A	1.00	N/A
Distribution per Unit	—	—	—	—
Balance Sheet Data				
		<u>% of Assets</u>		<u>% of Assets</u>
Total assets	84,187	100 %	55,022	100 %
Long-term debt	39,208	47 %	12,675	23 %
Partners' capital	40,673	48 %	43,713	75 %
Other Data				
Acres owned/managed (Thousands)	617	—	577	—
Fee timber harvested (MMBF)	36.3	—	27.5	—
Homes sold	22	—	—	—
Lots sold	16	—	14	—

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Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Note: Certain information in this report constitutes forward-looking statements within the meaning of federal securities laws. Forward-looking information, which includes forecasted business divestitures and asset purchases, is subject to risks, trends, and uncertainties that could cause actual results to differ materially from those projected. Those uncertainties include but are not limited to changes to (1) regulations that affect the Partnership's ability to harvest timber and develop real estate, (2) economic conditions, which can have a significant effect on the price the Partnership can obtain for its timber, real estate, and other investments, and (3) each of those items discussed in "Risk and Uncertainties", below. This discussion should be read in conjunction with the Partnership's audited consolidated financial statements included with this report.

Significant Events in 2001

In December 2000, the Partnership announced plans to narrow its strategic focus to the ownership and management of timberlands, and consulting for owners of such properties. In accordance with this shift, the Partnership completed two major transactions in 2001. These transactions represent steps taken in 2001 to focus the Partnership's efforts more on the ownership and management of timberland resources.

- **Columbia Tree Farm Acquisition.** In March 2001, the Partnership acquired 44,500 acres of timberland in southwest Washington from Plum Creek Timber Inc. The Partnership refers to this property as the Columbia tree farm. To finance the \$54.5 million acquisition, the Partnership used \$7.5 million in cash, a \$30 million mortgage and \$17 million in revolving debt. The revolving debt was later paid off with proceeds from the sale of Port Ludlow and cash generated from operations. This timberland acquisition will help to fill an age class gap that exists on the Partnership's Hood Canal tree farm. The Columbia tree farm merchantable inventory includes age classes that are expected to be at an economically harvestable age during that time period.
- **Sale of Port Ludlow Properties.** In August 2001 the Partnership sold its assets and operations in the resort community of Port Ludlow, Washington. As a result of this sale the Partnership recorded \$10.1 million of asset impairment and exit costs in 2000 and an additional \$1.25 million in 2001. Upon closing the sale, the Partnership received \$10.2 million in cash, a \$5.8 million note, and the purchaser assumed \$0.5 million in current liabilities.
- **Certain Consulting Operations.** The Partnership also announced plans in December 2000 to sell its consulting operations in British Columbia. Efforts to market the consulting operations in 2001 were not successful. As a result, consulting operations in British Columbia have been restructured to minimize operating expenses and focus on fewer, more profitable market niches.

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The above steps resulted in a \$2.1 million decrease in general and administrative costs in 2001 as compared to 2000. These cost reductions were made possible by focusing the Partnership's efforts on its core competency of managing timberland.

RESULTS OF OPERATIONS

The Partnership operates in three primary business segments: (1) Fee Timber, (2) Timberland Management and Consulting, and (3) Real Estate. Fee Timber operations consist of the growing and harvesting of timber from the Partnership's tree farms. Timberland Management and Consulting encompasses providing timberland management and forestry consulting services to third-party owners of timberlands. Real Estate includes the assets at Port Ludlow that were sold in August of 2001 and other investments in land.

The Partnership's consolidated gross revenues in 2001, 2000, and 1999, on a percentage basis by segment, are as follows:

Segment	2001	2000	1999
Fee Timber	52 %	42 %	46 %
Timber Management	20 %	22 %	23 %
Real Estate	28 %	36 %	31 %

The Partnership projects that, in 2002, the relative percentages between the Fee Timber, Timber Management and Real Estate segments will shift to 70%, 26%, and 4%, respectively, as a result of a full year without the Port Ludlow operations, and a full year with the Columbia tree farm operations. See "Item 6. Selected Financial Data — Pro Forma Results".

Further segment financial information is presented in Note 10 to the Partnership's Consolidated Financial Statements included with this report.

Fee Timber

Revenues and Operating Income

Fee Timber revenue is earned primarily from the harvest and sale of logs from the Partnership's 112,000 acres of fee timber located in western Washington and to a lesser extent from the sale of gravel and cellular communication tower leases. Revenue and operating income generated by the Fee Timber segment for each year in the three-year period ended December 31, 2001, are as follows:

Year ended	Timber	Mineral & Cell Tower	Total Fee Timber Revenue	Operating income
December 31, 2001	\$ 24.1 million	\$ 0.9 million	\$ 25.0 million	\$ 9.2 million
December 31, 2000	20.6 million	0.8 million	21.4 million	12.9 million
December 31, 1999	22.7 million	0.8 million	23.5 million	13.6 million

Fiscal Year 2001 compared to 2000. Fee Timber revenue increased \$3.6 million, or 17%, to \$25.0 million in 2001 from \$21.4 million in 2000. The increase in revenue is largely the result of the sale of 3,750 acres of timberland from the Columbia tree farm shortly after its acquisition recognizing revenue of \$5.2 million. A smaller timberland sale from the Hood Canal tree farm generated \$0.2 million in revenue. However, the land sale revenue was offset to some degree by an 8% decline in average log prices and a 3% decrease in harvest volume. Operating income declined \$3.7 million, or 29%, to \$9.2 million in 2001 from \$12.9 million in 2000, primarily as the result of an increase in depletion expense recognized from harvested timber. Depletion expense has increased as a result of the higher average cost basis of the Partnership's

timber following the acquisition of the Columbia tree farm. As discussed below, the decline in average log prices realized, and the decrease in harvest volume also negatively affected operating income. The land sales resulted in operating income of \$0.3 million in 2001. The Partnership regularly adjusts its timberland portfolio of holdings as part of its active management through acquisitions and dispositions of smaller parcels.

Fiscal Year 2000 compared to 1999. Fee Timber revenue declined \$2.1 million, or 9%, to \$21.4 million in 2000 from \$23.5 million in 1999. Operating income declined \$0.7 million, or 5%, to \$12.9 million in 2000 from \$13.6 million in 1999. The decline in revenue and operating income is primarily due to a decrease in volume harvested that was partially offset by a small improvement in prices. Timber volume harvested for the year ended December 31, 1999 was high as a result of the purchase and subsequent harvest of 500 acres of timberland during the year.

Export Log Market. Log revenues from the Partnership's timberland ownership are significantly affected by export log market conditions. Sales to the export market totaled 20%, 31%, and 33% of segment revenues for 2001, 2000, and 1999, respectively. The majority of the Partnership's export log volume is sold to Japan. Indirect sales to the export market totaled 8.1 MMBF, 9.1 MMBF, and 11.1 MMBF, of softwood logs for 2001, 2000, and 1999, respectively. The decrease in volume sold through the export market in 2001 is indicative of the weak export market experienced in 2001. The decrease in volume sold to the export market in 2000 was consistent with the overall reduction in harvest volumes. The average price per MBF realized for export logs sold was \$620, \$731, and \$694, for 2001, 2000, and 1999, respectively.

While the decline in export prices realized in 2001 was primarily caused by the overall weakness in the export market, it also reflects the difference in markets served by the Hood Canal and Columbia tree farms. The Columbia tree farm is located more closely to destinations used for log exports than the Hood Canal tree farm. As a result, harvest volume from the Columbia tree farm can be sold to the export market at a higher net price than volume from the Hood Canal tree farm where the cost of transportation makes the sale of logs to the export market less profitable. Average export prices realized in 2000 increased from 1999 due to an increase in the size and quality of logs sold to the export market in 2000.

Domestic Log Market. Domestic sawlog volumes were 19.9 MMBF, 19.1 MMBF, and 21.0 MMBF in 2001, 2000, and 1999, respectively. The 4% increase in domestic volume sold from 2000 to 2001 represents a shift in volume from the export market to the domestic market partially offset by the decline in overall harvest volume. The year 2000 decrease in volume sold domestically is consistent with the overall decline in harvest volume in 2000. Average domestic log prices per MBF were \$560, \$588, and \$593 for 2001, 2000, and 1999, respectively. The weakening of domestic log prices during 2001 is due to volume shifting from the export to the domestic market because of weakness in the export market. This shift created some supply imbalance that resulted in a weakening of prices. The decrease in domestic log prices in 2000 reflects the overall slowing of the domestic economy.

Other Timber Products. Pulp, hardwood, and other log volumes were 8.4 MMBF, 9.1 MMBF, and 9.9 MMBF for 2001, 2000, and 1999, respectively. Other log volume harvested decreased in 2001 due to the mix of stands harvested during the year. Other log volumes were down in 2000 relative

to 1999 as a result of the decline in overall harvest volumes in 2000. Other log prices were \$254, \$283, and \$255 per MBF for 2001, 2000, and 1999, respectively. The decline in other log prices in 2001 relative to 2000 reflects the overall decline in log prices during the year. The increase in other log prices in 2000 relative to 1999 resulted from the mix of other volume sold during the year, with the Partnership selling more hardwood volume at relatively favorable prices driving the average price up.

Harvest Volumes and Seasonality. The Partnership harvested the following timber for each year in the three-year period ended December 31, 2001:

Year	Softwood Sawlogs		Pulp, Hardwood, and Other		Totals	
	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF
2001	27.9	\$ 577	8.4	\$ 254	36.3	\$ 503
2000	28.2	\$ 634	9.1	\$ 283	37.3	\$ 549
1999	32.1	\$ 628	9.9	\$ 255	42.0	\$ 542

MMBF = million board feet

MBF = thousand board feet

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The Partnership's 112,000 acres of timberland consist of the 72,000-acre Hood Canal tree farm and the 40,000-acre Columbia tree farm. The Partnership's Hood Canal tree farm is located in the Hood Canal region of Washington State. Most of this tree farm acreage is at a relatively low elevation where harvest activities are possible year-round. As a result of this competitive advantage, the Partnership is often able to harvest and sell a greater portion of its annual harvest in the first half of the year when the supply of logs tends to be lower. For the last several years, harvest activities have tapered off towards the end of September or October as the Partnership reached its planned annual harvest volume. The Columbia tree farm acreage is less accessible during the winter months and, therefore, harvest activities will be concentrated in the summer months. The overall impact to Fee Timber revenue from the Columbia tree farm acquisition should be a flattening of the seasonal spikes experienced in previous years.

Cost of Sales

Fee Timber cost of sales for each year in the three-year period ended December 31, 2001, are as follows:

Year ended	Depletion	Harvest, Haul and Other	Total
December 31, 2001	\$ 6.4 million	\$ 6.9 million	13.3 million
December 31, 2000	1.0 million	5.8 million	6.8 million
December 31, 1999	1.2 million	6.4 million	7.6 million

Depletion costs in 2001 include \$4.4 million in depletion resulting from timberland sales, most notably stemming from the 3,750-acre sale of a portion of the Columbia tree farm. Depletion costs resulting from harvest activities averaged \$69, \$27, and \$29 per MBF for 2001, 2000, and 1999, respectively. Blending the higher relative cost basis of the timber on the recently acquired Columbia tree farm with Hood Canal tree farm's historical basis caused the depletion rate per MBF to increase.

Harvest, haul and other costs averaged \$190, \$150, and \$157 per MBF. Harvest costs vary based upon the physical site characteristics of acres harvested during the year. Acres that are difficult to get to, or are located on a steep hillside are more expensive to harvest. Haul costs vary based upon the distance between the area the timber is harvested and the customer's location. Average harvest, haul and other costs increased in 2001 as a result of the acquisition of the Columbia tree farm where harvest costs are greater than the Hood Canal tree farm as a result of higher elevation and more mountainous terrain. The decrease in the average cost of harvest haul and other costs in 2000 resulted from harvesting fewer units from hillsides in 2000 relative to 1999.

Operating Expenses

Fee Timber operating expenses for each of the three years ended December 31, 2001, 2000, and 1999 were \$2.5 million, \$1.8 million, and 2.3 million, respectively. Operating expenses in 2001 reflect incremental costs resulting from Columbia tree farm operations. The decrease in operating expenses in 2000 reflects improved efficiency in managing the Partnership's fee timber holdings.

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Timberland Management Consulting

Revenues and Operating Income

The Timberland Management and Consulting segment earns revenue by providing management and consulting services to timberland owners and managers. Revenues and operating income for the Timberland Management and Consulting segment for each year in the three-year period ended December 31, 2001, are as follows:

Year ended	Revenues	Operating income
December 31, 2001	\$ 9.7 million	\$ 1.7 million
December 31, 2000	11.0 million	0.1 million*
December 31, 1999	11.7 million	1.9 million

* Net of \$0.9 million in asset impairment and exit costs.

Fiscal Year 2001 compared to 2000. Revenue decreased \$1.3 million, or 12%, to \$9.7 million in 2001 from \$11.0 million in 2000. The decrease in revenue resulted principally from a restructuring of a contract to manage and sell over 300,000 acres of industrial forestland in California, Oregon, and Washington. The contract was set to expire in September 2001. However, as a result of weak markets for timberlands the agreement was amended to continue until the properties are sold, to reduce the Partnership's monthly management fee and to increase the Partnership's fee upon successful disposition of the

properties. Operating income increased \$1.6 million to \$1.7 million in 2001 from \$0.1 million in 2000. However, excluding the asset impairment charge taken in 2000 of \$0.9 million, operating income increased \$0.7 million. The increase in operating income is the result of increasing efficiencies in our timberland management and consulting businesses. The majority of the increase in efficiency resulted from a decrease in staffing to a more appropriate level given current business volume.

Fiscal Year 2000 compared to 1999. Revenue declined \$0.7, or 6%, to \$11.0 million in 2000 from \$11.7 million in 1999. The decrease in revenue resulted from a decrease in acres under management. Operating income declined \$1.8 million to \$0.1 million in 2000 from \$1.9 million in 1999 due to the \$0.9 million asset impairment charge combined with a decrease in operating income earned through providing timberland management services. The Partnership managed over 500,000 acres for a single timberland management customer during most of 1999. As a result of changes in our timberland management customer's client mix, acres under management for that client declined to just over 200,000 in 2000. The revenue and income loss resulting from this decline in acres managed was partially offset by signing a contract to manage 365,000 acres of industrial timberland for a new timberland management client. While revenue was significantly reduced by the changes to acres under management, the effect on operating income was even greater as a result of the decline in economies of scale.

Operating Expenses

Timberland Management and Consulting operating expenses for each of the three years ended December 31, 2001, 2000, and 1999 were \$8.0 million, \$10.0 million, and \$9.8 million, respectively. Operating expenses decreased in 2001 relative to 2000 and 1999 as a result of cost saving measures taken in response to downward adjustments in a major client's portfolio of timber properties. The small increase in operating expenses in 2000 relative to 1999 resulted from costs incurred during the transfer of our client's timberland properties to new owners.

Limitation on Expenditures

The amendment to the Limited Partnership Agreement authorizing the IPMB strategy limits cumulative net expenditures to \$5,000,000, including debt guarantees. As of December 31, 2001, cumulative expenditures, incurred in pursuit of IPMB opportunities, including guarantees, were less than cumulative revenues generated. Therefore, cumulative net expenditures against the \$5,000,000 limit are zero.

Allocation of Income

The amendment to the Limited Partnership Agreement further specifies that income from the IPMB will be split using a sliding scale allocation method beginning at 80% to the Partnership's wholly-owned subsidiary, ORM, Inc., and 20% to Pope MGP, Inc., the managing general partner of the Partnership. The sliding scale allocation method will evenly divide IPMB income between ORM, Inc. and Pope MGP, Inc. once such income reaches \$7,000,000 in a given fiscal year.

Impairment and Exit Costs

In 2000, the Partnership recognized asset impairment and exit costs of \$0.9 million in preparation to sell the forestry consulting operations in British Columbia and the cost of reorganizing timberland management operations following the loss of acres under management in the Timberland Management and Consulting segment. No further asset impairment and exit costs in this regard were recognized in 2001.

Real Estate

Revenues and Operating Income

Real Estate segment revenues are derived from residential development and income-producing properties. Residential development prior to August 2001 consisted of the sale of single-family homes, developed lots, and undeveloped acreage. The majority of revenue and operating income generated by the Real Estate segment in 2001, 2000 and 1999 resulted from operations at the resort community of Port Ludlow, Washington, as discussed in "Item 1. Business — Description of Business Segments — Real Estate". The Partnership sold all the assets and operations in Port Ludlow in August 2001.

Segment Results Including Port Ludlow. The discussion that follows includes the operations of the entire Real Estate segment in 2001 including Port Ludlow and the remaining portion of the Real Estate segment that is continuing after sale of the Port Ludlow property. Revenues and operating loss for the Real Estate segment for each year in the three-year period ended December 31, 2001, are as follows:

Year ended	Revenues		Operating loss	
December 31, 2001	\$	13.1 million	\$	(2.7) million [^]
December 31, 2000		18.2 million		(11.6) million [*]
December 31, 1999		15.7 million		(0.5) million

[^] Includes \$1.3 million in asset impairment charges related to the sale of Port Ludlow.

^{*} Includes \$11.2 million in asset impairment, exit, and environmental remediation charges.

Fiscal Year 2001 compared to 2000. Revenue generated by the Real Estate segment decreased \$5.1 million, or 28%, to \$13.1 million in 2001 from \$18.2 million in 2000. The decrease in revenue is primarily due to the sale of Port Ludlow on August 7, 2001. August and September are generally high volume months for both the commercial property and development businesses in Port Ludlow. Operating loss declined \$8.9 million, or 77%, to \$2.7 million in 2001 from \$11.6 million in 2000. The decreased operating loss is primarily due to the reduction of asset impairment and other special charges to \$1.3 million in 2001 from \$11.2 million in 2000, which was partially offset by \$1.0 million decrease in results from the portfolio of income producing properties in Port Ludlow prior to the sale.

Fiscal Year 2000 compared to 1999. Revenue generated by the Real Estate segment increased \$2.5 million, or 16%, to \$18.2 million in 2000 from \$15.7 million in 1999 as a result of an increase in homes sold at the resort community of Port Ludlow. Operating income declined \$11.1 million as a result of \$11.2 million in asset impairment, exit, and environmental remediation charges. Excluding those charges,

operating income increased \$0.1 million in 2000 reflecting improved operating results related to income producing properties in Port Ludlow.

Port Ludlow. In 2001, Port Ludlow generated revenue of \$6.8 million through the sale of two developed lots and 22 homes. This compares to 2000 revenue of \$10.9 million through the sale of six developed lots and 34 homes. In 1999 Port Ludlow generated revenue of \$7.2 million through the sale of six lots and 28 homes.

Segment Results Excluding Port Ludlow. Real Estate operations following the sale of Port Ludlow (“Continuing Real Estate operations”) consist of the rental of residential and commercial properties in Port Gamble and Kingston, and the sale of developed lots at the Seabeck and Grandridge plats. Investments in land at Gig Harbor, Bremerton, Port Gamble, Kingston, and Hansville are also included in the Real Estate segment following the Port Ludlow sale. Revenue and operating loss for the Continuing Real Estate operations for each year in the three-year period ended December 31, 2001, are as follows:

Year ended	Revenues		Operating income/(loss)	
December 31, 2001	\$	1.2 million	\$	(0.9) million
December 31, 2000		1.0 million		(2.7) million*
December 31, 1999		2.6 million		0.1 million

* Includes \$2.0 million in environmental remediation charges

Fiscal Year 2001 compared to 2000. Revenue generated by the Continuing Real Estate operations increased \$0.2 million, or 20%, to \$1.2 million in 2001 from \$1.0 million in 2000, as a result of a small increase in lots sold at the two remaining land plats of Grandridge and Seabeck. Operating loss decreased as a result of the \$2.0 million environmental remediation charge in 2000 that did not recur in 2001.

Fiscal Year 2000 compared to 1999. Revenue generated by the Continuing Real Estate operations decreased \$1.6 million, or 62%, to \$1.0 million in 2000 from \$2.6 million in 1999. The decline in Real Estate segment revenue from 2000 to 1999 is due to a reduction in sales of undeveloped acreage. Other sources of revenue and operating income including Port Gamble and developed lot sales at Seabeck did not fluctuate significantly from 2000 to 1999.

Cost of Sales

Real Estate cost of sales for each of the three years ended December 31, 2001, 2000, and 1999 were \$7.2 million, \$10.2 million, and \$8.2 million, respectively. The decrease in cost of sales in 2001 relative to 2000 reflects the sale of Port Ludlow and resulting decrease in homes sold from 34 homes in 2000 to 22 homes in 2001. The increase in cost of sales in 2000 relative to 1999 is also due to the number of homes sold which increased to 34 homes in 2000 from 28 homes in 1999.

Cost of sales in the Real Estate segment are expected to decrease significantly in 2002 as a result of a full year of operations without Port Ludlow. Following the sale of Port Ludlow the Partnership’s operations will no longer include building and selling homes. Real Estate cost of sales will consist of the cost basis of developed lots sold from the Partnership’s two remaining active development projects: Seabeck and Grandridge.

Operating Costs

Real Estate operating expenses for each of the three years ended December 31, 2001, 2000, and 1999 were \$7.4 million, \$8.4 million, and \$8.0 million, respectively. The decrease in operating expenses in 2001 relative to 2000 is due to the sale of Port Ludlow. Operating expenses in Port Ludlow included the cost of

operating several commercial properties and the cost of administering the Partnership’s real estate development activities in Port Ludlow. The increase in operating expenses in 2000 relative to 1999 is due to increased costs administering the Partnership’s real estate development activities in Port Ludlow.

Following the sale of Port Ludlow, operating expenses of the Real Estate segment will decrease significantly. The number of employees in the Real Estate segment has decreased to five full-time and one part time employee at December 31, 2001 from 66 full-time and up to 122 part time employees at December 31, 2000. The decrease in employees is indicative of the expected decrease in Real Estate operating expense in 2002.

Impairment and Exit Costs

In connection with the sale of the Port Ludlow assets, the Partnership recorded asset impairment and exit costs of \$9.2 million in 2000. As a result of continued negotiations surrounding the sale, an additional \$1.3 million in asset impairment cost was recorded in March 2001.

Environmental Remediation Costs

The Partnership has an accrued liability of \$1.4 million and \$1.9 million for the years ending December 31, 2001 and 2000, respectively. The accrual represents estimated environmental remediation costs in and around the townsite of Port Gamble. Port Gamble is a historic town that was owned by P&T until 1985 when the townsite and other assets were spun off into the Partnership. P&T continued to lease the mill site at Port Gamble until January 2002, when a settlement agreement was signed between the Partnership and P&T which divided up the responsibility for paying for environmental remediation costs in Port Gamble. The mill site had an operating lumber mill through 1995 that was dismantled by the end of 1996. The liability recorded represents management’s estimate of the Partnership’s share of Port Gamble environmental remediation costs.

Seasonality

Real Estate operations have historically been very seasonal as a result of the resort properties at Port Ludlow. After the sale of the Port Ludlow assets, Real Estate operations are not expected to be significantly seasonal in the future.

General and Administrative (G&A)

Fiscal Year 2001 compared to 2000. G&A costs decreased \$2.1 million, or 30%, to \$5.1 million in 2001 from \$7.3 million in 2000. This decrease is the result of downsizing in anticipation of the 2001 sale of Port Ludlow. The majority of the decrease was from a reduction in administrative staff to 17 at the end of 2001 from 41 at the end of 2000. The Partnership expects to further reduce G&A expenses in 2002, though not to the same extent as realized during 2001.

Fiscal Year 2000 compared to 1999. G&A decreased \$1.0 million or 12%, to \$7.3 million in 2000 from \$8.3 million in 1999. The decrease was due to cost saving measures taken in the last half of 2000 following the decline in acres under management in the Timberland Management and Consulting segment.

Other Income/Expense

Fiscal Year 2001 compared to 2000. Net interest expense increased \$2.3 million to \$3.0 million in 2001 from \$0.7 million in 2000, as a result of the Partnership's acquisition of the Columbia tree farm in March 2001. The acquisition resulted in additional mortgage debt of \$30 million and revolving credit of \$17 million (the latter of which was paid off through proceeds from the sale of Port Ludlow and cash generated from operations). Interest expense in 2002 will reflect a whole year of increased mortgage debt.

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Fiscal Year 2000 compared to 1999. Net interest expense decreased \$0.3 million, or 33%, to \$0.7 million in 2000 from \$1.0 million in 1999 due largely to increased interest income as a result of an increase in cash and short-term investments.

Taxes

Fiscal Year 2001 compared to 2000. The provision for income taxes increased \$0.7 million to \$0.4 million tax expense in 2001 from a tax benefit of \$0.3 million in 2000, as a result of improved operating results in the Partnership's Timberland Management and Consulting segment. This business segment is conducted through corporate entities that are subject to federal and state income tax.

Fiscal Year 2000 compared to 1999. The provision for income taxes decreased \$0.6 million to a \$0.3 million tax benefit in 2000 from a \$0.3 million tax expense in 1999, due primarily to the loss of operating income as a result of the decline in acres under management in the Timberland Management and Consulting segment.

Minority Interest

Fiscal Year 2001 compared to 2000. The minority interest charge increased \$0.2 million from zero in 2000 as a result of improved operating results in the Partnership's Timberland Management and Consulting segment.

Fiscal Year 2000 compared to 1999. The minority interest charge decreased \$0.3 million to zero, due primarily to the loss of operating income as a result of the decline in acres under management in the Timberland Management and Consulting segment.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

Cash Position. The Partnership's overall cash and cash equivalents decreased \$8.8 million, or 89%, to \$1.0 million at year-end 2001 from \$9.9 million at year-end 2000.

Working Capital. Working capital decreased \$27.6 million to (\$1.0) million at year end 2001 from \$26.6 million at year end 2000, and the current ratio was .77 to 1 and 5.4 to 1 at year end 2001 and 2000, respectively. This decrease was primarily due to the sale of assets and operations in Port Ludlow that generated \$10.2 million in cash, offset by the acquisition of the Columbia tree farm that consumed cash of \$54.6 million. In 2000, working capital increased \$10.9 million, or 69% to \$26.6 million at year end from \$15.7 million at year end 1999, and the current ratio was 5.4 to 1 and 5.0 to 1 at year end 2000 and 1999, respectively. This increase was primarily due to moving long-term assets in Port Ludlow to current assets held for sale.

Operations. In 2001, consolidated net cash provided by operations was \$11.2 million including \$5.4 million of cash generated from the sale of timberland, an increase of \$1.2 million, or 12%, from the \$10.0 million provided in 2000. Cash flow from operations before changes in working capital provided \$8.0 million, with the decrease in working capital providing \$3.2 million. In 2000, consolidated net cash provided by operations increased \$1.6 million or 19%, from the \$8.3 million provided in 1999. Cash flow from operations before changes in working capital provided \$2.7 million while increases in working capital provided \$7.3 million.

In 2001, cash flow from operations combined with cash reserves were used to fund \$14.5 million of the Columbia tree farm acquisition, to fund \$2.0 million in other capital expenditures, and to make debt payments of \$3.5 million. Cash provided by operating activities in 2000 was used for cash payments to unit holders of \$1.8 million, capital expenditures of \$2.9 million, repayment of long-term debt of \$0.4 million, and a minority interest distribution of \$0.2 million.

Investing Activities. The cash needed to meet the Partnership's capital expenditures, investments and other requirements in 2001 was generated principally from internal cash flows, \$10.6 million in cash received from the sale of Port Ludlow and the Columbia tree farm mortgage financing.

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Capital spending by segment, excluding the Columbia tree farm acquisition, over the past three years was as follows:

<u>Segment</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
Fee Timber	\$ 1,150	\$ 1,046	\$ 2,608
Timber Management and Consulting	142	194	209
Real Estate	463	1,440	551

Other		240		178		396
Total	\$	1,995	\$	2,858	\$	3,764

During 2001, the Partnership expended \$54.6 million to purchase the Columbia tree farm, with \$30 million in mortgage financing, \$10.1 million from the Port Ludlow sale proceeds and \$14.5 million from internal cash flows. Bridge financing in the form of a revolving debt facility was used to fund \$17 million of the Columbia tree farm acquisition until the Port Ludlow sale and cash generated from operations were used to pay off the revolving debt facility. Other capital expenditures in 2001 totaled \$2 million, down 31% from the \$2.9 million spent in 2000.

Financing Activities. The Partnership increased its interest-bearing debt by \$26.5 million during the year through issuance of the \$30 million new mortgage on the Columbia tree farm, and by paying down \$3.5 million in existing long-term debt. In 2000, The Partnership decreased its interest-bearing debt by \$0.4 million. The Partnership's debt-to-total-capital ratio was 46% at the end of 2001, as compared with 21% at the end of 2000.

The Partnership currently has a \$17 million revolving term loan agreement. There was no balance outstanding on the agreement as of December 31, 2001. The agreement expires on September 27, 2002. As of December 31, 2000 the Partnership had a \$20 million revolving term loan agreement with no balance outstanding.

The Partnership did not sell any of its partnership units in 2001 or 2000. However, in 2001, the Partnership paid \$162,000 to repurchase 10,000 units in a privately negotiated transaction from one unit holder.

The Partnership did not make any distributions to its unitholders in 2001, as opposed to the \$1.8 million distributed in 2000. The Partnership plans to make distributions in future years to cover the estimated flow-through tax liability incurred by unitholders as a result of owning the Partnership's units.

Funding Variables and Timing

In addition to cash flow from regular operations and access to its revolving credit facility, the Partnership has the following other sources of additional funds:

Payments on Port Ludlow Note. The Partnership received a note from the purchaser of the Port Ludlow assets in the amount of \$5.8 million. Lots and homes in the process of being built for sale in Port Ludlow secure the note. At December 31, 2001 the balance of the note was \$3.9 million. Payments are due on the note as the underlying properties securing the note are sold. The note expires in 2004.

Fee Timber Harvest. Management has discretion to increase or decrease the level of logs cut and thereby may increase or decrease net income and cash flow, assuming log prices and demand remain stable. Management's current plan is to harvest approximately 45 million board feet of softwood timber from its tree farms in 2001. Since harvest plans are based on demand and pricing, actual harvesting may vary subject to management's ongoing review.

Timber Management Property Disposition. In connection with one of the Partnership's timberland management contracts, a fee for disposition services is earned when properties belonging to that client are sold. In 2001, the Partnership generated \$0.2 million in service fee revenue as a result of these disposition efforts. Fees earned in 2002 from similar services are contingent on closing transactions that are difficult to predict.

Real Estate Disposition. The Partnership may realize value from its Continuing Real Estate investments through a sale, or possibly through a joint venture with an experienced land developer. The Partnership expects some sales revenue to occur within the next five years.

Risks and Uncertainties

The Partnership competes against much larger companies in each of its business segments. These larger competitors may have access to larger amounts of capital and significantly greater economies of scale.

Fee Timber

Fee Timber revenue is generated primarily through the sale of softwood logs to the domestic and export markets located in western Washington. The market for these products is significantly affected by fluctuations in U.S. and Japanese economies. See also "Notes to Consolidated Financial Statements — Note 1 — Concentration of Credit Risk." The market for the Partnership's timber products is also generally negatively affected by the rise in engineered lumber products that substitute for solid-sawn products. The rise in the use of engineered lumber products results in less of a premium for larger-diameter Douglas-fir logs. Many of the engineered lumber products are made from lower quality logs, which over time has acted to erode log prices and create more of a "commoditization" of wood fiber. While timber sold is expected to realize lower prices with the rise in engineered lumber products, wood fiber is expected to remain an important commodity that management expects will continue to be used extensively for building.

The proximity of lumber mills to the timberland supplying these mills is important to the Partnership's profitability. Western Washington has experienced a trend towards consolidation of lumber mills to fewer, larger volume manufacturers. Local demand for the Partnership's products has remained strong through the trend towards consolidation of lumber mills in western Washington. If in the future that consolidation leads to less local competition for wood fiber the Partnership's profitability could be negatively impacted.

The ability of the Partnership to grow and harvest timber can be significantly impacted by legislation to restrict or stop forest practices. Restrictions to logging, planting, road building, fertilizing, managing competing vegetation and other activities can significantly increase the cost or reduce available inventory thereby reducing income.

Timberland Management and Consulting

Over 62% of Timberland Management and Consulting revenue is generated through two clients. Contracts covering services to those two clients expire in the fourth quarter of 2002 but the Partnership expects renewals or extensions at this time. See "Certain Relationships and Related Transaction — Pioneer Resources I LLC." The Partnership is working to expand its customer base through market outreach efforts. The current market for timber products and timberland is relatively weak, which the Partnership believes may create additional management and consulting opportunities as prospective clients look to lower costs and improve efficiencies. Given the current mix of clients, if a major customer's contract were not renewed, the impact on segment revenue and earnings would be significant.

Real Estate

The value of the Partnership's real estate investments is subject to changes in the economic and regulatory environment. The Partnership's real estate investments are long term in nature, which raises the risk of unforeseen changes in the economy or laws surrounding development activities having an adverse affect on the Partnership's investments.

Contractual Obligations, Commercial Commitments and Contingencies

The Partnership's commitments consist of its revolving term loan, performance bonds and operating leases entered into in the normal course of business. See "—Quantitative and Qualitative Disclosures About Market Risk" for required principal payments on outstanding fixed-rate debt.

Obligation or Commitment	Total	Payments Due By Period/ Commitment Expiration Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Revolving Term Loan \$17.0 million facility	\$ 0	—	—	—	—
Performance Bonds	\$ 270,000	—	—	—	—
Operating Leases	\$ 625,000	\$ 368,000	\$ 257,000	—	—

The Partnership also has long-term debt totaling \$39.7 million with the contractual maturities described in Note 4 of the Partnership's Consolidated Financial Statements included with this report.

As described above, the Partnership recorded a \$1.9 million contingent liability in 2000 for environmental remediation in and around the Port Gamble townsite. At December 31, 2001 \$1.4 million of the environmental remediation liability remains on the Partnership's balance sheet to cover the estimated remaining cost to complete the Partnership's share of remediation costs at Port Gamble. The environmental liability at December 31, 2001 includes \$0.9 million that the Partnership expects to expend in 2002 and \$0.5 million thereafter.

The Partnership may from time to time be a defendant in lawsuits arising in the ordinary course of business. Management believes that loss to the Partnership, if any, will not have a material adverse effect to the Partnership's financial condition or results of operations.

Capital Expenditures and Commitments

Capital expenditures in 2002 are currently expected to be approximately \$2 million, however, these expenditures could be increased or decreased as a consequence of future economic conditions. The Partnership expects that the funds for these expenditures will be generated internally through operations and externally through financing.

Cost of Compliance with Government Regulation

Compliance with these laws, regulations and demands usually involves capital expenditures as well as operating costs. The Partnership cannot easily quantify future amounts of capital expenditures required to comply with these laws, regulations and demands, or the effects on operating costs, because in some instances compliance standards have not been developed or have not become final or definitive. Accordingly, at this time the Partnership has not included herein a quantification of future capital requirements to comply with any new regulations being developed by the United States or Canadian regulatory agencies.

ACCOUNTING MATTERS

Prospective Pronouncements

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. Statement 142 will be effective as of the first quarter of the Partnership's fiscal year 2002. In August 2001, the FASB issued Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations. Statement 143 will be effective for the Partnership's fiscal year 2003. In October 2001, the FASB issued Statement of Financial Accounting Standards No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. Statement 144 will be effective for the Partnership's fiscal year 2002. These pronouncements are not expected to have a significant impact on the Partnership, as described in "Note 1 - Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in this report.

Accounting Assumptions And Valuation Measurements

The Partnership's significant accounting policies are described in Note 1 of its Consolidated Financial Statements included in this report. The Partnership believes its most critical accounting policies include those related to the Partnership's calculation of timber depletion and reserves related to matters such as environmental issues, and potential asset impairments. In relation to reserves, potential impairments and other estimated charges, it is management's policy to conduct ongoing reviews of significant accounting policies and assumptions used in the preparation of the financial results of the Partnership. The assumptions used are tested against available relevant information and reviewed with subject-matter experts for consistency and reliability. During the preparation of financial results, tests are conducted to ascertain that the net book carrying values of assets are not in excess of market values and, in some cases, net realizable value. These tests use current market information, if available, or other generally accepted valuation methods, such as future cash flows. When the use of estimates is necessary, an exact answer is unlikely, and therefore, the reporting within a range of likely outcomes is used in the preparation of the financial statements. Tests are also applied to be reasonably assured that liabilities are properly reflected on the records of the Partnership and that the notes to the financial statements are prepared in a fashion that informs readers of possible outcomes and risks associated with the conduct of business.

Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

As of December 31, 2001, the Partnership had \$39.7 million of fixed rate debt outstanding with a fair value of approximately \$41.9 million based on the current interest rates for similar financial instruments. A change in the interest rate on fixed rate debt will affect the fair value of the debt, whereas a change in the interest rate on variable rate debt will affect interest expense and cash flows. A hypothetical 1% change in prevailing interest rates would change the fair value of the Partnership's fixed-rate long-term debt obligations by \$2.5 million.

Since the Partnership's currently outstanding debt is fixed rate, net income is not affected when market interest rates change. However, if the Partnership were to draw down its revolving term loan, which accrues interest at a variable rate, a change in market interest rates might affect the Partnership's net income.

The following table presents required principal cash payments (in thousands) for the fixed-rate debt outstanding at December 31, 2001:

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<u>Long-term debt including current portion</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>Thereafter</u>	<u>Interest Rate</u>
Mortgage-Principal payments	1,040	1,540	1,540	1,540	1,540	32,316	7.63% to 9.65%
Local Improvement District-Principal payments	35	42	31	9	9	25	6.5% to 8%

Foreign Currency Risk

The Partnership's Timberland Management and Consulting activities in British Columbia resulted in U.S. \$4.2 million in revenue and \$4.0 million in expenses in 2001 that were denominated in Canadian dollars.

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Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

POPE RESOURCES

A DELAWARE LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

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INDEPENDENT AUDITORS' REPORT

Board of Directors and Unitholders
Pope Resources, A Delaware Limited Partnership
Poulsbo, Washington

We have audited the accompanying consolidated balance sheets of Pope Resources, A Delaware Limited Partnership, and subsidiaries (collectively, the Partnership) as of December 31, 2001 and 2000, and the related consolidated statements of operations, partners' capital, and cash flows for each of the three years in the period ended December 31, 2001. Our audits also included the consolidated financial statement schedule listed in the index at Item 14. These financial statements and financial statement schedule are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test

basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Pope Resources, A Delaware Limited Partnership, and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

February 22, 2002
/s/ Deloitte & Touche LLP

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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2001 AND 2000
(IN THOUSANDS)

	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,047	\$ 9,882
Accounts receivable	1,119	1,933
Work-in-progress	518	1,088
Current portion of contracts receivable	25	490
Prepaid expenses and other	505	555
Assets held for sale (Note 2)	—	18,790
Total current assets	<u>3,214</u>	<u>32,738</u>
Properties and equipment:		
Land and land improvements	19,358	10,315
Roads and timber, net of accumulated depletion of \$15,368 and \$11,025	52,191	12,394
Buildings and equipment, net of accumulated depreciation of \$5,838 and \$4,599	4,269	3,847
	<u>75,818</u>	<u>26,556</u>
Other assets:		
Contracts receivable (net of current portion)	4,806	1,167
Other	349	396
	<u>5,155</u>	<u>1,563</u>
Total assets	<u>\$ 84,187</u>	<u>\$ 60,857</u>
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities:		
Accounts payable	\$ 275	\$ 761
Accrued liabilities	1,700	2,449
Environmental remediation	909	1,870
Current portion of long-term debt	1,075	442
Minority interest	225	128
Deposits	9	446
Total current liabilities	<u>4,193</u>	<u>6,096</u>
Long-term debt	38,592	12,685
Other long-term liabilities	729	796
Commitments and contingencies (Notes 8)		
Partners' capital (units outstanding: 4,518 and 4,528)	<u>40,673</u>	<u>41,280</u>
Total liabilities and partners' capital	<u>\$ 84,187</u>	<u>\$ 60,857</u>

See notes to consolidated financial statements.

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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(IN THOUSANDS, EXCEPT PER UNIT INFORMATION)

	2001	2000	1999
Revenues:			
Fee timber	\$ 24,999	\$ 21,444	\$ 23,467
Timberland management and consulting	9,703	11,011	11,705
Real estate	13,143	18,202	15,681
Total revenues	47,845	50,657	50,853
Costs and expenses:			
Cost of sales:			
Fee timber	(13,271)	(6,784)	(7,566)
Real estate	(7,160)	(10,186)	(8,233)
	(20,431)	(16,970)	(15,799)
Operating expenses			
Fee timber	(2,538)	(1,765)	(2,292)
Timberland management and consulting	(8,018)	(9,996)	(9,844)
Real estate	(7,442)	(8,448)	(7,956)
Unallocated general and administrative	(5,110)	(7,254)	(8,282)
Total operating expenses	(23,108)	(27,463)	(28,374)
Impairment, exit, and environmental remediation costs:			
Timberland management and consulting	—	(940)	—
Real estate	(1,250)	(9,205)	—
Environmental remediation	—	(1,956)	—
Total impairment, exit, and environmental remediation costs:	(1,250)	(12,101)	—
Operating income/(loss) by operating unit			
Fee timber	9,190	12,895	13,609
Timberland management and consulting	1,685	75	1,861
Real estate	(2,709)	(11,593)	(508)
Unallocated general and administrative	(5,110)	(7,254)	(8,282)
Income/(loss) from operations	3,056	(5,877)	6,680
Other income (expense):			
Interest expense	(3,443)	(1,273)	(1,298)
Interest income	482	573	259
Total other expense	(2,961)	(700)	(1,039)
Income/(loss) before income taxes and minority interest	95	(6,577)	5,641
Income tax provision	(356)	326	(259)
Income/(loss) before minority interest	(261)	(6,251)	5,382
Minority interest	(171)	—	(316)
Net income/(loss)	\$ (432)	\$ (6,251)	\$ 5,066
Earnings/(loss) per unit:			
Basic	\$ (0.10)	\$ (1.38)	\$ 1.12
Diluted	\$ (0.10)	\$ (1.38)	\$ 1.11

See notes to consolidated financial statements.

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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(IN THOUSANDS)

	General Partners	Limited Partners	Total
January 1, 1999	\$ 632	\$ 45,264	\$ 45,896
Net Income	316	4,750	5,066
Translation loss	(1)	(37)	(38)
Comprehensive income	315	4,713	5,028
Issuance of Partnership units	—	188	188
Distributions	(24)	(1,786)	(1,810)
December 31, 1999	\$ 923	\$ 48,379	\$ 49,302
Net loss	—	(6,251)	(6,251)
Translation gain	—	13	13
Comprehensive loss	—	(6,238)	(6,238)

Equity based compensation	—	27	27
Distributions	(24)	(1,787)	(1,811)
December 31, 2000	\$ 899	\$ 40,381	\$ 41,280
Net income/(loss)	171	(603)	(432)
Translation loss	—	(13)	(13)
Comprehensive income	171	(616)	(445)
Partnership unit repurchase	—	(162)	(162)
December 31, 2001	\$ 1,070	\$ 39,603	\$ 40,673

Weighted average units outstanding :	12/31/2001	12/31/2000	12/31/1999
Basic	4,526	4,528	4,523
Diluted	4,526	4,528	4,548

See notes to consolidated financial statements.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

(IN THOUSANDS)

	2001	2000	1999
Cash flows from operating activities:			
Cash received from customers	\$ 44,918	\$ 51,026	\$ 50,055
Cash paid to suppliers and employees	(30,897)	(40,515)	(40,006)
Interest received	490	585	234
Interest paid, net of amounts capitalized	(3,264)	(1,200)	(1,394)
Income taxes (paid)/received	(10)	77	(542)
Net cash provided by operating activities	11,237	9,973	8,347
Cash flows from investing activities:			
Capital expenditures	(1,995)	(2,858)	(3,764)
Proceeds from sale of fixed assets	7	319	—
Proceeds from the sale of Port Ludlow	10,151	—	—
Columbia tree farm acquisition	(54,555)	—	—
Net cash used for investing activities	(46,392)	(2,539)	(3,764)
Cash flows from financing activities:			
Cash distributions to unitholders	—	(1,811)	(1,810)
Issuance of long-term debt	30,000	—	—
Repayment of long-term debt	(3,460)	(424)	(497)
Issuance/(purchase) of Partnership units	(162)	—	188
Minority interest distribution	(58)	(239)	(208)
Net cash provided/(used) for financing activities	26,320	(2,474)	(2,327)
Net increase (decrease) in cash and cash equivalents	(8,835)	4,960	2,256
Cash and cash equivalents:			
Beginning of year	9,882	4,922	2,666
End of year	\$ 1,047	\$ 9,882	\$ 4,922
Reconciliation of net income/(loss) to net cash provided by operating activities:			
Net income/(loss)	\$ (432)	\$ (6,251)	\$ 5,066
Cost of land sold	777	31	1,200
Minority interest	156	—	316
Land resale expenditures	—	—	(7)
Depreciation and amortization	1,290	1,898	1,530
Depletion	6,408	1,001	1,156
Unit option compensation	—	27	—
Deferred profit	(568)	340	(147)
Asset impairment	—	5,651	—
Increase (decrease) in cash from changes in operating accounts:			
Accounts receivable	814	(351)	(944)
Work in progress	7,541	4,012	(834)
Contracts receivable	(3,174)	663	71
Accounts payable and accrued liabilities	(1,220)	2,861	1,007
Other long-term liabilities	—	(21)	(20)
Deposits	(437)	358	16
Loan fees and other	47	(203)	10
Other, net	35	(43)	(73)
Net cash provided by operating activities	\$ 11,237	\$ 9,973	\$ 8,347

Supplemental Disclosure of non-cash investing activity:
During 2001 in connection with its sale of Port Ludlow the purchaser assumed \$476 of liabilities from the Partnership.

See notes to consolidated financial statements.

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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

Nature of operations:

Pope Resources, A Delaware Limited Partnership (the "Partnership"), is a publicly traded limited partnership engaged principally in managing timber resources on its own properties as well as those owned by others, and real estate development activities in the northwest region of the United States. The managing general partner is Pope MGP, Inc. Fee Timber represents the growing and harvesting of trees from owned properties. Timberland Management and Consulting represents management and consulting services provided to third party owners of timberlands. Real Estate includes the sale of single-family homes, finished lots and undeveloped acreage, and various commercial property operations. As described in Note 2, the majority of those real estate operations were sold during 2001.

Principles of consolidation:

The consolidated financial statements include the accounts of the Partnership and its subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

Minority interest:

Minority interest represents Pope MGP, Inc.'s interest in the Investor Portfolio Management Business (see Note 9) and has been classified as a current liability since the minority interest's share in income is generally distributed on an annual basis.

Use of estimates in financial statements:

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cost of sales:

For statement of operations presentation, cost of sales consists of the Partnership's cost basis in homes, lots, timber, other inventory sold, and direct costs incurred to make those assets saleable. Those direct costs include the expenditures associated with the harvesting and transporting of timber and closing costs incurred in home and lot sale transactions.

Timber depletion:

The depletion rate is calculated by dividing merchantable timber inventory by the cost basis of merchantable inventory. A single depletion rate is calculated and utilized for both tree farms. For purposes of the depletion calculation, merchantable inventory is defined as timber volume in excess of 40 years old. Reforestation costs are initially capitalized to pre-merchantable timber. After 40 years such costs are moved from pre-merchantable to merchantable timber and are then incorporated into the cost base for purposes of calculating the depletion rate. This rate is then applied to timber volume harvested which results in depletion expense.

Concentration of credit risk:

Financial instruments that potentially subject the Partnership to concentrations of credit risk consist principally of accounts receivable. Foreign sales represent 68% and 73% of the

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Partnership's accounts receivable balance as of December 31, 2001 and 2000, respectively. The Partnership limits its credit exposure by considering the creditworthiness of potential customers. The Partnership believes that allowances for doubtful accounts are adequate to absorb estimated losses.

Contracts receivable:

The Partnership sells land parcels under contracts requiring a minimum cash down payment of 20% and having financing terms of up to eight years at interest rates of 10%. The Partnership reduces credit risk on contracts through collateral on the underlying land and down payment requirements. Over the past several years, there has been a steadily declining number of outstanding contracts receivable as few new land sales have been transacted on this basis. Existing contracts are paying off as they come due or as the result of refinancing obtained from other parties on more favorable terms.

Minimum principal payments on contracts receivable for the next five years are due as follows:

2002	\$	25,000
2003	\$	37,000
2004	\$	114,000
2005	\$	39,000
2006	\$	32,000

The long-term portion of contracts receivable includes a \$3.9 million note receivable resulting from the Port Ludlow sale as discussed in Note 2. This note is secured by homes and lots in Port Ludlow and payments on this note are due as the properties are sold.

Properties and equipment:

Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. Depletion of logging roads and costs of fee timber harvested are provided at rates based on unrecovered costs and estimated recoverable volume of softwood timber.

When facts and circumstances indicate the carrying value of properties may be impaired, an evaluation of recoverability is performed by comparing the carrying value of the property to the projected future cash flows. Upon indication that the carrying value of such assets may not be recoverable, the Partnership would recognize an impairment loss by a charge against current operations (See Note 2).

Revenue recognition:

Revenue on timber sales is recorded when title and risk of loss passes to the buyer. Revenue on real estate sales is recorded on the date the sale closes. The Partnership uses the installment method of accounting for real estate sales transactions until 20% of the contract sales value has been collected, at which time the full accrual method of accounting is used. Management fees and consulting service revenues are accrued as the services are provided. Accounts receivable includes earned but unbilled services of \$283,000 and \$376,000 at December 31, 2001 and 2000, respectively.

Income (loss) per partnership unit:

Basic income (loss) per partnership unit is computed using the weighted average number of units outstanding during each year. Diluted income (loss) per unit is calculated using the weighted average units outstanding during the year, plus the dilutive impact of unit options outstanding. Unit options are excluded from the computation if their effect is anti-dilutive.

Statement of cash flows:

The Partnership considers all highly liquid debt instruments with a maturity of three months or less when purchased to be cash equivalents.

Reclassifications:

Certain reclassifications have been made to the prior years' financial statements to conform with the current year's presentation.

New accounting pronouncements:

Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities, is effective for all fiscal years beginning after June 15, 2000. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. The Partnership adopted SFAS No. 133 effective January 1, 2001, and such adoption did not have a significant impact on the financial position, results of operations, or cash flows of the Partnership.

SFAS No. 141, Business Combinations, SFAS No. 142, Goodwill and Other Intangible Assets, SFAS No. 143, Accounting for Asset Retirement Obligations, and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, were recently issued. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and that the pooling-of-interest method no longer be allowed. SFAS No. 142 requires that amortization of goodwill be replaced with periodic tests of the goodwill's impairment and that intangible assets other than goodwill be amortized over their useful lives. SFAS No. 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is added to the carrying amount of the associated asset and this additional carrying amount is depreciated over the life of the asset. The liability is accreted at the end of each period through charges to operating expense. If the obligation is settled for other than the carrying amount of the liability, the Partnership will recognize a gain or loss on settlement. SFAS No. 144 supercedes SFAS No. 121, Accounting for Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. SFAS No. 144 applies to all long-lived assets and consequently amends Accounting Principles Board Opinion No. 30, Reporting Results of Operations— Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions. SFAS No. 142 and SFAS No. 144 are effective for fiscal years beginning after December 15, 2001. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. The Partnership is evaluating the impact of the adoption of these standards.

2. ASSET DISPOSITIONS

In August of 2001, the Partnership sold its real estate assets in Port Ludlow, Washington. The assets and operations consist of a golf course, marina, 37-room inn, water and sewer services, commercial property leases and homes and lots for retail sale. The Partnership received \$10.2 million in cash, a \$5.8 million note secured by homes and lots in Port Ludlow and the purchaser assumed \$0.5 million in liabilities upon closing of the sale. The Partnership recorded asset impairment and exit costs of \$9.2 million in 2000 and as a result of continued negotiations surrounding the sale an additional \$1.3 million in asset impairment cost was recorded in March of 2001.

In connection with the year 2000 decision to sell the Port Ludlow assets, the Partnership recognized \$9.2 million in asset impairment costs in 2000 and an additional \$940,000 in asset impairment costs on the forestry consulting business in Canada.

Assets held for sale as of December 31, 2000 represent assets that the Partnership expected to sell during 2001 in connection with the disposition of Real Estate operations at Port Ludlow and forestry consulting in Canada. Assets held for sale consisted of the following:

	(In Thousands)	
Work in progress	\$	7,279
Fixed assets		7,477

Land	2,979
Unallocated amenities	1,055
Total	\$ 18,790

Unallocated amenities primarily represent common area facilities located in Port Ludlow.

The Partnership marketed the Canadian forestry consulting business for sale in 2001. As a result of a lack of interested parties this business is no longer being marketed for sale. The Canadian forestry consulting operation's fixed assets classified as assets held for sale in 2000 were reclassified to fixed assets in 2001.

3. INCOME TAXES

The Partnership is not subject to income taxes. Instead, partners are taxed on their share of the Partnership's taxable income, whether or not cash distributions are paid. The provision for income taxes relating to taxable corporate subsidiaries of the Partnership consists of the following:

	2001	2000	1999
	(In Thousands)		
Current	\$ 82	\$ (298)	\$ 263
Deferred	274	(28)	(4)
Total	\$ 356	\$ (326)	\$ 259

The following schedule reconciles net income/(loss) reported for financial statement purposes to consolidated taxable income/(loss):

	2001	2000	1999
	(In Thousands)		
Net income/(loss) per financial statements	\$ (432)	\$ (6,251)	\$ 5,066
Undistributed subsidiary corporation loss	502	2,217	371
Difference in reporting depreciation and depletion	(604)	(106)	(40)
Cost basis of land, timber and homes sold	66	155	139
Deferred profit on real property sold	90	61	224
Asset impairment and environmental accrual	—	10,066	—
Loss realized on the sale of Port Ludlow	(3,746)	—	—
Olympic Water and Sewer, Inc. dividend	833	—	—
Environmental clean-up expenditures	(461)	—	—
Other	10	107	108
Taxable income/(loss)	\$ (3,742)	\$ 6,249	\$ 5,868

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4. LONG-TERM DEBT

<u>Long-term debt at December 31 consists of</u>	2001	2000
	(In Thousands):	
Mortgage note payable to an insurance company, with interest at 9.65%, collateralized by timberlands, with monthly interest payments and annual principal payments maturing April 2011	\$ 12,799	\$ 12,930
Mortgage note payable to an insurance company, with interest at 7.63%, collateralized by timberlands, with monthly interest payments and annual principal payments maturing April 2011	26,717	—
Local improvement district assessments, with interest ranging from 5.87% to 8%, due through 2009	151	197
	39,667	13,127
Less current portion	(1,075)	(442)
Total long-term debt	\$ 38,592	\$ 12,685

The Partnership has a \$17 million revolving term loan facility. There was no balance outstanding on the facility as of December 31, 2001. The facility expires on September 27, 2002. As of December 31, 2000, the Partnership had a \$20 million revolving term loan facility with no balance outstanding.

The Partnership's debt agreements contain a required debt service coverage ratio and a debt to market capitalization ratio. As of December 31, 2001, the Partnership was in compliance with its loan covenants.

Principal payments on long-term debt for the next five years are due as follows (in thousands):

2002	\$ 1,075
2003	1,582
2004	1,570

2005	1,549
2006	1,549
Thereafter	\$ 32,342

5. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Partnership's financial instruments include cash and cash equivalents, accounts receivable, contracts receivable, and variable rate debt, for which the carrying amount of each approximates fair value. The fair value of contracts receivable was determined based on current yields for similar contracts. The fair value of fixed rate debt having a carrying value of \$39.7 million and \$13.1 million has been estimated based on current interest rates for similar financial instruments and totals \$41.9 million and \$14.8 million as of December 31, 2001 and 2000, respectively.

6. UNIT OPTION PLAN

The Partnership's 1997 Unit Option Plan authorized the granting of nonqualified unit options to employees, officers, and directors of the Partnership. A total of 1,500,000 units have been reserved for issuance under the plan. Unit options are granted at prices not less than the fair value of the limited partnership units on the date of the grant. The options generally become exercisable annually over a four-year period and have a maximum term of ten years. Unit options vested were 90,562 and 60,618 at December 31, 2001 and 2000, respectively. Unit options outstanding were as follows:

	Number of units (in thousands)	Weighted average strike price
Balance, January 1, 1999	92.5	23.51
Granted	57.5	27.88
Exercised	(8.6)	21.79
Balance, December 31, 1999	141.4	25.39
Granted	120.7	22.30
Exercised	—	—
Expired	(77.1)	25.3
Balance, December 31, 2000	185.0	23.4
Granted	50.8	21.3
Exercised	—	—
Expired	(50.2)	(25.3)
Balance, December 31, 2001	185.6	22.4

The Partnership accounts for unit-based compensation in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, compensation cost for unit options is measured as the excess, if any, of the fair value of the Partnership's units at the date of grant over the amount an employee must pay to acquire the unit. During 2000, \$27,000 in compensation expense was recognized for the issuance of 5,206 unit options to a member of the board of directors for interim management services.

Unit options granted have an exercise price not less than the fair value of the Partnership's unit price on the date of the grant. Had compensation expense for unit option grants been recognized based on the fair value at the grant date consistent with the Black-Scholes method described in SFAS No. 123, Accounting for Stock-Based Compensation, the Partnership's net income would have been adjusted to the pro forma amounts indicated below:

	2001	2000	1999
	(In Thousands)		
Net income/(loss) as reported	\$ (432)	\$ (6,251)	\$ 5,066
Pro forma net income/(loss) under SFAS No. 123	(805)	(6,479)	4,819

The fair value of options was calculated using the Black-Scholes option-pricing model, with the following assumptions:

	2001	2000	1999
Expected life	5 years	5 years	5 years
Risk-free interest rate	4.97%	5.9%	6.0%
Dividend yield	1.75%	2.1%	1.4%
Volatility	.56	.49	.49

7. EMPLOYEE BENEFITS

Employees with six months of service are eligible to receive benefits under a defined contribution plan (the plan). During 2001 the Partnership matched 50% of the employees' contribution up to 8% of compensation. In the first half of 2000, the Partnership made a voluntary contribution of 3% of eligible employee compensation. In the last half of 2000 the Partnership matched 50% of the employees' contribution up to 8% of compensation. The Partnership was required to contribute 3% of eligible employee compensation into the plan during 1999.

The Partnership's contributions to the plan amounted to \$103,000, \$190,000, and \$308,000 for each of the years ended December 31, 2001, 2000, and 1999, respectively.

8. COMMITMENTS AND CONTINGENCIES

Environmental remediation: The Partnership recorded an accrual for estimated environmental remediation costs of \$1.4 million and \$1.9 million as of December 31, 2001 and 2000, respectively. Of this amount \$0.9 million is expected to be expended in 2002. The accrual represents estimated payments to be made to remedy and monitor certain areas in and around the townsite of Port Gamble. Port Gamble is a historic town that was operated by Pope & Talbot, Inc. (P&T), a related party, until 1985 when the townsite and other assets were spun off into the Partnership. P&T leased the mill site at Port Gamble through January 2002, when it signed an agreement with the Partnership dividing the responsibility for environmental remediation of Port Gamble between the two parties.

Based on information provided by consultants and P&T, the Partnership estimates that the cost range for cleaning up the Port Gamble townsite and surrounding area to applicable State standards is \$10.0 million to \$13.0 million. The environmental remediation liability at year-end is based upon an estimate of the Partnership's portion of the clean-up costs under this agreement.

Performance bonds and letters of credit: In the ordinary course of business, and as part of the entitlement and development process, the Partnership is required to provide performance bonds and letters of credit to ensure completion of certain public facilities. The Partnership had performance bonds and letters of credit totaling \$270,000 and \$458,000 outstanding at December 31, 2001 and 2000, respectively.

Operating leases: The Partnership has non-cancelable operating leases for automobiles, office space, office and computer equipment. The lease terms are from 12 to 36 months. Rent expense under the operating leases totaled \$949,000, \$1,579,000, and \$1,691,000 for the years ending December 31, 2001, 2000, and 1999, respectively.

Future minimum rental payments required under non-cancelable operating leases are as follows:

Year	Amount
2002	368,000
2003	173,000
2004	73,000
2005	11,000

Contingencies: The Partnership may from time to time be a defendant in various lawsuits arising in the ordinary course of business. Management believes that loss to the Partnership, if any, will not have a material adverse effect to the Partnership's financial condition or results of operations.

9. RELATED PARTY TRANSACTIONS AND MINORITY INTEREST

Pope MGP, Inc. is the managing general partner of the Partnership and receives an annual management fee of \$150,000.

The minority interest represents Pope MGP, Inc.'s interest in the IPMB. The 1997 amendment to the Limited Partnership Agreement authorizing management to pursue the IPMB specifies that net income from the IPMB will be split using a sliding scale allocation method, commencing with 80% to ORM, Inc., a subsidiary of Pope Resources, and 20% to Pope MGP, Inc. The sliding scale allocation method will allocate income evenly between ORM, Inc. and Pope MGP, Inc. once net income from the IPMB reaches \$7.0 million in a fiscal year. The aforementioned amendment authorizing pursuit of the IPMB limits cumulative net expenditures to \$5.0 million, including debt guarantees. As of December 31, 2001 accumulated income from IPMB exceeds the balance of IPMB expenditures and debt guarantees.

A director of Pope MGP, Inc. is also a director of Pope & Talbot, Inc. (P&T). In 2001, 2000, and 1999, the Partnership received annual lease payments of \$75,000 from P&T for lease of a log sorting and storage site (referred to above as the millsite) at Port Gamble, Washington.

The Partnership held a promissory note from the retired president and CEO of the Partnership with a balance of \$271,000 at December 31, 2000. The note accrued interest at 6.48% and was cancelled in January 2001 in consideration for a Port Ludlow residence. The residence was sold during 2001.

10. SEGMENT AND MAJOR CUSTOMER INFORMATION

The Partnership's operations are classified into three segments: Fee Timber, Timberland Management and Consulting, and Real Estate. The Fee Timber segment consists of the harvest and sale of timber from the Partnership's 112,000 acres of fee timberland in Washington State. The Timberland Management and Consulting segment manages over 500,000 acres of timberland properties for third-parties and provides timberland consulting services throughout Canada and the Western United States. Timberlands under management are in Washington, Oregon, California and British Columbia. For the year ended December 31, 2001, there was one major customer with 9% of total revenue. For the year ended December 31, 2000 and 1999, there were two major customers with 17% and 11%; and 21% and 9% of total revenues, respectively.

The Real Estate segment built and sold homes and lots and managed several commercial properties including a marina, golf course, sewer and water facilities and other commercial properties. The majority of these operations were sold in August of 2001. After the disposition, Real Estate consists of the sale of developed lots from two separate land development projects, the management of 2,000 acres of early stage development properties, and the rental of residential and commercial properties in Port Gamble and Kingston, Washington. All of the Partnership's real estate activities are in Washington State.

Identifiable assets are those used exclusively in the operations of each industry segment or those allocated when used jointly. The Partnership does not allocate cash, accounts receivable, certain prepaid expenses or the Partnership's administrative office for purposes of evaluating segment performance. Details of the Partnership's operations by business segment for the years ended December 31 were as follows (in thousands):

	2001	2000	1999
Revenues:			
Fee timber	\$ 24,999	\$ 21,444	\$ 23,467
Timberland management and consulting	9,703	11,011	11,705

Real estate	13,143	18,202	15,681
Total	47,845	50,657	50,853
Operating income/(loss):			
Fee timber	9,190	12,895	13,609
Timberland management and consulting	1,685	75	1,861
Real estate	(2,709)	(11,593)	(508)
Unallocated general and admin	(5,110)	(7,254)	(8,282)
Total	3,056	(5,877)	6,680
Depreciation and Depletion:			
Fee timber	6,520	1,044	1,188
Timberland management and consulting	241	208	213
Real estate	402	1,110	799
Unallocated general and admin	535	537	483
Total	7,698	2,899	2,683
Identifiable Assets:			
Fee timber	70,712	19,653	18,567
Timberland management and consulting	492	708	1,226
Real estate	4,019	30,813	36,862
Unallocated general and admin	8,964	9,683	10,225
Total	84,187	60,857	66,880
Capital and land expenditures:			
Fee timber	55,761	1,047	2,664
Timberland management and consulting	142	193	255
Real estate	407	1,440	424
Unallocated general and admin	240	178	421
Total	56,550	2,858	3,764

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Revenues by product line for the year ended December 31, 2001, 2000, and 1999 are as follows (in thousands):

	2001	2000	1999
Sales of forest products:			
Domestic	\$ 19,982	\$ 9,417	\$ 15,108
Export, indirect	5,017	6,182	7,688
Sales of homes, lots, and undeveloped acreage	7,647	11,249	9,254
Fees for service:			
Domestic	10,983	20,472	16,495
Foreign	4,216	3,337	2,308
Total Revenue	\$ 47,845	\$ 50,657	\$ 50,853

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11. QUARTERLY FINANCIAL INFORMATION

	Revenues	Income/(loss) from Operations	Net Income/(loss)	Net Income/(loss) per Partnership unit diluted
(UNAUDITED IN THOUSANDS)				
2001				
First quarter	\$ 10,805	62	(417)	(.09)
Second quarter	15,332	1,890	624	14
Third quarter	12,465	2,522	1,412	31
Fourth quarter	9,243	(1,418)	(2,051)	(.46)
2000				
First quarter	\$ 13,449	\$ 2,476	\$ 2,367	\$ 0.52
Second quarter	14,096	1,795	1,457	0.32
Third quarter	12,119	1,115	871	0.19
Fourth quarter	10,993	(11,263)	(10,946)	(2.41)
1999				
First quarter	\$ 12,566	\$ 2,994	\$ 2,567	\$ 0.57
Second quarter	14,228	2,904	2,488	0.55
Third quarter	14,349	2,321	2,089	0.46
Fourth quarter	9,710	(1,539)	(2,078)	(0.47)

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None.

PART III

Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

On January 9, 2002, the Partnership announced the promotion of David L. Nunes to the position of Chief Executive Officer. Mr. Nunes was previously serving as the President and Chief Operating Officer of the Partnership. The retiring Chief Executive Officer, Allen E. Symington, is continuing to serve the Partnership in an advisory capacity.

General Partner

The Partnership has no directors. As a result the Board of Directors of its managing general partner, Pope MGP, Inc. (the "General Partner"), serves in that capacity. The General Partner's address is the same as the address of the principal offices of the Partnership. Pope MGP, Inc. receives \$150,000 per year for acting as managing general partner of the Partnership.

The following table identifies the officers and directors of the General Partner as of March 1, 2002. Officers of the General Partner hold identical offices with the Partnership.

<u>Name</u>	<u>Age</u>	<u>Position and Background</u>
David L. Nunes (2)	40	President and Chief Executive Officer, and Director, from January 2002 to present. President and Chief Operating Officer from September 2000 to January 2002. Senior Vice President Acquisitions & Portfolio Development from November 1998 to August 2000. Vice President Portfolio Development from December 1997 to October 1998. Director of Portfolio Development from April 1997 to December 1997 of Pope MGP, Inc. and the Partnership. Strategic Planning Director of Weyerhaeuser Company from June 1988 to April 1997.
Thomas M. Ringo	48	Vice President and CFO from December 2000 to present. Senior Vice President Finance and Client Relations from June 1996 to December 2000. Vice President Finance from November 1991 to June 1996. Treasurer from March 1989 through October 1991 of Pope MGP, Inc. and the Partnership. Tax Manager of Westin Hotel Company, 1985 to March 1989. Tax Consultant for Price Waterhouse, 1981 to 1985.
Douglas E. Norberg (1), (3), (4)	61	Director. Vice Chairman, Wright Runstad & Company, since 2000; President, Wright Runstad & Company, 1975 until 2000. Wright Runstad & Company is in the business of real estate investing, development, and management.
Peter T. Pope (1), (4)	67	Director. Chairman of the Board of Pope & Talbot, Inc., 1971 to 1999 and currently a director. Mr. Pope retired as CEO of Pope & Talbot in 1999. Mr. Pope is also a director and President of Pope EGP, Inc., and a director of Newhall Land and Farming, a public limited partnership.
Joseph O. Tobin II (1), (3), (4)	48	Director. Private investor, 2000 to present.
Marco F. Vitulli (2), (3), (4)	67	Director. President, Vitulli Ventures Ltd., 1980 to present. Vitulli Ventures Ltd. is in the business of real estate investments.

- (1) Class A Director
- (2) Class B Director
- (3) Member of the Audit Committee
- (4) Member of the Human Resources Committee

Board of Directors of the Managing General Partner

Board Composition. The Managing General Partner's Articles of Incorporation provide that directors are divided into two classes, each class serving a period of two years. Approximately one-half of the members of the Board of Directors are elected by the Managing General Partner's shareholders annually. The terms of the Class A directors expire on December 31, 2002, and the terms of the Class B directors expire on December 31, 2003. The directors' election to the Managing General Partner's Board of Directors is subject to a voting agreement between the Managing General Partner's two shareholders, Mr. Pope and Ms. Emily T. Andrews. Mr. Pope serves as his own appointee, and Mr. Tobin serves as Ms. Andrews' appointee, to the Board of Directors. The Managing General Partner's Board of Directors met 7 times in 2001 to discuss Partnership matters.

Audit Committee. The Audit Committee of the General Managing Partner's Board of Directors is comprised of three outside directors who comply with Nasdaq's qualification requirements for audit committee members. During the year, the Audit Committee reviewed with the Partnership's management and with its independent public accountants the scope and results of the Partnership's internal and external audit activities and the adequacy of the Partnership's internal accounting controls. The committee also reviewed current and emerging accounting and reporting requirements and practices affecting the Partnership. The audit committee met to discuss the Partnership 4 times during 2001.

Human Resources Committee. The Committee is responsible for (1) establishing compensation programs for executive officers of the Partnership designed to attract, motivate and retain key executives responsible for the success of the Partnership as a whole, (2) administering and maintaining such programs in a manner that will benefit the long-term interests of the Partnership and its unit holders, and (3) determining the salary, bonus, stock option and other compensation of the Partnership's executive officers. The human resources committee met to discuss the Partnership 2 times during 2001.

Beneficial Ownership and Section 16(a) Reporting Compliance

The Partnership is a reporting company pursuant to Section 12 of the Securities Exchange Act of 1934 (“Exchange Act”). Under Section 16(a) of the Exchange Act, and the rules promulgated thereunder, directors, officers, greater than 10% shareholders, and certain other key personnel (the “Reporting Persons”) are required to report their ownership and any change in ownership of Partnership units to the Securities and Exchange Commission. The Partnership believes that the Reporting Persons have complied with all Section 16(a) filing requirements applicable to them. In making the foregoing statement, the Partnership has relied solely upon oral or written representations of the Reporting Persons, and copies of the reports that the Reporting Persons have filed with the SEC.

Item 11. EXECUTIVE COMPENSATION

The following table sets forth certain information concernin the cash compensation paid to each of the five most highly compensated executive officers of the Partnership (the “Named Executives”) in fiscal years 2001, 2000 and 1999. The titles used in this Item 11 correspond to these persons’ titles during 2001.

Summary Compensation Table

Name and Principal Position	Annual Compensation				Long-term Compensation
	Year	Salary (\$)	Bonus (\$)(1)	Other Annual Compensation (\$)(2)	All Other Compensation (\$)(3) LTIP Payments (\$)(4)
Allen E. Symington (5) Chairman and CEO	2001	200,000	—	—	—
	2000	66,667	49,313	—	—
	1999	N/A	58,000	—	5,250
David L. Nunes President and COO (5)	2001	175,000	57,188	—	5,250
	2000	148,275	112,714	—	5,250
	1999	130,000	45,500	15,000	4,800
Thomas M Ringo V.P. and CFO	2001	143,199	33,781	—	5,250
	2000	143,199	85,102	—	5,250
	1999	137,692	58,503	15,000	4,800
Greg McCarry (6) V.P. Real Estate	2001	95,928	250,000	—	5,250
	2000	159,262	37,027	—	5,250
	1999	153,136	53,943	15,000	4,800
Tom Griffin (6) V.P. Commercial Properties	2001	61,150	125,000	—	5,250
	2000	97,249	24,562	—	5,250
	1999	97,461	23,617	15,000	4,800
Gary Tucker (7) Retired CEO and President	2001	—	—	—	—
	2000	277,586	—	—	5,250
	1999	266,910	120,884	—	4,800
Tom Gilkey (8) V.P. Timberlands- Retired	2001	—	50,000	—	—
	2000	143,199	42,805	—	5,250
	1999	137,692	60,796	15,000	4,800

(1) Amounts represent bonuses or commissions earned in the year shown but paid after year-end.

(2) During 2000, the Partnership stopped providing company vehicles to certain executives. The \$15,000 payment represents a one-time payment made as a result of this change.

(3) Amounts represent contributions to the Partnerships 401(k) plan.

(4) The LTIP payments are made from Pope MGP’s share of the IPMB. Amounts shown above were paid in respective years outlined but earned in the prior year. See “Long-Term Incentive Plans — Awards in Last Fiscal Year”.

(5) Mr. Symington retired and Mr. Nunes became Chief Executive Officer on January 9, 2002.

(6) Mr. McCarry and Mr. Griffin terminated their employment with Pope Resources in August 2001 to work with the entity that acquired the assets in Port Ludlow, Washington.

(7) Mr. Tucker retired from the Partnership in May 2000.

(8) Mr. Gilkey retired from the Partnership in January 2001.

Compensation Pursuant To Unit Options

During 2001, unit options were issued at the unit market value as follows:

Name	Individual Grants		Exercise Price	Potential realizable value at assumed annual rates of stock price appreciation for term of option		
	# of securities underlying Options Granted	% of total options granted to employees in fiscal year		Expiration date	5%	10%
Allen E. Symington Chairman and CEO	—	—	—	—	—	—
David L. Nunes President and COO	10,000	38%	22.00	02/10/11	\$138,357	\$350,623
Thomas M. Ringo V.P. and CFO	7,500	29%	22.00	02/10/11	\$103,768	\$262,968
Greg McCarry V.P. Real Estate	—	—	—	—	—	—
Tom Griffin V.P. Commercial Properties	—	—	—	—	—	—

Aggregated Option Exercises

The following table provides information on option exercises in fiscal 2001 by the named executive officers and the value of exercisable and unexercisable unit options at December 31, 2001.

Name	Units Acquired on Exercise	Value Realized	Number of securities underlying unexercised options at year-end (#)		Value of unexercised in-the-money options at year-end (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Allen E. Symington Chairman and CEO	—	—	15,000	30,000	—	—
David L. Nunes President and COO	—	—	6,125	15,625	—	—
Thomas M. Ringo V.P. and CFO	—	—	6,875	13,500	—	—
Greg McCarry V.P. Real Estate	—	—	—	—	—	—
Tom Griffin V.P. Commercial Properties	—	—	—	—	—	—

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Long-Term Incentive Plans-Awards in Last Fiscal Year

During 2002, the following awards were made from the Long-Term Incentive Plan based upon 2001 operating results for the IPMB:

Name and Principal Position	Award (\$)(1)	Performance Period
Allen E. Symington Chairman and CEO	\$ 15,075	1/1/2001 to 12/31/2001
David L. Nunes President and COO	\$ 12,563	1/1/2001 to 12/31/2003
Thomas M. Ringo V.P. and CFO	\$ 8,794	1/1/2000 to 12/31/2003

- (1) Awards from the LTIP are made based upon performance of the Investor Portfolio Management Business (IPMB) during 2001 and are contingent upon the officer's employment with the Partnership on the last day of the award year. LTIP payments are made from Pope MGP's share of the IPMB.

Compensation of General Partner's Directors

Compensation of the outside directors of Pope MGP, Inc. consists of a monthly retainer of \$1,500 plus a \$1,000 per day fee for each board meeting attended and \$500 for participation in a board meeting via telephone. Outside directors have the option of receiving their \$1,500 monthly board retainer in unit options. All option grants were made pursuant to the Partnership's 1997 Unit Option Plan for their service as directors of Pope MGP, Inc.

For the year ended December 31, 2001, the four outside directors each received 3,189 options with strike prices ranging from \$14.75 to \$22.00. The outside directors were also granted 3,000 units with an exercise price of \$22.00 in March 2001.

For the year ended December 31, 2000, three outside directors were granted 3,000 unit options each at a strike price of \$24.125 and one director was granted 4,537 unit options at a strike price of \$22.25 for service as lead director. One outside director was granted 9,743 unit options at a weighted average exercise

price of \$21.35 as compensation for interim oversight services. Compensation expense of \$27,000 was recognized in 2000 as a result of this option grant.

For the year ended December 31, 1999, two outside directors were granted 3,000 unit options each at a strike price of \$27.88.

Unit Option Plan

The Partnership's 1997 Unit Option Plan authorizes the granting of nonqualified unit options to employees, officers, and directors of the Partnership. A total of 1,500,000 units have been reserved for issuance under the plan. Unit options are granted at prices not less than the fair value of the limited partnership units on the date of the grant, and currently range from \$20.00 to \$27.88 per unit. The options generally become exercisable annually over a four-year period and have a maximum term of ten years. Unit options issued and outstanding at December 31, 2001 and 2000 were 185,562 and 185,000, respectively, and unit options vested at December 31, 2001 and 2000 were 90,612 and 60,618, respectively. To date, 8,625 unit options have been exercised. The units issuable under the unit options have been registered on a Form S-8 registration statement.

The Partnership accounts for unit-based compensation in accordance with APB Opinion No. 25, Accounting for Stock Issued to Employees. Accordingly, compensation cost for unit options is measured as the excess, if any, of the fair value of the Partnership's units at the date of grant over the amount an employee must pay to acquire the unit. During 2000, \$27,000 in compensation expense was recognized for the issuance of 5,206 unit options to a member of the board of directors for interim management services.

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Employee Benefit Plans.

Employees with six months of service are eligible to receive benefits under a defined contribution plan. During 2001 the Partnership matched 50% of the employees' contribution up to 8% of compensation. In the first half of 2000, the Partnership made a voluntary contribution of 3% of eligible employee compensation. In the last half of 2000 the Partnership matched 50% of the employees' contribution up to 8% of compensation. The Partnership was required to contribute 3% of eligible employee compensation into the plan during 1999. Partnership contributions to the plan amounted to \$103,000, \$190,000, and \$308,000, for each of the three years ended December 31, 2001, 2000, and 1999, respectively. Employees become fully vested over a six-year period in the Partnership's contribution.

Employment Contracts

Symington Arrangements. On August 31, 2000, the Company entered into a three-year Employment Agreement with Mr. Symington under which he served as the Company's Chairman and Chief Executive Officer. Under that Employment Agreement, Mr. Symington received an annual salary of \$200,000, an annual bonus of up to 45% of his base salary based upon attainment of performance criteria, and a \$25,000 signing bonus. He also received 45,000 unit options under the Company's 1997 Unit Option Plan, which vest over three years, and are exercisable for four years after termination of employment. Options to purchase 15,000 units are currently vested and 15,000 units vest in each of the next two years. The Company agreed to pay Mr. Symington his pre-retirement salary of \$200,000, in equal monthly installments through fiscal year 2003, and to permit continued vesting of his unit options.

Supplemental Retirement Plan. The Partnership has a supplemental retirement plan for George H. Folquet, a retired key employee. The plan provides for a retirement income of 70% of his base salary at retirement after taking into account both 401(k) and social security benefits. The Partnership accrued \$181,000 for this benefit in 1995 and pays \$25,013 under the plan annually.

Report of the Human Resources Committee on Executive Compensation

The Human Resources Committee of the General Partner's Board of Directors (the "Committee") has furnished the following report on the Partnership's executive compensation for fiscal year 2001. The Committee's report is intended to describe in general terms the process the Committee undertakes and the matters it considers in determining the appropriate compensation for the Partnership's executive officers, including Mr. Nunes and Mr. Ringo.

Responsibilities and Composition of the Committee

The Committee is responsible for (1) establishing compensation programs for executive officers of the Partnership designed to attract, motivate and retain key executives responsible for the success of the Partnership as a whole, (2) administering and maintaining such programs in a manner that will benefit the long-term interests of the Partnership and its unit holders, and (3) determining the salary, bonus, stock option and other compensation of the Partnership's executive officers.

The Committee is currently composed of Douglas E. Norberg, Peter T. Pope, Joseph O. Tobin II, and Marco F. Vitulli. Mr. Pope serves as committee chair. None of the members are officers or employees of the Partnership or the General Partner.

Compensation Philosophy

The Partnership's strategic plan is to focus on growing its fee timber and timberland management businesses. The Partnership's growth strategy consists of the following elements:

- Add to owned timberland asset base

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- Build third-party service business by providing cost-effective timberland management and forestry consulting expertise
- Focus real estate activities on where we can add the most value
- Support operations with appropriate, efficient levels of overhead.

The achievement of these goals is intended to create long-term value for the Partnership's unit holders.

The Committee believes that compensation of the Partnership's Chief Executive Officer, other executive officers and key personnel should be based to a substantial extent on achievement of the goals and strategies that the Partnership has established and enunciated.

When establishing salaries, bonus levels and stock option awards for executive officers, the Committee considers (1) the Partnership's performance during the past year and recent quarters in meeting its financial and other performance goals, (2) the individual's performance during the past year and recent quarters, and (3) the salaries of executive officers in similar positions with companies of comparable size, maturity and pursuing similar objectives, and other companies within the timber industry. With respect to executive officers other than the Chief Executive Officer, the Committee takes into consideration the recommendations of the Chief Executive Officer. The method for determining compensation varies from case to case based on a discretionary and subjective determination of what is appropriate at the time.

Compensation Programs and Practices

The Partnership's compensation program for executives consists of four key elements: (1) base salary, (2) a performance-based annual bonus, (3) periodic grants of unit options, and (4) IPMB award payments (referred to above as long-term incentive plan).

The Committee believes that this four-part approach best serves the interests of the Partnership and its unitholders. It enables the Partnership to meet the requirements of the highly competitive environment in which it operates, while ensuring that executive officers are compensated in a way that advances both the short- and long-term interests of unitholders. The variable, annual bonus permits individual performance to be recognized and is based, in significant part, on an evaluation of the contribution made by the officer to the Partnership's overall performance. Unit options relate a significant portion of long-term remuneration directly to unit price appreciation. This type of compensation is intended to align the interests of option holders and of the Partnership's unitholders, and further serve to promote an executive's continued service to the organization. IPMB awards encourage business growth in the Partnership's service businesses.

Base Salary. Base salaries for the Partnership's executive officers are developed and approved by the Human Resources Committee with periodic consultation provided by consultation with Towers Perrin, a nationally recognized compensation consulting firm. Base salary amounts for executive officers take into account such factors as competitive industry salaries, an executive's scope of responsibilities, and individual performance and contribution to the organization. The Committee obtains executive compensation data through Towers Perrin who has developed salary surveys that reflect a peer group of other timber companies, including companies of different sizes. This data is integral to the Committee's deliberations and conclusions regarding appropriate levels of executive compensation. To the extent it deems appropriate, the Committee also considers general economic conditions within the area and within the industry.

Annual Bonus. Executive officers have an annual incentive (bonus) opportunity with awards based on the overall performance of the Partnership and on specific individual performance targets. The performance targets may be based on one or more of the following criteria: successfully pursuing the Partnership's refocusing and growth strategy, maintaining sound asset quality, improving productivity, and increasing earnings and return on equity.

The size of the bonus pool is based upon an assessment of the Partnership's performance as compared to both budgeted and prior fiscal year performance and the extent to which the Partnership

achieved its overall goals. Once the bonus pool is determined, the Chief Executive Officer or other executive officers, as appropriate, make individual bonus recommendations to the Human Resources Committee, within the limits of the pool, for eligible employees based upon an evaluation of their individual performance and contribution to the Partnership's overall performance.

Unit Options. The Committee follows a compensation philosophy that includes unit options as a long-term incentive program for management. The Partnership's use of stock-based compensation focuses on the following guiding principles: (1) unit-based compensation has been and will continue to be an important element of employee pay, (2) the grant of unit options will be based on performance measures within the employee's control, (3) owning units is an important ingredient in forming the partnership between employees and the organization, and (4) ownership of significant amounts of the Partnership's units by executives and senior officers of the Partnership will facilitate aligning management's goals with the goals of unit holders. The Committee anticipates that it will continue to emphasize unit-based compensation in the future.

IPMB Award. The IPMB awards are paid from Pope MGP's share of earnings from the IPMB. Awards are paid in a lump sum following the year in which the award was earned.

Chief Executive Officer Compensation

In fiscal year 2001, Mr. Symington served as Chief Executive Officer and Mr. Nunes served as the Partnership's President and COO, of the Partnership and the General Partner. Since Mr. Symington's retirement on January 9, 2002, Mr. Nunes has been serving as Chief Executive Officer and President. In evaluating the compensation of Mr. Symington and Mr. Nunes for services rendered in 2001, and in setting Mr. Nunes compensation for 2002, the Committee considered both quantitative and qualitative factors.

In looking at quantitative factors, the Committee reviewed the Partnership's 2001 financial results and compared them with the Partnership's budget and actual financial results for 2000. Specifically, the Committee considered the following:

- Impact of product markets on results
- Acres of new timberland acquired
- Amount of new timberland management and consulting business added
- Port Ludlow sale outcome

In addition to these quantitative accomplishments, the Committee also considered certain qualitative accomplishments by . Mr.Symington and Mr. Nunes in 2001. Specifically, the Committee considered the following:

- Rationalization of Canadian consulting practice following unsuccessful sales effort,
- Restructuring of long-term debt to shorten maturity of timber mortgages to 10 years and securing of new unsecured bank line,
- Assessment and implementation of plan for high-yield forestry applications on owned timberlands,
- Negotiation of key contracts for timberland management services and other non-log revenues,

- Completed negotiation of contract providing for apportionment of environmental clean-up costs at Port Gamble

Policy With Respect to \$1 Million Deduction Limit

It is not anticipated that the limitations on deductibility, under Internal Revenue Code Section 162(m), of compensation to any one executive that exceeds \$1,000,000 in a single year will apply to the Partnership or its subsidiaries in the foreseeable future. In the event that such limitations would apply, the

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Committee will analyze the circumstances presented and act in a manner that, in its judgment, is in the best interests of the Partnership. This may or may not involve actions to preserve deductibility.

Conclusion

The Committee believes that for 2001, the compensation terms for Mr. Symington and Mr. Nunes, as well as for the other executive officers, were clearly related to the realization of the goals and strategies established by the Partnership. Further, based on our consideration of all factors, bonuses were paid in March 2002 based on 2001 performance.

Douglas E. Norberg
Peter T. Pope
Joseph O. Tobin II
Marco F. Vitulli

Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Principal Unit Holders

As of March 7, 2002, the following persons were known or believed by the Partnership to be the beneficial owners of more than 5% of the outstanding Partnership units:

Name and Address of Beneficial Owner	Number of Units(1)	Percent of Class
Private Capital Management, Inc 3003 Tamiami Trail North Naples, FL 33940	1,736,640 (2)	38.4
Emily T. Andrews 600 Montgomery Street 35th Floor San Francisco, CA 94111	557,100 (3)	12.3
Peter T. Pope 1500 S.W. 1st Avenue Portland, OR97201	325,415 (4)	7.2

(1) Each beneficial owner has sole voting and investment power unless otherwise indicated. Includes unit options exercisable within 60 days.

(2) Private Capital Management, Inc. is an investment adviser shown registered under the Investment Advisers Act of 1940. Units are held in various accounts managed by Private Capital Management, Inc. which shares dispositive powers as to those units.

(3) Includes 1,090 units owned by her husband, Adolphus Andrews, Jr. as to which she disclaims beneficial ownership. Also includes a total of 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc., as to which she shares voting and investment power.

(4) Includes (a) 53,420 units held in trust for his children, and (b) 60,000 units held by Pope MGP, Inc., and Pope EGP, Inc., as to which he shares investment and voting power.

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Management

As of March 7, 2002, the beneficial ownership of the Partnership units of (1) the general partners of the Partnership, (2) the directors of the Partnership's general partners, (3) the Named Executives, and (4) the Partnership's general partners, directors and officers as a group, was as follows:**

Name	Position and Offices	Number of Units(1)	Percent of Class
David L. Nunes	Chief Executive Officer and President, Pope MGP, Inc. and the Partnership; Director, Pope MGP, Inc.	14,750	*
Thomas M. Ringo	Vice President and CFO, Pope MGP, Inc. and the Partnership	12,450	*
Adolphus Andrews, Jr.	Director, Pope EGP, Inc.; Vice President of Pope EGP, Inc.	557,100 (2)	12.2
Peter T. Pope	Director, Pope MGP, Inc. and Pope EGP, Inc.; President,	325,415 (3)	7.1

Joseph O. Tobin II	Director, Pope MGP, Inc.	84,433 (4)	1.8
Pope EGP, Inc.	Equity General Partner of the Partnership	54,000	1.2
Pope MGP, Inc.	Managing General Partner of the Partnership	6,000	*
Douglas Norberg	Director, Pope MGP, Inc.	24,932 (5)	*
Marco Vitulli	Director, Pope MGP, Inc.	12,939 (6)	*
All general partners, directors and officers of general partners, and officers of the Partnership as a group (7 individuals and 2 entities)		972,019 (7)	21.2

* Less than 1%

** The address of each of these parties is c/o Pope Resources, 19245 Tenth Avenue NE, Poulsbo, WA 98370.

- (1) Each beneficial owner has sole voting and investment power unless otherwise indicated. Includes unit options that are exercisable within 60 days.
- (2) Includes 497,100 units as to which Mr. Andrews shares investment and voting power. Also includes 60,000 units owned by Pope MGP, Inc. and Pope EGP, Inc., as to all of which he disclaims beneficial ownership. See footnote 3 under “— Principal Unit Holders.”
- (3) See footnote 4 under “- Principal Unit Holders.”
- (4) Includes (a) currently exercisable options to purchase 5,439 units issued to Mr. Tobin in lieu of cash compensation for director services, and (b) 65,950 units owned by Edith Tobin, Mr. Tobin’s wife, and (c) 13,044 units held in trust for Mr. Tobin’s children.
- (5) Includes currently exercisable options to purchase 21,682 units issued to Mr. Norberg in lieu of cash compensation for director services.
- (6) Includes currently exercisable options to purchase 11,939 units issued to Mr. Vitulli in lieu of cash compensation for director services.
- (7) For this computation, the 60,000 units held by Pope MGP, Inc. and Pope EGP, Inc. are excluded from units beneficially owned by Mr. Pope and Mr. Andrews. Mr. Pope and Mr. Andrews’ wife, Emily T. Andrews, owns all of the outstanding stock of Pope MGP, Inc. and Pope EGP, Inc. Includes currently exercisable options to purchase 62,060 units issued in lieu of cash compensation for director services.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Partnership Agreement provides that it is a complete defense to any challenge to an agreement or transaction between the Partnership and a general partner, or related person, due to a conflict of interest if, after full disclosure of the material facts as to the agreement or transaction and the interest of the general partner or related person, (1) the transaction is authorized, approved or ratified by a majority of the disinterested directors of the General Partner, or (2) the transaction is authorized by partners of record holding more than 50% of the units held by all partners.

General Partner Fee. Pope MGP, Inc. receives an annual fee of \$150,000, for its services as managing general partner of the Partnership, as stipulated in the Partnership Agreement.

Minority Interest Payments. The minority interest represents Pope MGP, Inc.’s interest in the IPMB. Net income from the IPMB is paid 80% to ORM, Inc. and 20% to Pope MGP, Inc. until net income from the IPMB reaches \$7.0 million in a fiscal year, at which time income will be allocated evenly between ORM, Inc. and Pope MGP, Inc.

P&T Lease Payments. Mr. Pope, a director of Pope MGP, Inc., is also a director of P&T. In 2001, 2000, and 1999, the Partnership received lease payments of \$75,000 from P&T for lease of a log sorting and storage site at Port Gamble, Washington.

Ex-Chief Executive Officer. The Partnership held a promissory note from Mr. Tucker, a retired Chief Executive Officer, issued in connection with his purchase of a home that had a balance of \$271,000 and bore interest at 6.48%. The note was cancelled in January 2001 in consideration for the transfer of a Port Ludlow residence owned by him to the Partnership.

Pioneer Resources I, LLC. ORMLLC is the manager of Pioneer Resources I, LLC, which is one of the two major customers of the Timberland Management and Consulting segment.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

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Financial Statement Schedules

Reserve for Environmental Remediation

	Balances at the Beginning of the Period	Charged to Costs and Expenses	Deductions	Balances at the End of the Period
Year Ended December 31, 1999	\$ 120,000	\$ —	\$ —	\$ 120,000
Year Ended December 31, 2000	\$ 120,000	\$ 1,956,000	\$ 206,000	\$ 1,870,000
Year Ended December 31, 2001	\$ 1,870,000	\$ —	\$ 461,000	\$ 1,409,000

Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of the fiscal year ended December 31, 2001.

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Exhibits

No.	Document
3.1	Certificate of Limited Partnership. (1)
3.2	Limited Partnership Agreement, dated as of November 7, 1985. (1)
3.3	Amendment to Limited Partnership Agreement dated December 16, 1986. (2)
3.4	Amendment to Limited Partnership Agreement dated March 14, 1997. (4)
4.1	Specimen Depositary Receipt of Registrant. (1)
4.2	Limited Partnership Agreement dated as of November 7, 1985, as amended December 16, 1986 and March 14, 1997 (see Exhibits 3.2, 3.3 and 3.4).
9.1	Shareholders Agreement entered into by and among Pope MGP, Inc., Pope EGP, Inc., Peter T. Pope, Emily T. Andrews, P&T, present and future directors of Pope MGP, Inc. and the Partnership, dated as of November 7, 1985 included as Appendix C to the P&T Notice and Proxy Statement filed with the Securities and Exchange Commission on November 12, 1985, a copy of which was filed as Exhibit 28.1 to the Partnership's registration on Form 10 identified in footnote (1) below. (1)
10.1	Transfer and Indemnity Agreement between the Partnership and P&T dated as of December 5, 1985. (1)
10.2	Management Agreement between the Partnership and P&T dated as of December 5, 1985. (1)
10.3	Ground Leases between the Partnership as Lessor and P&T as Lessee dated December 3, 1985. (1)
10.4	1997 Unit Option Plan Summary. (5)
10.5	Audit Committee Charter. (10)
10.6	Employment Agreement between the Partnership and Allen E. Symington, dated August 31, 2000. (9)
10.7	Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, dated January 1, 1998. (11)
10.8	First Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, dated July 26, 1999. (11)
10.9	Second Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, dated February 9, 2000. (11)
10.10	Third Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, dated December 1, 2000. (11)
10.11	Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and H.A. Simons Ltd., dated December 5, 1997. (11)
10.12	First Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd., dated December 29, 1998. (10)
10.13	Second Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd., dated July 26, 1999. (11)
10.14	Third Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd., dated August 6, 1999. (11)

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10.15 Fourth Amendment to Master Timber Management Agreement Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd.,

dated December 23, 1999. (11)

- 10.16 Fifth Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd., dated December 1, 2000. (11)
- 10.17 Management Agreement, dated as of March 22, 2000, by and between Pioneer Resources I, LLC and Olympic Resource Management LLC. (6)
- 10.18 First Amendment to Management Agreement between Pioneer Resources I, LLC and Olympic Resource Management LLC, dated September 7, 2000. (11)
- 10.19 Second Amendment Management Agreement between Pioneer Resources I, LLC and Olympic Resource Management LLC, dated June 29, 2001. (11)
- 10.20 Deed of Trust, Fixture Filing and Security Agreement with Assignment of Rents between Pioneer Resources I, LLC, Olympic Resource Management LLC, and Oregon Title Insurance Company, dated April 7, 2000. (6)
- 10.21 Timberland Deed of Trust and Security Agreement with Assignment of Rents between Pope Resources, Jefferson Title Company and John Hancock Mutual Life Insurance Company, dated April 29, 1992. (10)
- 10.22 Amendment to Timberland Deed of Trust and Security Agreement with Assignment of Rents between Pope Resources, Jefferson Title Company and John Hancock Mutual Life Insurance Company, dated May 13, 1992. (10)
- 10.23 Second Amendment to Timberland Deed of Trust and Security Agreement with Assignment of Rents between Pope Resources, Jefferson Title Company and John Hancock Mutual Life Insurance Company, dated May 25 1993. (10)
- 10.24 Third Amendment to Timberland Deed of Trust and Security Agreement with Assignment of Rents between Pope Resources, Jefferson Title Company and John Hancock Mutual Life Insurance Company, dated December 19, 1995. (10)
- 10.25 Fourth Amendment to Timberland Deed of Trust and Security Agreement with Assignment of Rents between Pope Resources, Jefferson Title Company and John Hancock Mutual Life Insurance Company, dated December 20, 1999. (10)
- 10.26 Amended and Restated Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing between Pope Resources and John Hancock Life Insurance Company, dated March 29, 2001. (10)
- 10.27 Promissory Note from Pope Resources to John Hancock Mutual Life Insurance Company, dated April 29, 1992. (10)
- 10.28 Amendment to Promissory Note from Pope Resources to John Hancock Mutual Life Insurance Company, dated May 25, 1993. (10)
- 10.29 Second Amendment to Promissory Note from Pope Resources to John Hancock Mutual Life Insurance Company, dated December 19, 1995. (10)
- 10.30 Third Amendment to Promissory Note from Pope Resources to John Hancock Mutual Life Insurance Company, dated December 20, 1999. (10)
- 10.31 Fourth Amendment to Promissory Note from Pope Resources to John Hancock Mutual Life Insurance Company, dated March 29, 2001. (10)

- 10.32 Timberland Purchase and Sale Agreement for the Southwest Washington Timberlands by and among Plum Creek Timberlands, L.P. and Plum Creek Marketing, Inc., as Seller and Pope Resources, a Delaware Limited Partnership as Purchaser, dated February 12, 2001. (7)
- 10.33 Note Purchase Agreement between Pope Resources, John Hancock Life Insurance Company and John Hancock Variable Life Insurance Company, dated March 29, 2001. (10)
- 10.34 Class A Fixed Rate Senior Secured Note from Pope Resources to John Hancock Life Insurance Company, dated March 29, 2001, in the principal amount of \$23,500,000. (10)
- 10.35 Class A Fixed Rate Senior Secured Note from Pope Resources to John Hancock Life Insurance Company, dated March 29, 2001 in the principal amount of \$4,500,000. (10)
- 10.36 Class A Fixed Rate Senior Secured Note from Pope Resources to John Hancock Variable Life Insurance Company, dated March 29, 2001, in the principal amount of \$2,000,000. (10)
- 10.37 Timberland Deed of Trust and Security Agreement With Assignment of Rents and Fixture Filing between Pope Resources, Jefferson Title Company and John Hancock Life Insurance Company, dated March 29, 2001. (10)
- 10.38 Credit Agreement between Pope Resources and Bank of America, N.A., dated March 27, 2001. (10)
- 10.39 Promissory Note from Pope Resources to Bank of America, N.A., dated March 27, 2001. (10)
- 10.40 Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated January 12, 2001. (8)
- 10.41 Amendment No. 1 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 8, 2001. (8)

- 10.42 Amendment No. 2 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 14, 2001. (8)
- 10.43 Amendment No. 3 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated February 27, 2001. (8)
- 10.44 Amendment No. 4 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated March 26, 2001. (8)
- 10.45 Amendment No. 5 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 15, 2001. (8)
- 10.46 Amendment No. 6 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 18, 2001. (8)
- 10.47 Amendment No. 7 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated May 25, 2001. (8)
- 10.48 Amendment No. 8 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 1, 2001. (8)
- 10.49 Amendment No. 9 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 13, 2001. (8)
- 10.50 Amendment No.10 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated June 22, 2001. (8)
- 10.51 Amendment No. 11 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated July 11, 2001. (8)
- 10.52 Amendment No. 12 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated July 24, 2001. (8)
- 10.53 Amendment No. 13 to the Real Estate Purchase and Sale Agreement between Pope Resources and HCV Pacific Partners LLC, dated August 1, 2001. (8)
- 10.54 Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated May 29, 2001. (8)

- 10.55 Amendment No. 1 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 1, 2001. (8)
- 10.56 Amendment No. 2 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 13, 2001. (8)
- 10.57 Amendment No. 3 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 22, 2001. (8)
- 10.58 Amendment No. 4 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated June 29, 2001. (8)
- 10.59 Amendment No. 5 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated July 24, 2001. (8)
- 10.60 Amendment No. 6 to Stock Purchase Agreement by and between Olympic Water and Sewer, Inc., Olympic Property Group LLC, and Port Ludlow Associates LLC, dated August 1, 2001. (8)
- 10.61 Promissory Note from Port Ludlow Associates LLC to Pope Resources, dated August, 2001. (8)
- 10.62 Deed of Trust from Port Ludlow Associates LLC to Pope Resources, dated August, 2001. (8)
- 10.63 Subordination and Release Agreement between Port Ludlow Associates LLC and Pope Resources, dated August, 2001. (8)
- 10.64 Real Estate Purchase and Sale Agreement between Pope Resources and Weyerhaeuser Company, dated November 20, 2001. (10)
- 10.65 Fourth Amendment to Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, dated January 8, 2002. (11)
- 10.66 Sixth Amendment to Master Timber Management Agreement Hancock Natural Resource Group, Inc. and ORM Resources Canada Ltd., dated January 8, 2002. (11)
- 22 Subsidiaries of the Partnership (3), (4)
- 23 Consent of Deloitte & Touche LLP (10)

- 99.1 Certificate of Incorporation of Pope MGP, Inc. (1)
- 99.2 Amendment to Certificate of Incorporation of Pope MGP, Inc. (3)
- 99.3 Bylaws of Pope MGP, Inc. (1)
- 99.4 Certificate of Incorporation of Pope EGP, Inc. (1)
- 99.5 Amendment to Certificate of Incorporation of Pope EGP, Inc. (3)
- 99.6 Bylaws of Pope EGP, Inc. (1)

- (1) Incorporated by reference from the Partnership's registration on Form 10 filed under File No. 1-9035 and declared effective on December 5, 1985.
- (2) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1987.
- (3) Incorporated by reference from the Partnership's annual report on Form 10-K for the fiscal year ended December 31, 1988.
- (4) Incorporated by reference from the Partnership's Proxy Statement filed on February 11, 1998.
- (5) Incorporated by reference to the Company's Form S-8 Registration Statement filed with the Commission on February 11, 1997.
- (6) Incorporated by reference from the Partnership's quarterly report on Form 10-Q for the quarter ended March 31, 2000. Subject to a request for confidential treatment filed with the SEC on May 12, 2000.
- (7) Incorporated by reference to the Company's Current Report filed on Form 8-K filed with the Commission on March 19, 2001.

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- (8) Incorporated by reference to the Company's Current Report filed on Form 8-K filed with the Commission on August 20, 2001.
- (9) Incorporated by reference from the Partnership's annual report on Form 10-K filed on March 23, 2001.
- (10) Filed with this annual report on Form 10-K for the fiscal year ended December 31, 2001.
- (11) Filed with this annual report on Form 10-K for the fiscal year ended December 31, 2001, and subject to a request for confidential treatment filed with the SEC contemporaneously with this annual report on Form 10-K.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Partnership has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

POPE RESOURCES, A Delaware
Limited Partnership

By POPE MGP, INC.
Managing General Partner

Date: March 29, 2002

BY /s/ David L. Nunes
DAVID L. NUNES,
President and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Partnership and in the capacities and on the date indicated.

Date: March 29, 2002

By /s/ David L. Nunes
DAVID L. NUNES,
President and Chief Executive Officer (principal executive officer), Partnership and Pope MGP, Inc.; Director, Pope MGP, Inc.

Date: March 29, 2002

By /s/ Thomas M. Ringo
THOMAS M. RINGO
Vice President & CFO (principal financial and accounting officer), Partnership and Pope MGP, Inc.

Date: March 29, 2002

By /s/ Joseph O. Tobin II

JOSEPH O. TOBIN II
Director, Pope MGP, Inc.

Date: March 29, 2002

By /s/ Peter T. Pope

PETER T. POPE
Director, Pope MGP, Inc.

Date: March 29, 2002

By /s/ Marco F. Vitulli

MARCO F. VITULLI
Director, Pope MGP, Inc.

Date: March 29, 2002

By /s/ Douglas E. Norberg

DOUGLAS E. NORBERG
Director, Pope MGP, Inc.

AUDIT COMMITTEE CHARTER

POPE MGP, Inc.

September 10, 1999

I. PURPOSE

The primary **function** of the Audit Committee ("Committee") is to assist the Board of Directors of Pope MGP, Inc. in fulfilling its oversight responsibilities for Pope Resources and its subsidiaries (the "Partnership") with respect to the following:

- Accounting and financial reporting.
- Assessment and management of risk and the related internal control environment, and
- Compliance with laws and regulations.

In fulfilling its **responsibilities**, the Committee will:

- Serve as an independent and objective party to monitor the Partnership's financial reporting process and internal control system,
- Review and evaluate the audit efforts of the independent accountants and the Partnership's internal audit activities,
- Facilitate an open avenue of communication among the independent accountants, internal audit, and the Board of Directors.

The Committee will have the complete and unrestricted **authority** to conduct investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent counsel and other professionals to assist in the conduct of any investigation.

The Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section III of this Charter.

II. COMPOSITION, MEETINGS AND ADMINISTRATIVE MATTERS

Number of Directors: The Committee shall be comprised of three or more directors as determined by the Board.

Independence of Directors: Each member of the Committee shall, to the extent possible, be an independent director. A director shall be considered "independent" if he or she is free from any relationship that may interfere with the exercise of his or her independence from management and the Partnership or independent judgment as a member of the Committee.

Committee Member Qualifications: All members of the Committee shall have a working familiarity with basic finance and accounting practices.

Appointment of Committee Members: The Members of the Committee shall be elected by the Board at the annual meeting of the Board and shall serve until their resignation, removal, or replacement. A Chair shall be elected by the full Board.

Meeting Frequency: The Committee shall meet at least three times annually in regularly scheduled meetings. The Committee shall also meet at other times as necessary to discharge its responsibilities and as circumstances dictate. Meetings of the Committee may be in person or telephonically.

Meeting Attendees: In addition to Committee Members, the Committee may ask that members of Partnership management or the Partnership's independent accountants be present at Committee meetings. [Note: At present the Partnership does not have a formally established internal audit function. On occasion, financial management personnel perform reviews or procedures that emulate this function. As such, the Committee may ask that personnel performing such internal audit functions be present at Committee meetings. "Internal audit" as used herein is understood to cover that function in broad terms, whether formally or informally established.]

Private Communications: Periodically at Committee meetings, there will be an opportunity for Committee members to have private communications with each of management, the financial officers, internal audit, and the independent accountants. As part of its job to foster open communication, the Committee should meet at least annually with the independent accountants in separate executive session to discuss any matters that the Committee or the independent accountants believe should be discussed privately.

Minutes: The Committee Chair shall appoint an individual to prepare minutes for each meeting. Draft minutes shall be distributed to Committee members, for approval at the next meeting. Approved minutes shall be submitted to the Board of Directors for ratification and such minutes shall be retained with the permanent corporate records of the Partnership.

Reporting to the Board: The Chair or his or her designee will report Committee actions to the Board of Directors with such recommendations, as the Committee may deem appropriate.

Committee Charter: Annually, the Committee shall review its Charter and, if appropriate, propose revisions to the Board of Directors for approval.

III. DUTIES AND RESPONSIBILITIES

To fulfill its duties and responsibilities the Committee shall:

1. Review with management the Partnership's annual financial statements and the independent accountants' opinion with respect to such financial statements.
2. Review with the independent accountants the results of their audit of the annual financial statements, including all matters required to be communicated to audit committees under generally accepted auditing standards. Such communications should include significant audit adjustments, significant accounting policies and any related changes thereto, management judgments and accounting estimates, disagreements with management, and any other difficulties encountered during their audit.
3. Review the Form 10-Q prior to its filing.
4. Review comments provided by the independent accountants relating to the Partnerships internal controls or other related matters, and management's response.
5. Review any internal reports (if applicable) to management prepared by internal auditors and management's response.

Independent Accountants

6. The Committee, having the primary authority and responsibility for the appointment and selection of the independent accountants, shall annually submit its recommendation for the appointment of the independent accountant to the whole Board of Directors for approval.
7. Review the independent accountants' plan and scope relating to their audit of the annual financial statements.
8. On an annual basis, review and discuss with the accountants all significant relationships the accountants have with the Partnership to determine and confirm the accountants' independence.

Financial Reporting Processes

9. Review with financial management the Partnership's significant accounting and reporting policies and any changes thereto.
10. Review with financial management the accounting treatment of individual events or transactions that may have a significant impact on financial reporting.
11. Consider, through periodic discussions, the independent accountants' judgments about the quality and appropriateness of the Partnership's accounting principles as applied in its financial reporting.

Ethical and Legal Compliance

12. Confirm that management has the proper review system in place to ensure that the Partnership's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.
13. Evaluate the need for and related activities (if applicable) of the Partnership's internal audit activities. If applicable, review such activities, organizational structure, and qualifications of internal audit resources.
14. Review, with management and Partnership counsel, the Partnership's policies and procedures to minimize and monitor risks and exposures from noncompliance with laws and regulations. Specifically consider compliance matters pertaining to corporate securities trading policies.
15. Review, with management and Partnership counsel, the process for determining risks and exposures from litigation, claims and assessments, including counsel's assessment of specific significant matters.
16. Perform any other activities consistent with this Charter, the Partnership Agreement and governing law, as the Committee or the Board deems necessary or appropriate.

MASTER TIMBER MANAGEMENT AGREEMENT

This **MASTER TIMBER MANAGEMENT AGREEMENT** (the “Master Agreement”) is made and entered into by and between Hancock Natural Resource Group, Inc. (“HNRGI” or the “Client”), and Olympic Resource Management LLC, a Washington limited liability company (“ORM” or the “Manager”), effective the 1st day of January, 1998.

WHEREAS, Client manages timberlands and provides timberland portfolio investment services to its parent, John Hancock Mutual Life Insurance Company (“JHMLICO”), both for JHMLICO’s own account and for separate accounts maintained by JHMLICO for the benefit of certain ultimate clients, and for various partnerships, limited liability companies, corporations and other entities (collectively, the “Ultimate Client Portfolios”); and

WHEREAS, Manager is an independent contractor engaged in the business of operating and maintaining commercial timberlands through its employees, agents and sub contractors.

NOW, THEREFORE, Client agrees to hire Manager to perform, and Manager agrees to perform for Client, non exclusive property management services, disposition and acquisition services, on the terms and in accordance with the provisions set forth herein.

Section 1. Definitions

1.01 “**Annual Budget**” means, with respect to each Timberland, the Annual Budget for each fiscal year during the term of this Agreement prepared by Manager pursuant to Section 2.02(a), and delivered to and approved by Client, reflecting on an annual basis all work to be performed, all income to be received, and all expenses to be incurred during the fiscal year for such Timberland.

1.02 “**Client**” means Hancock Natural Resource Group, Inc.

1.03 “**Client’s Account**” means Client’s account with SeaFirst Bank, 705 Fifth Avenue, Seattle, Washington 98124.

1.04 “**Competing Business**” means any business that acquires, owns and/or manages timberlands within the Continental United States or Canada primarily or exclusively for the benefit of Plans and Endowments.

1.05 “**Fiscal Month**” means the period commencing on the sixteenth day of any calendar month and ending on the fifteenth day of the immediately following calendar month, and “**Fiscal Year**” means the period commencing on the sixteenth day of December in any calendar year and ending on the fifteenth day of December in the immediately following calendar year; provided that the initial fiscal month hereof shall begin January 1, 1998 and end January 15, 1998 and the initial fiscal year hereof shall begin January 1, 1998 and end December 15, 1998.

1.06 “**Forest Inventory System**” means the Forest Inventory System provided and maintained by Manager pursuant to Section 2.02(e) of this Master Agreement, and more fully described in Exhibit 2D.

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1.07 “**Forest Mapping System**” means the Forest Mapping System provided and maintained by Manager pursuant to Section 2.02(e) of this Master Agreement, and more fully described in Exhibit 2E.

1.08 “**Forward Look Budget(s)**” means the revised Annual Budget(s) based on actual levels of income and expenditures for a quarter and revised forecasts of income and expenditures for the balance of the fiscal year pursuant to Section 2.02(b) of this Master Agreement.

1.09 “**Land Records System**” means the Land Records System provided and maintained by Manager pursuant to Section 2.02(m) of this Master Agreement, and more fully described in Exhibit 2F.

1.10 “**Logs**” means logs of any size or class harvested from the Timberlands.

1.11 “**Long Term Investment Analysis**” means the 50 year plan which is updated each calendar year by the Manager, for each Timberland, by running the Timber Investment Model (“TIM”) which gets populated with Client Budget System (“CBS”) data, new economic assumptions and price forecasts, appraisals, revised harvest schedules, etc. The Long Term Investment Analysis” is part of the Property Management Plan and is updated and submitted to the Client by January 31 of each year.

1.12 “**Master Agreement**” means this Master Timber Management Agreement between Hancock Natural Resource Group, Inc. and Olympic Resource Management LLC, as may be amended from time to time.

1.13 “**Manager**” means Olympic Resource Management LLC, a Washington limited liability company.

1.14 “**Other Forest Products**” means any products other than timber, logs, minerals, gas, oil, rock and/or gravel removed from the Timberlands for commercial purposes.

1.15 “**Plans and Endowments**” means pension fund or retirement plans and accounts, endowments or foundations domiciled in the United States or Canada and organized and operated pursuant to United States or Canadian law primarily or exclusively for the benefit of persons living within those jurisdictions.

1.16 “**Property Management Plan**” means a written property management plan approved by Client, as updated from time to time.

1.17 “**Property Management Service Fees**” means the Property Management Service Fees pursuant to Section 2.07 and set forth in Exhibit 2A to this Master Agreement.

1.18 “**Property Management Services**” means the Property Management Services to be provided by Manager with respect to the Timberlands identified in Exhibit 2A, as it may be amended from time to time, and fully described in Section 2 of this Master Agreement.

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1.19 “**Security Plan**” means the Security Plan for a Timberland described in Section 2.02(f) of this Master Agreement that is usual and customary to timberland management practices for the area in question, and which generally includes, but is not necessarily limited to the following: fire prevention and suppression, aerial and ground surveillance, gate security and maintenance, illegal dumping, trespass and protester management.

1.20 “**Timber**” means the timber located on or harvested from the Timberlands, whether standing or down and irrespective of size.

1.21 “**Timberland**” means a timberland property, and **Timberlands** means two or more timberland properties, identified in Exhibit 2A, as it may be amended from time to time.

1.22 “**Ultimate Client Portfolios**” means the several JHMLICO separate accounts and other entities described in the first WHEREAS clause above, for which Client provides timberland portfolio investment services.

1.23 “**Vote Package(s)**” means the information and data requested by Client and compiled for presentation to appropriate representatives of HNRGI and/or JHMLICO for consideration and/or approval of a particular Timberland transaction.

Section 2. **Property Management Services:**

2.01 **Properties Under Management:** Client hereby hires Manager to provide Property Management Services, the scope of which is set forth in this Section 2, and Manager hereby agrees to provide such services with respect to the Timberlands identified in Exhibit 2A attached hereto, as it may be amended from time to time in accordance with the provisions of this Master Agreement, or as otherwise mutually agreed from time to time by the parties. Client may, but shall have no obligation to, employ Manager for property management services except with respect to properties listed on Exhibit 2A, as it may be amended from time to time. In addition, Manager may provide acquisition and disposition services if requested by Client pursuant to Sections 3 and 4 of this Master Agreement for any Timberland considered for acquisition or disposition by Client during the term of this Master Agreement. Exhibit 2A shall identify the Timberlands under management pursuant to this Master Agreement, the fees or fee schedule applicable to Property Management Services relating to the Timberlands, any special conditions or services agreed to by the parties with respect to any Timberland, and the expiration date of the term of this Master Agreement with respect to each Timberland (if different from the date specified in Section 7.01 below). Except as specifically set forth herein, Client shall have no obligation to utilize Manager to provide any additional services, and Manager shall have no obligation to provide Client with any additional services pursuant to this Master Agreement.

2.02 **Manager’s Primary Duties and Responsibilities:** With respect to any Timberland, the parties may agree to exclude or forego any particular service described in this Section 2, as circumstances may warrant. Any such exclusions shall be identified or referenced in Exhibit 2A. Manager’s primary duties and responsibilities include:

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(a) Annual Budgets for fiscal year 1998 for each Timberland have been prepared and approved by Client. On or before November 1, 1998 and each subsequent year, Manager shall prepare and submit to Client for Client’s approval, an Annual Budget for each Timberland subject to this Master Agreement for the forthcoming fiscal year. The Annual Budgets shall be based upon Manager’s recommendations together with information supplied by Client as to acceptable levels of income and expenditures and shall reflect on an annual basis all work to be performed, all income to be received, and all expenses to be incurred with respect to each Timberland during the forthcoming fiscal year. The parties shall endeavor in good faith to assist each other with information and services to facilitate budget development in a timely manner. Upon approval by Client, Manager may expend the approved budgeted amounts for each Timberland during such fiscal year without further approval by Client. However, Client shall have the right to modify the Annual Budgets (other than the management fees set forth herein, except as further provided in Section 2.07 of this Master Agreement), and to the extent Manager has not yet incurred expenses or obligations, Manager shall comply with such modifications. In addition, to facilitate ongoing management of the Timberlands, Manager may exceed any approved budgeted line item amount by **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**, whichever is greater. In the event of emergencies or natural disasters that threaten the value or well-being of all or a portion of any Timberland, subject to funding limitations, Manager shall endeavor to protect the Timberland, and shall have the right to expend up to **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** per Timberland in extra-budgetary funds for such purpose without prior approval of Client. Manager shall notify Client immediately of any such expenditure and the reason therefor. In the event of any such emergency or natural disaster which necessitates an expenditure of funds in excess of the monetary limitations set forth above, Manager shall inform Client in a timely manner and obtain the approval of Client before expending any such excess funds.

(b) Within twenty (20) days after the end of each fiscal quarter, Manager shall prepare and submit to Client statements setting forth actual expenditures incurred and revenues generated during said fiscal quarter (together with a brief analysis of the variances, if any, from the Annual Budget) for each Timberland. Along with said statements, Manager shall submit to Client, at Client’s request, revised Annual Budgets (the “Forward Look Budgets”) based on actual levels of income and expenditures for said fiscal quarter and revised forecasts of income and expenditures for the balance of the fiscal year. Upon approval by Client, the Forward Look Budgets shall be used in place of the original Annual Budgets for the remainder of the then current fiscal year. The statements and Forward Look Budgets shall be in a form approved by Client.

(c) By the tenth (10th) day after the close of each fiscal month, Manager shall submit to Client (1) a statement setting forth expenditures incurred and revenues generated during the preceding fiscal month; and (2) an aging report of accounts receivable for the preceding month. The statements and aging report shall be in a form approved by Client and delivered in both electronic and paper forms. Manager shall also cause to be delivered to Client all bank statements as soon as reasonably possible after said statements have been received and reconciled by Manager.

(d) Manager shall perform annual timber inventory updates (cruises) as outlined in Exhibit 2C. In addition, by June 1 and December 1 of each calendar year, or from time to time

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upon Client's request, Manager shall provide Client with a current statement of timber inventory as of the last update performed in accordance with Exhibit 2C, showing the acreage of land, the volume of merchantable timber by species groups and product classes, and the premerchantable plantation acreage by species and age class. Manager shall also conduct other cruising as special circumstances may dictate, e.g., wind storm and ice storm damage, trespass, granting of rights of way, etc.

(e) Manager shall provide and maintain a Forest Inventory System and a Forest Mapping System (including GIS) for Client, which shall include the parameters set forth in Exhibits 2D and 2E, respectively.

(f) Manager shall maintain regular surveillance of all Timberlands, including contracting for aerial surveillance as conditions require, to detect weather damage, fire damage, insect infestation and disease, timber trespass or any other detrimental occurrences. On or before May 31, 1998 for each Timberland in existence on such date and for any Timberland added to this Master Agreement thereafter within ninety (90) days following the addition of such new Timberland to this Master Agreement, Manager shall develop and submit for Client's approval a Security Plan.

(g) Manager shall assist, consult, and cooperate with Client, and its agents, employees and/or attorneys, in matters affecting ownership interests in and obligations with respect to the Timberlands, including the land, timber (whether growing or harvested), minerals, other commercial uses, and related matters such as unauthorized cuttings, trespass, entries, encroachments, adverse possession claims, right of way disputes, or any disputes respecting taxes, charges, or assessments associated with the Timberlands.

(h) Manager shall manage and conduct the sale of all timber and logs from the Timberlands. All such sales shall be made pursuant to timber sale contracts or log sale contracts between Client and the timber or log buyer on contract forms approved by Client for such purpose. Manager shall have the authority to sign on Client's behalf and without Client's prior approval such contracts subject to the limitations set forth in Exhibit 2B. Except as specifically provided in Exhibit 2B, Manager shall not enter into any timber sale contracts, log sale contracts or Other Forest Products contracts without the prior written approval of Client. Client agrees that all requests from Manager for such approval shall be responded to without unreasonable delays. Manager's services in connection with timber or log sales shall include, but not be limited to, advertising, processing and handling bids, control of contract compliance of timber harvested, inspection of cutting and logging operations, collection of scale tickets, accounting for all timber and logs sold, and timber sale layout which includes, but is not limited to: marking cutting lines, engineering and marking roads, and obtaining necessary permits (surveying is not included in the above definition of timber sale layout). Manager shall also conduct a credit check on each timber or log purchaser and report the results of such credit check to Client before entering into any timber or log sales contract. Manager shall collect and maintain (electronically, wherever feasible) log scaling data from log grading and scaling bureaus.

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(i) Manager shall, in a fashion usual and customary to timberland management practices for the area in question, manage and conduct the sale of all minerals, oil, rock, Other Forest Products and gravel from the Timberlands. All such sales shall be directly between Client and the buyer and shall be subject to the limitations and signature requirements set forth on Exhibit 2B. Manager's services in connection with the mineral, oil or gravel sales shall include, as appropriate, but not be limited to the following services: obtaining valuation opinions from appropriate consultants, advertising, processing and handling bids, control of contract compliance, inspection of mining and gravel removal, collection of scale tickets, and accounting for such contracted sales.

(j) Manager shall, in a fashion usual and customary to timberland management practices for the area in question, be responsible for monitoring the activities of third parties who have a fee, leasehold, license, mineral, or other interest in the Timberlands. Client shall extend to Manager whatever reasonable aid that Manager shall reasonably request of Client to enable it to carry out such monitoring duties. Manager shall be responsible for processing all documentation which is required or desirable with respect to the rights and obligations of said third parties, including pipeline easements, conditional and other land use permits, and rights of way necessary for oil, gas or mineral exploration, in all cases subject to the limitations and signature requirements set forth on Exhibit 2B. Notwithstanding anything herein to the contrary, all permanent easements, conservation easements, rights of way, mineral or other conveyances must be signed by Client (or the appropriate title holder), and Manager shall have no authority to sign said documents on behalf of Client.

(k) Manager shall be responsible for the administration of any hunting, grazing, camping and other leases or licenses generating income for Client or which affect the Timberlands, subject to the limitations and signature requirements set forth on Exhibit 2B.

(l) Manager shall be responsible for performing all usual and customary timberland management functions, including but not limited to preparing all easements, licenses and other land use agreements on forms pre approved by Client. Manager shall also assist Client in obtaining semi-annual or annual appraisals of each Timberland by providing to Client relevant data for the Timberland in a form acceptable to Client, which data shall include the merchantable timber by species groups and product classes, the premerchantable acreage by age class, and the number and type of acres comprising the Timberland. Annually, for each Timberland, Manager shall also submit to Client a report reconciling current appraisal volumes with the appraisal volumes for the preceding year (where such data is available).

(m) Manager shall develop, implement and maintain a Land Records System as more fully described in Exhibit 2F, which will be maintained in a convenient electronic form, readily convertible into a standard ASCII text format suitable for use with the Forest Mapping System, Forest Inventory System, Client's Timber Investment Model ("TIM") and Client's Client Budget System ("CBS"). The records within the Land Records System shall be maintained by Manager for so long as this Master Agreement shall remain in effect.

(n) Manager shall be responsible for management of the property tax records for each Timberland and shall ensure that all taxes (excluding any taxes based on income, but

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including ad valorem or other real property taxes, timber harvest taxes, and personal property taxes) on the Timberlands are paid in a timely manner. Client shall provide Manager with pertinent information regarding lease and contractual agreements on each Timberland. Upon receipt of this information, Manager shall thereafter ensure that all lease or other contractual payments required to be made with respect to the Timberlands are made in a timely manner out of the funds in the Client's Account. Client shall promptly provide Manager with copies of any tax statements sent directly to Client with regard to any Timberland.

(o) Manager shall provide annual updates of the Long Term Investment Analysis portion of the Property Management Plan for each Timberland as soon as reasonably practicable after the effective date of this Master Agreement, and thereafter on or before January 31 of each year during the term of this Master Agreement. Such Long Term Investment Analysis will incorporate as of January 1 of each year new economic assumptions and price forecasts using the most recently approved Annual Budget (or the forward Look Budget, if applicable) for each Timberland. The annual updates will roll the existing long term investment analysis forward one year. Any additional updates requested by Client will be performed as necessary upon mutual agreement of the parties hereto.

(p) Manager shall be responsible for managing and implementing stewardship projects as provided for in Annual Budgets, or as otherwise mutually agreed.

(q) As soon as reasonably practicable after the effective date of this Master Agreement, and thereafter on or before March 31 of each year, Manager shall prepare and submit to Client an annual analysis of harvest results versus inventory estimates of volume for each individual Timberland.

2.03 Additional Duties and Responsibilities of Manager: Manager shall subcontract for, oversee and monitor the providing of contractual services as set forth in sub paragraphs (a) through (s) herein below. Manager's responsibilities shall include soliciting, receiving and awarding suitable bids, entering into satisfactory contracts, only in a form acceptable to Client, in conformity with budgetary allocations and limits and signature requirements set forth in Exhibit 1C and in compliance with Client's standards for subcontracting as set forth in this Master Agreement (or with Client's prior written approval if outside the agreed upon budget or preapproved form), and Manager will continuously monitor and oversee said services for contractor compliance. Client shall be directly responsible for payments for all subcontracted services specified below to the extent budgeted or otherwise authorized by Client in this Master Agreement or otherwise approved in writing by Client. Although Manager's responsibility in connection herewith shall be as overseer in nature, Manager may determine from time to time that it is more feasible or economical for Manager's employees or affiliates to perform said services. In that event, and with Client's prior written approval, Manager shall perform said services and Client shall pay Manager for such services at the agreed upon rates specified in such written approval.

- (a) Site preparation and planting.
- (b) Road, bridge, gate and culvert construction and maintenance.

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- (c) Plowing and maintenance of firebreaks.
- (d) Property boundary line maintenance (marking) and surveys.
- (e) Vegetation management, chemical or mechanical.
- (f) Prescribed burning.
- (g) Hardwood control, chemical or mechanical.
- (h) Insect and disease control.
- (i) Aerial surveillance.
- (j) Slash burning and fire suppression.
- (k) Contract logging and trucking.
- (l) Fertilization.
- (m) Stocking control.

- (n) Animal control.
- (o) Appraisals of mineral, oil, rock and gravel sales.
- (p) Monitoring of oil and gas activities.
- (q) Surveying for threatened and endangered species; provided, however, that habitat conservation agreements and other extensive regulatory implementation programs are beyond the scope of Manager's duties and responsibility, but such services may be provided based upon the mutual agreement of the parties. In such event, and with Client's prior written approval, Manger shall perform said services, and Client shall pay Manager for such services at the agreed-upon fee or fee schedule specified in a separate written agreement.
- (r) Archeological or other specialized surveys outside the scope of services customarily provided by professional timberland managers in the area in question.
- (s) All other subcontract work incurred at Client's request with prior written approval of Client.

2.04 Property Management Plans on New Acquisition Properties: If any new property is acquired by Client (or by or on behalf of an Ultimate Client Portfolio) and added to this Master Agreement by amendment to Exhibit 2A, Client may in its sole discretion request that Manager prepare a post-acquisition Property Management Plan for such new property. Client and Manager shall agree upon specific requirements and parameters for the Property Management Plan. Manager shall perform said services, and Client shall pay Manager for such services at the agreed-upon fee or fee schedule specified in a separate written agreement. When a Property

Management Plan has been prepared for a new property and approved by Client, then it shall thereafter be updated as otherwise provided pursuant to Section 2.02(o).

2.05 Income and Expenses; Bank Accounts: The payment of all expenditures referred to in Section 2.03, to the extent budgeted or otherwise permitted by the terms of this Master Agreement and/or Exhibit 2A, and any other expenditures expressly approved in writing by Client, shall be the responsibility of Client. Manager, however, shall review, approve and certify for accuracy, as appropriate, all bills, invoices or claims for payment relating to such expenditures, and shall cause such items to be paid from Client's Account. Manager's authority to make such payments from Client's Account shall be subject to the limitations and requirements set forth in Exhibit 2B to this Master Agreement.

Manager shall provide its own hardware that is compatible with Client's Wide Area Network (WAN). Each party shall pay the costs of all hardware and software purchased and installed at its locations for use with the WAN; provided, however, that the parties will each pay an equal share of any charges, such as line charges and other similar charges, relating to use of any shared hardware between Client's and Manager's respective headquarters. Manager shall be permitted to utilize the WAN for business other than business provided to Client hereunder.

Manager shall arrange for all income, proceeds and fees generated by the Timberlands (including but not limited to timber sales proceeds and fees from leases, licenses, and other agreements), together with appropriate documentation thereof, to be remitted to Client's Account or as otherwise directed by Client with duplicate sales documentation to Manager. Manager shall review said documentation and certify the accuracy thereof on the monthly statement to Client required by Section 2.02(c).

Nothing in this Master Agreement shall be deemed to authorize Manager to open any bank account in Client's name or to deposit or cause to be deposited any of Client's funds in any bank account not expressly authorized by Client for the purposes contemplated by this Master Agreement. Signature authority with respect to bank accounts established by Client may be granted to Manager by Client, in Client's sole discretion.

2.06 Operation and Management Records: Manager shall maintain and provide to Client full and accurate records covering the operation and management of each Timberland, which records shall be sufficient to satisfy ordinary and necessary tax and accounting reporting requirements. Client and Client's accountants at all reasonable times shall have access upon demand to such records as well as to all other books and records of Manager relating to the management and operation of each Timberland. Upon termination of this Master Agreement with respect to any Timberland, all records pertaining to such Timberland kept by Manager shall become the property of Client and shall be turned over to Client forthwith. Client will also have access to any of Client's computer data, and all other information of Client which Manager has within its control. Any custom investment models or other custom computer software provided to Manager by Client or otherwise developed, purchased or paid for by Client for the purpose of acquiring, managing, or disposing of any property that is subject to this Master Agreement (including without limitation TIM and CBS) shall be deemed the property of Client and, at Client's request, exact copies thereof or the originals of any such items in the possession

of Manager shall be promptly made available to Client at Manager's expense in the event of termination of this Master Agreement. Any custom computer software developed by Manager for the Land Records System pursuant to Section 2.02(m) shall be deemed the property of Manager, however Client is hereby granted a non-exclusive license, at no additional cost to Client, to use such custom software with respect to Timberlands hereunder from time to time, which license shall survive termination of this Master Agreement with respect to Timberlands hereunder on the date of termination.

2.07 Property Management Service Fees: Property Management Service Fees shall be set forth in writing and included in Exhibit 2A as described above. Such fees may be fixed or variable, may be indexed or may contain other “value added” compensation components, and may be agreed to for a shorter or longer term depending upon the Timberland or Timberlands and the understanding of the parties reached with respect thereto. The Annual Budget for each Timberland, as described in Section 2.02, shall be based (in pertinent part) on the Property Management Service Fees as so negotiated. Client shall pay to Manager the applicable Property Management Service Fee for each Timberland (as set forth in Exhibit 2A) on a calendar month basis, subject to its prior receipt of Manager’s invoice. Payment shall be made by the tenth day of the month following the month in which the charges were incurred or within five (5) days of Client’s receipt of Manager’s invoice for the previous month, whichever is later. In the event of termination of this Master Agreement with respect to any Timberland, or the sale of any Timberland, or portion thereof, Client shall pay only that daily pro rata portion of the Property Management Service Fee which has accrued to the date of termination or sale. In the event that significant changes in management activities alter monthly budgeted cash flows for any property by 50% or more for a period exceeding 90 consecutive days, Property Management Service Fees for that property will be re-examined and revised by both parties as appropriate. Such revised fees shall only apply prospectively.

Section 3. Disposition Services:

3.01 Timberland(s) To Be Sold; Terms of Sale: Client may from time to time provide Manager, at Client’s sole discretion, with a list of properties to be sold by Manager and guidelines as to sales prices and other matters as may be directed by Client. Such list, together with said guidelines, shall hereinafter be referred to as the “List”. Said List may be amended, from time to time, at Client’s sole discretion. Unless otherwise approved by Client in writing, all sales contracts submitted by Manager for Client’s approval shall be made on Client’s approved Standard Real Estate Sales Contract form for that area (“Real Estate Sales Contract”). A copy of a Real Estate Sales Contract is attached hereto as Exhibit 3A and incorporated herein. All offers, proposed purchase prices and terms shall in no way bind or obligate Client until and unless expressly accepted in writing by Client.

Manager acknowledges and agrees that Client has the sole, exclusive and unilateral right to engage and contract with brokers or agents to sell all, or any portion of, the Timberlands and that Client has the absolute and exclusive right to pledge, encumber, sell, transfer, or dispose of all, or any portion of, the Timberlands without the consent of Manager, and Manager shall not knowingly cause any lien, charge, or claim to attach to any Timberland or to any timber or other rights located on any Timberland. Manager represents and warrants that it will comply with all

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laws and regulations associated with the sale of any Timberland for which it provides services pursuant to this Section 3, and that Manager will endeavor to provide information that is both adequate and accurate for its intended purpose, including (where Manager is to provide such services) adequate and accurate descriptions to be used by Client in drawing deeds and easements.

Manager expressly acknowledges and agrees that Manager shall have no authority to (i) commit Client to any sale of any Timberland or any portion thereof; or (ii) make unsubstantiated statements or representations about said Timberlands.

3.02 Disposition Services: To the extent requested by Client, Manager shall assist, cooperate and consult with Client, its appointed brokers and agents, and shall provide the following disposition services from time to time with respect to each proposed property disposition with respect to each Timberland for which it then serves as Manager:

- (a) Assist Client in identifying Timberlands for inclusion on the List based on criteria established by Client.
- (b) Arrange for and supervise disposition cruises, internal property valuations and assist Client in preparing Client’s Vote Packages.
- (c) Solicit and procure purchasers for each Timberland on the List, market the Timberland, and develop purchaser interest and a summary of prospective purchasers thereof, which summary shall be updated as Client may reasonably request.
- (d) Assist Client in screening prospective purchasers.
- (e) Contract for any reasonable advertising program for the sale of the List Timberlands solely in Manager’s own name and at Manager’s sole discretion.
- (f) Distribute sales information approved by Client to prospective purchasers.
- (g) Receive and answer inquiries from prospective purchasers.
- (h) Show identified Timberlands to such prospective purchasers.
- (i) Negotiate with prospective purchasers on Client’s behalf certain terms and conditions in accordance with Client’s instructions.
- (j) Assist in closing sale transactions, including assisting in the verification of legal descriptions of Timberlands to be sold.
- (k) Assist in preparing conveyance deeds and identifying unrecorded documents which affect the sale of Timberlands and in the assignment of easements and other rights.
- (l) Send to Client a closing statement showing prorations or adjustments promptly after each closing.

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- (m) Perform such other services as Client may reasonably request in writing.

The foregoing notwithstanding, Client shall not be obligated to employ, to offer to employ or to negotiate terms of employment with Manager for any disposition services. However, because Manager is the provider of Property Management Services for that Timberland, Manager shall be given "first consideration" for providing disposition services with respect to such disposition upon the terms and conditions set forth in this Master Agreement. Whether or not Client employs Manager to perform disposition services for any Timberland, because Manager is the provider of Property Management Services for such Timberland, may have access to confidential information regarding such Timberland and will have continuing responsibilities for management of such Timberland unless and until it is sold, Manager shall not acquire, attempt to acquire, advise or assist any other person in its attempt to acquire any Timberland (or any portion thereof).

Compensation for Disposition Services:

(a) For disposition services actually performed, Manager shall be paid [**Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission**]

(b) In some instances, Client may desire to exchange a Timberland, or portions of a Timberland, for other Timberland, rather than disposing of the same for cash. In such event, Manager shall provide the same services on the same terms and conditions to Client as are described in this Master Agreement regarding dispositions for cash. If Manager is employed by Client to provide both disposition and acquisition services, Manager shall document separately the services it performs for disposition of the Timberland and the services it performs for the acquisition of the Timberland received in the exchange. Manager's compensation with respect to the Timberland disposed of shall be as described above, and Manager's compensation with respect to the Timberland acquired in the exchange shall be calculated separately in accordance with Section 4.03 of this Master Agreement.

Section 4. Acquisition Services:

4.01 Acquisitions: Regardless of a Timberland's location, Manager may but shall not be obligated to bring any acquisition opportunity to Client's attention. Client may but shall not be obligated to employ, or to offer to employ, Manager to provide acquisition services for any acquisition, even if brought to Client's attention by Manager. Client shall not be obligated to pay Manager with respect to any acquisition unless Manager actually performs acquisition services requested by Client with respect to such Timberland. Manager may but shall not be obligated to accept any offer from Client to perform acquisition services for any acquisition, and (subject to Section 5.02 below) Manager may attempt to acquire or assist any other person in its attempt to acquire any acquisition property; provided however, if Manager performs

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acquisition services for Client with respect to a particular acquisition (except in the case of a joint acquisition approved by Client), Manager shall not attempt to acquire that Timberland for its own account or for the account of any other person or entity, nor shall it assist any other person in any attempt to acquire that Timberland or compete with or hinder Client in its attempt to acquire that Timberland, unless Client has discontinued its efforts to acquire such Timberland and advise Manager that it may pursue such acquisition opportunity either for its own account or for the account of others. If Manager actually provides acquisition services requested by Client pursuant to this Section 4 for any property acquired by Client (or by an Ultimate Client Portfolio managed by Client) during the term of this Master Agreement, the parties shall negotiate in good faith regarding the terms on which such new acquisition would be added to Exhibit 2A. The parties shall endeavor to commence any such negotiations at least 30 days prior to the expected acquisition closing date. Under no circumstances, however, shall either party be obligated to continue any such negotiations past the actual closing date of such acquisition. Client may, but shall have no obligation to, employ Manager for property management services except with respect to properties listed on Exhibit 2A, as it may be amended from time to time.

4.02 Scope of Acquisition Services: The potential scope of acquisition services shall be as follows:

- (a) Identify, investigate, and inspect (if appropriate) relevant properties offered for sale by other parties, develop financial investment models and conduct or facilitate valuations as necessary for Client's evaluation of the property or properties.
- (b) Assist Client in preparing Client's bid proposal and vote packages, supervise third party timber inventory verification, assist with valuation of the acquisition property by parcels at the request of Client and cooperate with third party review of the parcelization process.
- (c) Review legal and historical access to the property for the purpose of managing the property.
- (d) Assist Client and Client's counsel in the negotiations for acquisition of the property in accordance with verbal directions given by Client.
- (e) Assist Client and Client's legal counsel with the preparation and review of various acquisition documents, including but not limited to acreage verification, review of title commitments and title exception documents.
- (f) Assist Client and Client's legal counsel in the verification of all closing documents and the closing statement for acquisition of the property.
- (g) Conduct a preliminary field inspection of the property and cooperate with and assist the environmental consultant retained by Client in conducting the consultant's environmental review of the property.

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With respect to any given acquisition, however, Client shall be free to perform any or all acquisition services itself, and may request Manager to perform fewer services. Any request by Client for Manager's acquisition services shall be in a writing which shall reasonably describe the services requested and such other matters as the parties deem relevant. Manager represents and warrants that it will comply with all laws and regulations associated with the acquisition of all properties for which it provides services pursuant to this Section 4.

Unless otherwise agreed in writing, all acquisition contracts shall be in a form approved by Client and prepared by counsel for Client. No offer or proposed term or condition shall bind or obligate Client until and unless expressly accepted in writing by Client. Manager shall have no authority to commit Client to any purchase of any property.

4.03 Compensation for Acquisition Services: Client shall not be obligated to pay, and Manager shall have no right to receive, any finder's or other fee for bringing acquisition opportunities to Client's attention. However, if Manager actually performs acquisition services requested by Client with respect to a property, Client shall pay Manager monthly in arrears, subject to the prior receipt of an invoice describing in reasonable detail the services actually performed during the month and the charges for such services, on a time and materials basis in accordance with the fee and/or fee schedule set forth in Exhibit 4A.

Section 5. Conflicts of Interest, Confidentiality and Non Compete:

5.01 Confidentiality: The parties acknowledge that each will have access to, and from time to time will obtain, confidential information of the other party. The parties agree that any receipt, use, and disclosure of confidential information shall be restricted as set forth in Exhibit 5A to this Master Agreement.

5.02 Non Compete: So long as this Master Agreement shall remain in effect, Manager agrees that neither Manager nor its affiliates will compete with Client by (a) performing, offering to perform or soliciting timberland portfolio investment services for Plans and Endowments investing in timberlands within the Continental United States or Canada; (b) soliciting or attempting to raise timberland investment capital from Plans and Endowments for timberland investments within the Continental United States or Canada; or (c) managing timberland properties in the Continental United States or Canada owned or managed for Plans and Endowments. In addition, recognizing Client's need to protect its legitimate business interests, and as a further inducement to Client to continue to enter into this Master Agreement, Manager hereby covenants and agrees with Client that during the term of this Master Agreement, Manager will not, directly or indirectly, for itself or any other person, business or entity: (x) have any ownership interest in any Competing Business (other than passive ownership of publicly-traded securities constituting less than a 1% interest), provided that Manager's continuing ownership of any ownership interest in an entity that was not a Competing Business when such investment was made, but subsequently becomes a Competing Business as a result of a sale of an interest therein to a Plan or Endowment by a person or entity not controlled by Manager, shall not constitute a breach of this clause (x) as long as Manager neither manages or operates such entity, nor owns more than 5% of the entity from and after the date that it becomes a Competing Business, unless otherwise agreed in writing by Client; or (y)

attempt to employ or recruit, or assist any other person or entity in employing or recruiting, for or on behalf of any Competing Business, any employee who is employed by Client.

Manager represents and warrants that neither it nor any of its affiliates presently conducts any of the activities described in clauses (a), (b), (c) or (x) of this Section 5.02, except insofar as the units of interest in Pope Resources, A Delaware Limited Partnership ("Pope") are publicly traded Pope and Manager or its other affiliates may be deemed to provide timberland portfolio investment services for, or to manage timberlands beneficially owned by, Plans or Endowments that purchase such units. Notwithstanding the foregoing, Manager covenants and agrees that, so long as this Master Agreement shall remain in effect, neither Manager nor any of its affiliates will issue any new interests that are publicly traded in the United States which constitute an interest in any entity that owns or manages timberlands located in the Continental United States or Canada; except for the issuance of new interests in conjunction with any option, incentive or compensation programs of Manager or its affiliates for the benefit of its officers, directors, employees, or agents. Nothing in this Section 5.02 shall be deemed to apply to the issued units of Pope existing as of the effective date of this Master Agreement.

For purposes of this Section 5.02, "affiliate" shall mean any person or entity (whether now existing or hereafter created) that is controlled by, in control of, or under common control with Manager, and shall in any event include Pope.

Notwithstanding any other provision of this Section 5.02, it is understood and agreed that nothing herein shall prohibit Manager or its affiliates from advertising, soliciting, marketing for sale, or selling or conveying any timberland or other property now or hereafter owned by Manager or its affiliates to a Plan or Endowment, provided that neither Manager nor its affiliates shall provide management services for any timberland conveyed to such Plan or Endowment after closing. In conjunction with any such sale, an affiliate of Manager may create or cause to be created a publicly traded vehicle to facilitate the sale.

The provisions of this Section 5.02 shall survive termination of this Master Agreement for a period of (i) twenty-four calendar months with respect to each Plan and Endowment that is invested in an Ultimate Client Portfolio managed by Client and (ii) twelve calendar months with respect to any other Plan or Endowment.

Manager and Client hereby expressly agree that damages may not compensate Client adequately for a breach of this Section 5.02, and acknowledge that absent this Section 5.02 Client would not have entered into this Master Agreement. Therefore, to the maximum extent permitted by law, upon establishment of a breach of this Section 5.02, the parties hereby specifically agree that Client shall be entitled to specific performance of the provisions of this Section 5.02, and in the event that Client brings any action for specific performance of this Section 5.02 Manager waives any objection or right to object to the suitability or availability of specific performance as a remedy for breach of this Section 5.02, including without limitation any objection based on the adequacy of damages or the irreparable nature of the injury claimed by Client. The foregoing, however, shall not be deemed to constitute a waiver by Manager of its right to participate in the litigation, to dispute whether a breach of this Section 5.02 occurred or whether

the scope of the equitable relief requested by Client is appropriate and consistent with the strict enforcement of the provisions of this Section 5.02.

5.03 Use of Name; Press Releases: Not less than five (5) business days prior to distributing any press release, sales or marketing literature or other written material to unaffiliated third parties, which refers to the other party or any of its affiliates by name, or that make reference to or representations about the nature of the relationship in which the parties are engaged, Manager or Client (as the case may be) shall furnish the other party with a copy of such materials and shall refrain from distribution thereof if the other party reasonably objects in writing within five (5) business days of its receipt thereof. Each party agrees to cooperate with the other to facilitate any desired press release or other written communication, to promptly review any suggested material (or the pertinent provisions thereof which refer to such party), to generally permit the use of its name by the other party in any factually accurate description of this Master Agreement, and to not unreasonably object to the manner in which its name may be used. Each party also acknowledges that communications to Plans and Endowments (and their advisors and consultants) that are invested in Ultimate Client Portfolios will be made periodically and will necessarily disclose the existence of this Master Agreement, identify and refer to the parties by name, and each party agrees that the use of its name in such communications need not be approved. Similarly, each party acknowledges that communications required by the Securities and Exchange Commission will be made periodically, and may disclose the existence of this Master Agreement, identify and refer to the parties by name, and each party agrees that the use of its name in such communications need not be approved.

Section 6. Insurance, Indemnity, Status, Standard of Performance and Legal Compliance:

6.01 Insurance and Bonding: (a) During the term of this Master Agreement, and any extensions thereof, Manager shall maintain in full force and effect at least the following minimum levels of insurance with financially stable insurance carriers satisfactory to Client in the reasonable exercise of Client's discretion:

(i) Manager shall maintain a policy of commercial general liability insurance insuring Manager and Client (and the owner of each Timberland that is subject to this Master Agreement) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Master Agreement, in the minimum amount of \$500,000 for each occurrence, \$500,000 general aggregate, plus umbrella coverage of \$7,000,000. The premiums and other costs of such general liability insurance shall be paid for by Manager as a cost associated with the operations of Manager under this Master Agreement. All other insurance required under this Section 6 shall also be the obligation of Manager and shall be paid for by Manager, and Client shall not reimburse Manager for such expenses.

(ii) Manager shall maintain a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring Manager and Client (and the owner of each Timberland, as applicable) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Master Agreement, in the

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minimum of \$1,000,000 for bodily injury per accident and \$500,000 for property damage.

(iii) Manager shall maintain Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of \$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Client, the owner of each Timberland, as applicable, and their respective agents or employees, to the full extent allowed by law.

(b) Manager shall require and verify that all contractors or subcontractors hired to perform any work relating to the Timberlands acquire and maintain the following insurance requirements unless otherwise approved by Client, which approval will not be unreasonably withheld or delayed by Client; provided, that Client hereby authorizes Manager, of its own volition, to waive such insurance requirements, in whole or in part, in emergency situations for the period of such emergency:

(i) Contractors or subcontractors shall maintain a policy of commercial general liability insurance insuring contractor or subcontractor, as the case may be, and Client (and the owner of each applicable Timberland) against liability for bodily injury or property damage claimed to have resulted from or be in any way connected with contractor's or subcontractor's operations under this Master Agreement, in the minimum amount of \$500,000 for each occurrence and \$1,000,000 general aggregate. The premiums and other costs of such general liability insurance shall be paid for by the contractor or subcontractor as a cost associated with their operations. All other insurance required under this Section 6.01(b) shall also be the obligation of contractor or subcontractor and shall be paid for by contractor or subcontractor.

(ii) Contractors or subcontractors shall maintain a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring contractor or subcontractor and Client (and the owner of each applicable Timberland) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with contractor's or subcontractor's operations under this Master Agreement, in the minimum of \$500,000 for bodily injury per accident and \$250,000 for property damage.

(iii) Contractors or subcontractors shall maintain Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of \$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Client, the owner of each applicable Timberland, and their respective employees.

(c) All insurance coverages required hereunder shall not be subject to change or cancellation without at least ten (10) days' prior written notice to Client.

(d) Manager shall furnish evidence satisfactory to Client that Manager is maintaining such insurance coverage.

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(e) Manager and all employees of Manager who handle or who are responsible for the handling of Client's monies shall, at all times during the term of this Master Agreement, without expense to Client, be bonded by a fidelity bond acceptable both to Manager and Client, in an amount of not less than **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** and by a company acceptable to Manager and Client. A certificate verifying the existence of such a bond shall be furnished to Client by Manager.

(f) The foregoing insurance and bonding coverage are minimum requirements and the maintenance thereof shall no way limit the liability of Manager under this Master Agreement.

6.02 Indemnity — Liability:

(a) Manager agrees to defend, with counsel mutually acceptable to both Client and Manager, indemnify and hold Client, the owner of each applicable Timberland that is subject to this Master Agreement, and their respective agents, employees, officers, directors and affiliated companies free and harmless from and against all claims, suits, actions or proceedings, whether civil or criminal, and liabilities, losses, injuries, damages, judgments or expenses, including court costs and reasonable attorney's fees, arising out of Manager's operation and maintenance of the Timberlands caused by Manager's breach of its duties and obligations under this Master Agreement or by the negligent or willful acts or omissions of Manager, or of contractors or subcontractors employed by Manager pursuant to activities associated with the duties and responsibilities described in Section 2, made or done in the performance of, or failure to perform, its obligations under this Master Agreement, to the extent not caused by the Client's (or applicable Timberland owner's) negligent or willful acts or omissions; provided that Manager's liability under this Master Agreement resulting from the negligent or willful acts or omissions of any contractor or subcontractor utilized by Manager shall be limited to **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** in the aggregate for any one calendar year.

(b) Client agrees to defend, with counsel mutually acceptable to both Client and Manager, indemnify and hold Manager, its agents, employees, officers, directors, affiliated companies, contractors, and subcontractors free and harmless from and against all claims, suits, actions or proceedings (whether civil or criminal), and all liabilities, losses, injuries, damages, judgments of expenses, including court costs and reasonable attorneys' fees, arising out of Client's breach of its duties and obligations under this Master Agreement or Client's negligent or willful acts or omissions, to the extent not caused by the Manager's, or its contractors or subcontractors, negligent or willful acts or omissions.

6.03 Independent Contractor: Manager's status hereunder is that of an independent contractor, and Manager shall not contract for or on behalf of Client without Client's express written consent and Manager shall not represent to any third party that its relationship to Client is other than that of an independent contractor. Except as otherwise provided in Exhibit 2B, Manager shall subcontract in its own name. All work performed pursuant to this Master Agreement shall be by independent contractors or by employees of Manager. With respect to

employees, Manager shall obtain and maintain Workers' Compensation Insurance as required by law and under this Master Agreement. With respect to contractors, Manager shall be responsible for ascertaining that all subcontractors are in compliance with all applicable Workers' Compensation requirements. While Client shall have the right, as contemplated herein, to direct and require Manager to perform certain functions, the manner in which same are to be performed shall be determined by Manager. All persons required to perform services in connection with the Timberlands shall be employed by and be employees of Manager, contractors or subcontractors with which it deals, and Client shall have no right to direct or to control these persons in any respect whatsoever. Anything herein to the contrary notwithstanding, Manager's use of contractors or subcontractors shall in no way exonerate Manager from full performance of its duties and obligations under this Master Agreement, except as may be limited by Section 6.02 hereof.

6.04 Standard of Performance: Manager shall (a) discharge its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, using generally accepted and proper land management and forestry practices and procedures acceptable to Client, and (b) act in accordance with the standards in effect from time to time under federal, state and local laws, rules, regulations, and ordinances applicable to its forestry and management operations. Acting through its qualified subsidiaries, agents and employees, Manager shall generally manage, oversee, and supervise each Timberland listed from time to time on Exhibit 1A and all forestry operations thereon or incident thereto and shall furnish or subcontract for all labor, materials, equipment, supplies and services necessary to operate and maintain each Timberland, and shall perform and carry out the duties and responsibilities as generally outlined in this Master Agreement. Manager agrees to act in good faith and with due care in selecting reputable and qualified contractors and subcontractors to be employed by Manager. Notwithstanding anything herein to the contrary, Manager shall expend no funds with respect to any Timberland or enter into any contracts or other agreements affecting any Timberland in contravention of the limitations and signature requirements set forth on Exhibit 2B.

6.05 Governmental Compliance: Manager hereby represents and warrants to Client that Manager has obtained and will maintain all necessary licenses, permits and other governmental authority required for Manager to fulfill its obligations under this Master Agreement. Manager further represents and warrants that prior to conducting any forestry activities, it will ensure that all necessary forest practice or other applications or permits associated therewith are obtained. Manager shall take, or timely recommend, such action as shall be necessary to comply with all federal, state, and other governmental laws, orders or requirements applicable to its management and forestry operations under this Master Agreement. Whenever a report, application, notice or other document is required to be filed or reported with any governmental agency in connection with the Timberlands or any forestry operations being conducted by Manager hereunder, Manager shall immediately notify Client of the same, and the Manager where necessary will prepare initial drafts of any such report, application, notice or other document for filing or reporting. Manager shall ensure that any and all contractors or subcontractors performing services on or relating to the Timberlands comply with all applicable federal, state, and other governmental laws, orders or requirements relating to said contractors

or subcontractors or relating to each Timberland. Upon request, Manager shall provide Client with evidence satisfactory to Client of Manager's compliance hereunder.

Section 7. Term and Termination:

7.01 Term: The term of this Master Agreement shall commence as of January 1, 1998, and shall continue to and including December 31, 2000.

7.02 Termination for Fraud or Failure to Perform: Either party may terminate this Master Agreement, in whole or in part with respect to any Timberland(s), at any time, upon not less than 10 days' prior written notice thereof to the other party based on such other party's: (i) fraud or criminal activity; or (ii) failure to perform its obligations under this Master Agreement; provided that, in the case of notice of termination pursuant to clause (ii), if such other party commences to cure such default within the above-mentioned ten (10) day period such other party shall have thirty (30) days after notice to cure such default; provided that if the default is susceptible of being cured but cannot reasonably be cured within thirty (30) days, the cure period for such default shall continue for so long as such other party is diligently attempting to effect such cure; provided however that a party's right to an extended cure period, as described immediately above, shall terminate if such party shall have received notice of three different defaults within any six (6) month period (or six different defaults at any time during the term of this Master Agreement) which have not been cured within thirty (30) days. Any notice given pursuant to this Section 7.02 shall describe the reason for termination in reasonable detail, shall stipulate the effective date of termination, and whether such notice of termination applies to the Master Agreement in its entirety or to specific properties which shall be identified in the notice.

7.03 Automatic Termination: This Master Agreement shall automatically terminate, in its entirety and with respect to all Timberlands, if: (i) there are no Timberlands with respect to which Manager is then providing Property Management Services pursuant to Section 2 above; (ii) either party is adjudicated as insolvent or to be liquidated, files or consents to the filing against it of a petition for relief or reorganization in bankruptcy (or under any similar law), consents to the appointment of a receiver, trustee or similar officer with respect to it or with respect to a substantial part of its property, or fails to dismiss within thirty (30) days any petition or order seeking to effect any of the foregoing; or (iii) either party shall sell substantially all of its assets, merge or consolidate with an unaffiliated third party in such a manner that the party to this Master Agreement shall not be the survivor of such merger or consolidation, or otherwise cease to exist. This Master Agreement shall automatically terminate with respect to a given Timberland (or any portion thereof) if and when that Timberland (or portion thereof) is sold or disposed of, and no longer owned by Client or by or for the account of any Ultimate Client Portfolio. This Master Agreement shall automatically terminate with respect to a given Timberland (or any portion thereof) if and when that Timberland (or portion thereof) is sold or transferred to a publicly traded entity notwithstanding that such entity is an Ultimate Client Portfolio. If, at any time prior to June 30, 1999, as a result of Timberland sales or transfers referred to in either of the two preceding sentences, the number of acres subject to this Master Agreement (net of any acres attributable to Timberlands added to Exhibit 2A after the effective date of this Master Agreement) is reduced by more than thirty percent (30%) when compared to

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the number of acres subject to this Master Agreement on the effective date, then at the election of Manager to be exercised once at any time prior to June 30, 1999, Client agrees to pay to Manager the amount determined in accordance with Exhibit 7A. Such payment shall be made within thirty (30) days following written notice of Manager's election.

7.04 Survival of Obligations: Notwithstanding any other provision hereof, the following obligations, as set forth in this Master Agreement, shall survive any partial termination: (i) the provisions of Sections 2 and 3 (including the Exhibits thereto and all other provisions of this Master Agreement that are incorporated by reference in Section 2 or in Exhibit 2A) shall survive with respect to a given Timberland so long as that property remains subject to this Master Agreement; and (ii) the provisions of Section 5 shall continue in effect until this Master Agreement has terminated with respect to all Timberlands and for such additional periods of time as are specified in Section 5.

7.05 Winding Up Following Termination: Within thirty (30) days following termination of this Master Agreement in its entirety, Client shall pay to Manager all amounts (if any) then due but unpaid under this Master Agreement, including without limitation all fees prorated to the date of termination. Within thirty (30) days following notice of termination of this Master Agreement with respect to any Timberland, Manager shall turn over to Client all records, photos, maps, surveys, title data, custom computer software, documents and other property or items relating to such Timberland, including without limitation any Confidential Information (as defined in Exhibit 5A) relating to such Timberland, along with all copies and abstracts of such Confidential Information.

Section 8. Notices: All notices required or permitted under this Master Agreement shall be in writing and shall be effective at the earlier of the time when actually received by the other party, regardless of the method of delivery, or one (1) day after mailing if by reputable overnight courier or three (3) days after mailing if by certified United States mail, to the parties at the following addresses (or to such other addresses as either party may designate from time to time in a writing delivered to the other):

AS TO THE CLIENT:

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

AS TO THE MANAGER:

Olympic Resource Management LLC
19245 Tenth Avenue NE
P. O. Box 1780
Poulsbo, Washington 98370
Attention: Mr. Thomas Gilkey
Senior Vice President

In the event that the last day for giving any notice hereunder falls upon a Sunday or legal holiday, the last day shall be deemed to be the next business day which is neither a Sunday nor a legal holiday.

Section 9. Title to Timberlands and Timber: Manager shall not by reason of this Master Agreement acquire title to any Timberland or any timber or other asset associated therewith. In addition, Client reserves the right to designate the party or parties to whom any or all of the timber located on the Timberlands may be sold during the term of this Master Agreement or any extension thereof. The rights of Manager hereunder shall be subject and subordinate to all liens which may now or hereafter be placed on the Timberlands.

Section 10. Miscellaneous:

10.01 This Master Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

10.02 This Master Agreement shall be binding upon the parties hereto and their successors and permitted assigns.

10.03 Neither party may assign this Master Agreement or any part thereof without the express written consent of the other party, except Client may assign this Master Agreement without such consent to another subsidiary or affiliate of Client.

10.04 This Master Agreement may not be changed orally but may only be modified by an Agreement in writing executed by the parties hereto.

10.05 The headings in this Master Agreement are for purposes of reference only and shall not limit or define the meaning hereof.

10.06 If any term of this Master Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Master Agreement shall in no way be affected thereby.

10.07 Client and its authorized representatives shall have the right to enter any portion of the Timberlands at any time, and to take any and all such actions with respect thereto as Client in its sole discretion deems necessary or appropriate to protect its interest in the Timberlands and the timber and other property rights located thereon.

10.08 This Master Agreement constitutes the entire Agreement between the Client and Manager and supersedes (i) all previous agreements between Client and Manager relating to the Timberlands, and (ii) all prior drafts of and negotiations relating to this Master Agreement. This Master Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute but one instrument.

10.09 In the event either party shall commence any action to interpret or enforce the terms of this Agreement, the prevailing party shall be entitled to recover its costs and expenses of suit and any appeal therefrom, including reasonable attorneys' fees.

Section 11. Non-Discrimination: During the term of this Master Agreement, Manager shall not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40), or sex.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first written above.

CLIENT:
HANCOCK NATURAL RESOURCE
GROUP, INC.

MANAGER:
OLYMPIC RESOURCE
MANAGEMENT LLC,
a Washington limited liability company

By: /s/ [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
Managing Director

By: /s/ Gary F. Tucker
Gary F. Tucker
President and Chief Executive Officer

Exhibit "2A"

PROPERTY MANAGEMENT SERVICE FEES

States	Property	Acreage Forecast (as of 12/1/97)	Base Rate \$/Acre Fee
	McCloud	39,366	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately

California	Pondosa	39,264
California	Trinity	24,649
Oregon	Coates Creek	6,358
Oregon	Deer Creek	13,133
Oregon	Gold Beach	29,438
Oregon	Hershey	5,346
Oregon	Mist	22,155

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Oregon	Nicolai	5,443	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Oregon	Pebble Creek	15,203	
Oregon	Scappoose	10,906	
Oregon	Santiam	5,297	
Oregon	St. Helens	4,894	
Oregon	Umpqua	19,321	
Oregon	Wilark	7,775	
Oregon	Wiley Creek	47,120	
Oregon	Wilson River	13,372	

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Washington	Cavanaugh	50,799	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Washington	Gold Bar	6,077	
Washington	Granite Falls	10,786	
Washington	Grays River	62,419	
Washington	Johns River	25,150	
Washington	Milwaukee	17,253	
Washington	Monroe	6,983	
Washington	Skykomish	6,328	
Washington	Snohomish	19,403	

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Washington	Wishkah	20,955	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
		535,193	

Contract term for these properties: three (3) years, beginning 1/1/98 and ending on 12/31/2000.

The weighted average base rate/acre of [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] to remain fixed for the three (3) year term.

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EXHIBIT "2B"

DECISION MAKING AND SIGNING AUTHORITY

	CATEGORY	Manager's Authority
1.	Timber sales contracts	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
	stumpage & log sales including salvage & misc. forest products	
2.	Logging & trucking contracts	

3. Land Use permits
i.e. road use, rock/gravel/ leases, regulatory permits licenses (inc. hunting), ferns, oil & gas, etc.
4. Budgeted Capital Expenses
contracts & checks i.e. site prep, planting, herbicide, PCT, logging roads etc...

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5. Budgeted Operating Expenses checks; except management fees
[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
6. Budgeted Operating Expenses checks; management fees
7. All legal invoices
8. Acquisition of properties — with HNRIC/COF approval closing costs, expenses; manager’s compensation; P&S contracts & closing documents

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9. Disposition of properties — with HNRIC/COF approval closing costs expenses;
[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
- manager’s compensation;
P&S contracts & closing documents

All Hancock contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority

Manager — to provide and update list of its authorized individuals periodically

Authorized HNRGI Associates: Director Acquisitions; Manager of Acquisitions; Director of Forestry Operations & Stewardship; Regional Forestry Managers; Regional Foresters; CalPERS Forest Operations Manager; CalPERS CIO; Managing Director

Decision making authority:

- Budget approval must be made by the HNRGI (i) Regional Forestry Manager and Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager and CalPERS CIO;
- Acquisitions and Dispositions require approval of Hancock Natural Resource Investment Committee and JHMLICO Committee of Finance; except that dispositions under **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** must be approved by (i) a Regional Forestry Manager or Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager or CalPERS CIO;
- All recorded instruments (including deeds) to be signed by authorized officers of JHMLICO, John Hancock Timber Resource Corp., or other legal owner, respectively.

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EXHIBIT “2C”

TIMBER INVENTORY SCHEDULE

Annual timber inventory updates will be done to collect the following information on the following schedule:

I. EVEN-AGED MANAGED PROPERTIES

TIME OF ENTRY

INFORMATION TO BE COLLECTED

Approx. 5 years after planting

Species, trees per acre, average stand diameter and height

When 12 — 25 years old

Species, trees per acre, average stand diameter and height

When over 25 years old: (1) approx. 10% of acres over 25 years old to be age inventoried annually; and (2) following major events (e.g., final harvest, commercial thinning, material storm, bug or fire damage)

Species, trees per acre, diameter at breast height (“DBH”), tree height, age

II. UNEVEN-AGE MANAGED PROPERTIES

TIME OF ENTRY

Within one year following major events

Approx. every 10 years for stands with no major activities planned (e.g., plantations)

III. ACCURACY

Inventory will be maintained so that the total volume will be within 10% +/- of the true volume at the 95% confidence interval.

INFORMATION TO BE COLLECTED

Species, trees per acre, DBH, stand height by DBH class

Species, trees per acre, DBH, stand height by DBH class

EXHIBIT "2D"

COMPUTERIZED MAPPING SYSTEM REQUIREMENTS

The computerized mapping system shall be a system that is reasonable and customary for the mapping and spatial analysis of large forest land bases in the Pacific Northwest. Such a system will provide, but not necessarily be limited to the following:

- Collection of data using GPS units.
- Downloading data from GPS units to the mapping system.
- Collection of data from heads-up digitizing, digitizing pads and scanners.
- Importing map and other spatial data from external public and private sources using common data transfer formats.
- Editing and maintenance functions for the spatial databases.
- Links to attribute data stored in resource attribute databases (such as forest inventory), creating the ability to analyze data by spatial characteristics with the capability to link to a harvest scheduling system.
- Automated standard map making processes.
- Processes for creating custom maps.
- Processes for making standard and ad hoc queries of the spatial databases.
- Automated backups of the spatial databases.
- Downloading the spatial data into one or more standard export formats.
- Downloading any attribute (non-spatial) data into standard ASCII tables.

EXHIBIT "2E"

FOREST INVENTORY SYSTEM REQUIREMENTS

The computerized inventory system shall be a system that is reasonable and customary for the management of large forest inventories in the Pacific Northwest. Such a system will provide but not necessarily be limited to the following:

- Collection of data using field data recorders or cruise cards.
- Downloading data from the field data recorders to the inventory system.
- Entering, storing and maintaining plot data in the inventory databases.
- Compilation of plot data for specified aggregations of plots.
- Loading and storage of compiled cruise results into the forest inventory databases as stand tables.
- Processes for entering, storing, editing and maintaining stand level characteristics such as site, age, gross and net volumes, avg. DBH, stems per acres, and other pertinent data. Such data shall be in total by stand, by species or other aggregation as appropriate.
- Processes for updating of inventory information for annual growth by stand and projecting such growth over time.
- Processes for editing and maintenance functions for the various inventory databases.

Obtaining stand areas from the computerized mapping system.

Processes for production of standard forest inventory reports.

Processes for development of standard and ad hoc queries of the inventory databases.

Automated backups of the inventory databases.

Downloading the cruise and inventory data into standard ASCII tables.

LAND RECORDS SYSTEM REQUIREMENTS

Land records consist of a wide range of documents and other information about a property including: deeds, easements, leases, other agreements attached to the land base, legal descriptions, and property tax information. Some parts of this information may be stored in a digital (computer) format while other parts are stored in hardcopy (paper) formats. The goal of such a system is to facilitate forest management by providing information concerning the landowner's ownership rights to his property, ownership rights (such as easements) the owner may have on other's property, and ownership rights that 3rd parties may have to owner's property. To be useful, documents need to be spatially linked such that one can easily research ownership rights by legal description.

The land records system will provide for:

- Capturing the initially available land records for a property.
- Organization of the land records in a way that facilitates access.
- Storage of the land records, including off site storage of duplicate records as is appropriate.
- Linkages between the land record documents and other land record data and the appropriate spatial data.
- Maintenance and updating of the land records as new information is generated or old information becomes obsolete.
- Development of property descriptions for use in the sale of portions of or all of a property.
- Transfer of the information at the end of the management contract.

REAL ESTATE SALES CONTRACT

Date:

RE. No:

Contract No.:

of , City of , County of , State of , hereinafter referred to as "BUYER" hereby agrees to purchase from JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, hereinafter referred to as "SELLER", AND SELLER hereby agrees to sell and convey to BUYER that certain real estate described in Exhibit A attached hereto and made a part hereof, hereinafter referred to as the "Property", upon the following terms and conditions:

1. **Purchase Price.** BUYER hereby agrees to pay for said Property the amount of dollars (\$) ("Purchase Price"), with dollars (\$) ("Deposit") to be paid by BUYER to SELLER at the time of the execution of this Contract, and the balance to be paid by BUYER to SELLER at "Closing" described in Paragraph 4 below; said Purchase Price to be paid to SELLER in cash, by official bank cashier's check, or by wiring immediately available Federal Funds to the closing agent or to such bank account as SELLER shall designate to BUYER.
2. **Closing Costs.** SELLER shall pay the cost of preparation of the deed, for the release of any encumbrances of record not excepted below, any transfer tax imposed upon the SELLER by law, and the expenses of its own attorney. BUYER shall pay all other closing costs including without limitation other taxes, recording fees, and all fees and expenses of BUYER'S attorneys.
3. **Conveyance.** SELLER agrees to convey the Property at the Closing by a duly executed, good and sufficient deed, free and clear of all encumbrances not specifically excepted in this contract. Such conveyance shall be subject to easements, restrictions, reservations, rights of way, roadways, mineral rights or reservations, oil, gas or other mineral leases, parties in possession, leases or rights of any tenants or lessees, and all other matters which an accurate survey would show applicable to or affecting the Property. Real Estate taxes shall be prorated to the date of Closing, with the Buyer responsible for any taxes accruing or due and payable after the Closing contemplated herein. If BUYER desires an examination of title, BUYER shall pay costs thereof. If upon examination of title BUYER finds flaws in title to which BUYER objects, BUYER shall report same in writing to the SELLER before the Closing or BUYER shall be deemed to have waived such objections. SELLER shall have sixty (60) days from receipt of any such title objections to cure same, or SELLER may elect not to cure same and return the Deposit within fifteen (15) days of receipt of objections; and this Contract shall thereupon terminate.

4. Closing. The Closing contemplated herein shall mean the simultaneous closing of the sale by execution and delivery by SELLER of the deed to BUYER and payment by BUYER of the Purchase Price. Closing date to be _____, unless the date of Closing is extended in writing by mutual agreement at least ten (10) days prior to the aforesaid date. THE PARTIES AGREE THAT TIME IS OF THE ESSENCE WITH RESPECT TO THIS CONTRACT. The Closing shall be held at the offices of _____, unless another place is agreed upon.

5. Deposit. The Deposit is delivered to SELLER to evidence BUYER's good faith. It is understood and agreed that same will be returned to the BUYER in the event SELLER does not execute this Contract. In the event that the Closing contemplated herein occurs, the Deposit, at the closing shall be returned to BUYER or credited to the Purchase Price. IN THE EVENT THAT THE CLOSING DOES NOT OCCUR FOR ANY REASON, WHATSOEVER, OTHER THAN THE FAULT OF THE SELLER, SELLER SHALL RETAIN THE DEPOSIT AS A MEASURE OF LIQUIDATED DAMAGES, IT BEING FURTHER UNDERSTOOD AND AGREED THAT IT WOULD OTHERWISE BE IMPOSSIBLE OR IMPRACTICABLE TO MEASURE THE ACTUAL DAMAGES CAUSED TO OR SUFFERED BY THE SELLER DUE TO THE FAILURE OF THE CLOSING TO OCCUR. THIS PROVISION SHALL IN NO WAY AFFECT SELLER'S RIGHT TO RELY UPON AND TO EXERCISE ANY OTHER LEGAL REMEDIES OR RECOURSE AVAILABLE TO SELLER, INCLUDING WITHOUT LIMITATION, SPECIFIC PERFORMANCE IN THE EVENT THE CLOSING CONTEMPLATED HEREIN DOES NOT OCCUR DUE TO ANY REASON ATTRIBUTABLE TO OR DEFAULTED BY BUYER.

6. Possession. BUYER shall obtain possession of the Property upon the Closing of this Contract, subject to all the matters described in Paragraph 3 hereof.

7. Acreage. SELLER is selling the Property by the tract or parcel only, it being understood and agreed that the acreage of the Property is not guaranteed or warranted in any way by SELLER.

8. Assignment. This Contract shall not be assigned or encumbered, or otherwise transferred in any way, by BUYER without the prior written consent of SELLER, and shall not be recorded in any County Records or other office where public records are maintained.

9. Bankruptcy. SELLER shall not be obligated or under any duty to close this transaction in the event of the filing of any bankruptcy or insolvency petition or action by or against BUYER.

10. Condition of Property. BUYER agrees that it has inspected and is thoroughly familiar with the Property and is acquiring the Property in its "as is" condition. BUYER understands and agrees that SELLER has not made and makes no representations or warranties of any kind with respect to the condition of the Property or its fitness, suitability or acceptability for any particular use or purpose; and SELLER shall not be liable for any latent or patent defects therein. SELLER shall have no obligation to repair or make any improvements to the condition of the Property prior to Closing. THE PROPERTY MAY NOT BE WITHIN A FIRE

PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE AUTHORITIES TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES. BUYER hereby releases SELLER and its agents, representatives and employees from any and all claims BUYER may discover after Closing that relate to:

(a) The condition of the Property at any time, before or after Closing, including without limitation, the presence of any hazardous substances; and

(b) Any other matter pertaining to the Property.

11. Risk of Loss or Damage. SELLER shall bear the risk of loss or damage to the Property and improvements thereon from any cause whatsoever, or condemnation of any portion of the Property, prior to closing. In the event of such loss, damage or condemnation prior to closing, BUYER, at its election, may terminate this agreement. If BUYER does not elect to terminate this agreement for said reasons, the transaction shall be closed as otherwise agreed to, without reduction in Purchase Price, unless the parties shall agree thereto. In the event both parties are not able to agree to close without reduction in Purchase Price, or agree on any adjustment in Purchase Price, then this transaction shall terminate without any further liability of either party to the other, except that SELLER shall refund to BUYER any portion of the Purchase Price previously paid.

12. Broker. BUYER agrees to indemnify and hold SELLER harmless from any commission, broker's fee, finder's fee or other payment by reason of action by the BUYER.

13. Acceptance of Deed. The acceptance of the deed by BUYER shall be deemed to be a full performance and discharge of every agreement and obligation of SELLER herein contained and expressed.

14. Effective Date. This Contract shall become effective and in full force only when duly and properly executed, authorized and delivered by the parties hereto.

15. Miscellaneous. This Contract may be changed, waived, discharged or terminated only by an instrument in writing, signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Contract are for purposes of reference only and shall not limit or define the meanings thereof. The terms BUYER and SELLER, together with any pronoun used in connection therewith, wherever used in this Contract, shall include the singular and plural and the masculine and feminine, so far as the context may permit or require. This Contract shall inure to and be binding upon heirs, successors and assigns of the parties hereto, subject to the terms hereof.

THIS AGREEMENT is hereby duly executed in triplicate by BUYER and SELLER on the date first above written.

BUYER: _____ SELLER:
 JOHN HANCOCK MUTUAL LIFE
 INSURANCE COMPANY

By _____ By _____

Deliver promptly to BUYER, either manually or by registered mail, a copy hereof showing SELLER's acceptance.

Buyer acknowledges receipt of the foregoing instrument bearing his signature and that of the Seller showing acceptance. Copy hereof showing Seller's signed acceptance sent Buyer by registered mail to Buyer's above address.
 Date _____ Buyer (return receipt requested) on _____, 19
 Time _____ Buyer Return receipt card received and attached to broker's copy _____, 19

EXHIBIT "3B"

DISPOSITION TIME AND MATERIAL FEES

Base Rates*	Per/hour
Director, Planning and Analysis	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Regional Managers	
Biometrician/Analyst	
Foresters	
Cruise Technician	
Administrative Assistant	
Markup to Base Rates	
Markup to Cost of Materials and Services	

(Note: Services meaning and intending to refer to services contracted to others by the Manager)	
Mileage Charges	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

* Rates listed are for typical classifications of positions that will be used for disposition services. Other job classifications may be used with prior written agreement between Manager and Client.

EXHIBIT "4A"

ACQUISITION TIME AND MATERIAL FEES

Base Rates*	Per/hour
Director, Planning and Analysis	[Confidential Treatment for the omitted material

Regional Managers
Acquisition Manager
Biometrician/Analyst
Foresters
Cruise Technician
Administrative Assistant
Markup to Base Rates

Markup to Cost of Materials and Services

[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

(Note: Services meaning and intending to refer to services contracted to others by the Manager)

Mileage Charges

* Rates listed are for typical classifications of positions that will be used for acquisition services. Other job classifications may be used with prior written agreement between Manager and Client.

EXHIBIT "5A"

CONFIDENTIAL INFORMATION

1. Manager and Client acknowledge that each has invested and will continue to invest considerable effort and expense in developing techniques and strategies for timberland acquisitions, investment, management, valuation, pricing, marketing, etc., which information is proprietary and confidential, gives competitive advantage to each and will be imparted to the other and its employees during the course of this Master Agreement. Manager and Client further acknowledge that in the absence of adequate protections for each, each party would be unwilling to enter into this Master Agreement or to share with the other and its employees the information that provides both with its competitive advantage. Accordingly, the parties agree as follows.

2. For purposes of and as used in this Exhibit 5A, the words and phrases below shall have the following meanings and definitions:

(a) "Communications" shall mean all contacts and discussions, direct or indirect, written or oral, between Manager and/or one or more of its employees on the one hand and Client on the other hand concerning any and all aspects of Client's business, which contain, incorporate or utilize Confidential Information.

(b) "Confidential Information" shall mean and include any information, data and know-how relating to the business of Client that is disclosed to Manager and/or one or more of its employees by Client, or known by Manager and/or one of more of its employees as a result of Manager's relationship with Client, and not generally within the public domain (whether constituting a trade secret or not), including without limitation, the following information: non-public financial information that relates to Client's earnings, asset, asset valuations, debts, prices, profit margins, projections, budgets, tax information or other non-public financial data; pricing and purchasing strategies; details of particular transactions; marketing information, such as details about ongoing or proposed marketing programs, information about pending transactions; timberland acquisition and dispositions information, such as any compilations or lists of past, existing or prospective purchases or sales of timberland, including proposals, bids or agreements relating to purchases or sales of timberland, from or to Client (or any account or portfolio managed by Client); operations manuals, plus any information as marked "Confidential" by Client.

The term "Confidential Information" does not include (i) information that has been made generally available to the public by the act of one who has the right to disclose such information without violating any right of Client, though to the extent Client compiles or otherwise arranges such publicly available information in a unique and non-public manner, such compilation or arrangement shall constitute Confidential Information hereunder, or (ii) information substantially developed or created by Manager.

3. Manager acknowledges that Client's business is highly competitive and strongly dependent upon Manager and its employees, and upon confidential methods, techniques and strategies in which Manager and its employees have received or will receive extensive instruction from Client. Manager further acknowledges that competitors are engaged in businesses similar in nature to the business of Client. Manager further acknowledges that Manager's and its employees' services and relationship to Client are of a special, unique and extraordinary character and place Manager and its employees in a position of confidence and trust with access to Communications and Confidential Information.

4. During the term of this Master Agreement, Manager agrees to hold in confidence and not to directly or indirectly copy, use, disseminate, disclose or in any manner publish any Communications or Confidential Information, except to the extent necessary for Manager to discharge responsibilities to Client. Notwithstanding the foregoing, with respect to each item of Confidential Information that constitutes a trade secret under applicable law, the obligations of confidentiality and non-disclosure hereunder apply to the maximum extent permitted by applicable law as long as such information continues to constitute a trade secret. The rights of Client hereunder are in addition to and not in lieu of any rights Client may have under civil or criminal law relating to protection of trade secrets.

5. Manager shall return all written, printed or other tangible Confidential Information to Client upon termination of this Master Agreement, or upon any earlier request therefor by Client, along with all copies and abstracts of such Confidential Information.

6. Recognizing Client's needs to protect its legitimate business interests, and the dependency of Client's business on the skills and expertise of Manager's employees (as enhanced by the Confidential Information disclosed to such employees), and as further inducement to Client to enter into this Master Agreement, Manager agrees to request each of its employees whose duties require having access to Confidential Information, to execute agreements with Manager, in form and substance acceptable to Client, pursuant to which each such employee individually agrees to be bound by and comply with the covenants set forth in paragraphs 4 and 5 above with respect to Manager with the following modifications:

(a) the covenants set forth in paragraph 4 shall be limited to the shorter of the term of this Master Agreement or each employee's employment with Manager (except with respect to trade secrets which shall continue as set forth therein); and

(b) each employee of Manager that has had access to Confidential Information shall agree to return all Confidential Information to Manager upon termination of said employee's employment with Manager.

7. Manager agrees to defend, indemnify and hold harmless Client and its directors, officers, employees, agents, affiliates, successors and assigns, from and against any and all claims, obligations, losses, damages, liabilities, costs and expenses of any kind or nature

(including without limitation) (i) reasonable attorneys' fees and expenses, (ii) attorneys' fees and expenses necessary to enforce its right to indemnification hereunder, whether accrued, absolute, contingent, known, unknown, or otherwise asserted against, imposed upon or incurred by Client or any of its directors, officers, employees, agents, affiliates, successors or assigns or for which any of the above is liable, by reason of, resulting from, arising out of, based upon, awarded or asserted against in respect of (i) the breach by any employee or former employee of Manager of the terms of any agreement described above entered into between Manager and such employee or employees and (ii) any acts or omissions of any employee(s) or of Manager that would constitute a violation of any agreement described above had such been entered into between Manager and such employee(s).

8. It is the intention of the parties hereto that the provisions of this Exhibit 5A shall be enforced to the fullest extent permissible under the laws or policies of each state and jurisdiction in which such enforcement is sought, but that the unenforceability or invalidity of any provision hereof (or the modification thereof to conform with such laws or public policies) shall not render unenforceable or impair the remainder of this Exhibit 5A, which shall be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions. Manager hereby consent to and affirmatively requests that this Exhibit 5A be reformed to the extent necessary to allow for its enforcement. This Exhibit 5A shall be governed by the laws of the Commonwealth of Massachusetts, without reference to conflicts of law.

9. Manager agrees and acknowledges that the restrictions contained in this Exhibit 5A are reasonable and necessary in order to protect valuable proprietary assets, goodwill and business of Client and that the restrictions will not prevent or unreasonably restrict Manager's business activities.

10. Manager acknowledges that any violation or threatened violation of the restrictions contained herein would cause irreparable harm to Client and that damages at law may be inadequate. Manager therefore agrees that in the event of any breach or threatened breach of the provisions of this Exhibit 5A by Manager, Client shall be entitled to preliminary and permanent injunctive relief, without bond, in addition to any other remedy which it may have at law or in equity. The parties hereby specifically agree that, upon establishment of a breach or anticipatory breach of this Exhibit 5A, Client shall be entitled to specific performance of the provisions of this Exhibit 5A, and in the event that Client brings any action for specific performance of this Exhibit 5A Manager waives any objection or right to object to the suitability or availability of specific performance as a remedy for breach of this Exhibit 5A, including without limitation any objection based on the adequacy of damages or the irreparable nature of the injury claimed by Client. The foregoing, however, shall not be deemed to constitute a waiver by Manager of its right to participate in the litigation, to dispute whether a breach of this Exhibit 5A occurred or whether the scope of the equitable relief requested by Client is appropriate and consistent with the strict enforcement of the provisions of this Exhibit 5A.

One Time Start Up Cost Reimbursement for Substantial Net Acreage Reduction

Net Acreage Reduction:	Election Date Periods		
	1/1/98 - 6/30/98	7/1/98 - 12/31/98	1/1/99 - 6/30/99
100%	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
90% to <100%			
80% to <90%			
70% to <80%			

50% to <60%

[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

40% to <50%

30% to <40%

**FIRST AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Western Operations)

THIS FIRST AMENDMENT (the "Amendment") is dated as of the 26th day of July, 1999, by and between HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given therefor in that certain Master Timber Management Agreement (Western Operations) effective as of January 1, 1998 (as amended, the "Master Agreement").

WHEREAS, the parties hereto are parties to the Master Agreement.

WHEREAS, the parties wish to amend the Master Agreement, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Decision Making and Signing Authority. Exhibit 1B of the Master Agreement is hereby replaced by Exhibit 1B to this Amendment. This replacement is effective as of January 1, 1998.

2. Property Management Service Fee. Exhibit 2A of the Master Agreement is hereby replaced by Exhibit 2A to this Amendment. This replacement is effective as of January 1, 1998.

3. Additional Services. Pursuant to Section 2.03 of the Master Agreement, Client may from time to time engage Manager to directly provide certain additional services including the services described in said section (the "Additional Services"). With respect to the Additional Services, the parties agree to the following procedures:

a. The scope of Additional Services shall be set forth in a Work Authorization in form attached hereto as Exhibit A and incorporated herein by reference ("Work Authorization"). Rates charged for Additional Services shall be as set forth in the applicable Work Authorization or in accordance with the Rate Schedule, which is attached hereto as Exhibit B and incorporated herein by reference ("Rate Schedule"). The rates shown on the Rate Schedule shall apply, without change, for the term of the Master Agreement unless otherwise specifically provided in this Master Agreement or the Work Authorization. All requests for Additional Services shall be accompanied by a completed and executed Work Authorization. Upon execution by both parties, each Work Authorization shall be deemed incorporated herein by reference. The parties acknowledge that Client has requested that Manager provide Additional Services with respect to the STRSO Properties as set forth in the Work Authorization attached hereto as Exhibit C.

b. Payment for Additional Services and expenses shall be in accordance with the applicable Work Authorization and this Master Agreement.

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c. Manager will be reimbursed by Client for reasonable travel expenses incurred directly in connection with the performance of Additional Services only to the extent that all such travel expenses have been approved in advance by Client or the travel expenses are provided for in the Work Authorization. Manager will be reimbursed by Client for reasonable miscellaneous other expenses incurred directly in connection with the performance of Additional Services only to the extent that such expenses are provided for in the Work Authorization. Manager shall provide Client with a detailed monthly statement of travel and miscellaneous expenses incurred.

d. Manager, in performing the Additional Services, shall act solely as an independent contractor. Manager, and any employees or agents of Manager, shall under no circumstances be treated as, or deemed to be, employees of Client. Nothing in the Master Agreement shall be construed to create a partnership, agency, joint venture or employer-employee relationship between the parties. Manager understands that Client has no federal, state, or local obligations regarding employee liability or insurance for Manager.

e. Manager shall be responsible for and pay all costs associated with governmental compliance of its business, including, but not limited to, city, county, state or federal licenses, permits, taxes or assessments of any kind. Manager shall be responsible for payment of its income taxes, employment taxes and employee withholding, Social Security taxes and workers' compensation premiums. Manager shall indemnify Client and hold it harmless from paying such business costs or taxes.

f. In the event that rendition of the Additional Services provided for herein requires Manager to be located at facilities of Client, Manager shall comply with all applicable federal or state laws and regulatory requirements and all safety and health regulations prescribed by Client for its own personnel. Manager shall comply with all applicable federal, state and local laws and regulations with regard to the services rendered hereunder.

g. The provision of the Additional Services shall be subject to all of the terms and conditions of the Master Agreement, unless otherwise specifically provided in the Work Authorization.

4. Disposition and Acquisition Services. Except as otherwise agreed to in writing between Client and Manager, the [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] fees for disposition services pursuant to Section 3.03 of the Master Agreement and for acquisition services pursuant to Section 4.03 of the Master Agreement shall be based on the rate schedule set forth in Exhibit 3B to this Amendment. Exhibit 3B to this Amendment shall replace Exhibits 3B and 4A to the Master Agreement. This replacement is effective as of July 31, 1998.

5. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT:	MANAGER:
HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation	OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company
By: <u>/s/ (Unreadable)</u>	By: <u>/s/ Gary F. Tucker</u>
Its: <u>Vice President</u>	Its: <u>President & CEO</u>

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**EXHIBIT 1B
TO FIRST AMENDMENT
DECISION MAKING AND SIGNING AUTHORITY**

<u>CATEGORY</u>	<u>MANAGER'S AUTHORITY (\$US)</u>
1. Timber sales contracts stumpage and log sales including salvage and miscellaneous forest products	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
2. Logging and trucking contracts	
3. Land Use permits i.e., road use, rock/gravel/leases, regulatory permits, licenses (inc. hunting), ferns, oil and gas, etc.	
4. Budgeted Capital Expenses contracts and checks, i.e., site prep, planting, herbicide, PCT, logging roads, etc.	
5. Budgeted Operating Expenses checks, except management fees	
6. Budgeted Operating Expenses checks; management fees	
7. All legal invoices	

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8. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
9. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents	

All Hancock contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority.

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Manager - to provide and update list of its authorized individuals periodically.

Authorized HNRGI Associates: Director of Acquisitions
Manager of Acquisitions

Director of Forestry Operations & Stewardship
Regional Forestry Managers
Regional Foresters
CalPERS Forest Operations Manager
CalPERS CIO
Managing Director

Decision-making authority:

- Budget approval must be made by the HNRGI (i) Regional Forestry Manager and Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager and CalPERS CIO;
- Acquisitions and Dispositions require approval of Hancock Natural Resource Investment Committee and JHMLICo Committee of Finance; except that dispositions under **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** must be approved by (i) a Regional Forestry Manager or Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager or CalPERS CIO; and
- All recorded instruments (including deeds) to be signed by authorized officers of JHMLICo, John Hancock Timber Resource Corp., or other legal owner, respectively.

EXHIBIT A
TO FIRST AMENDMENT
FORM OF WORK AUTHORIZATION
Work Authorization Number _____

1. **Master Agreement.** This Work Authorization Number is issued pursuant to the Master Timber Management Agreement effective as of January 1, 1998 by and between Client and Manager (as amended, the “Master Agreement”). Capitalized terms not otherwise defined herein have the meanings given in the Master Agreement.
2. **Effective Date.** This Work Authorization is effective upon execution by both parties.
3. **Reference Title for Services Under This Work Authorization.** The reference title for Services under this Work Authorization is _____.
4. **Services to be Performed.** This Work Authorization relates to the work more fully described below:
5. **Deliverables and Schedule of Performance.**
6. **Compensation for Services.**
7. **Acceptance Criteria.**
8. **Changes.** Any amendment or modification of this Work Authorization shall be agreed to in writing by both parties (“Change Order”).
9. **Client Representatives.** The representatives of the **Client** who shall have full authority to request the Additional Services to be provided [and to terminate such Additional Services] are _____ or any other person designated in writing by the **Client**.
10. **Manager Representatives.** The representatives of the Manager who shall have full authority to negotiate and execute Change Orders are _____, or any other person designated in writing by Manager.

AGREED TO AND ACCEPTED BY:

Client

Hancock Natural Resource Group, Inc.
99 High Street, 26th Floor
Boston, MA 02110

By: _____

Its: _____

Manager

Olympic Resource Management LLC
19245 Tenth Avenue NE, PO Box 1780
Poulsbo, WA 98370-0239

By: _____

Its: _____

**EXHIBIT B
TO FIRST AMENDMENT
Rate Schedule for Additional Services**

Time will be billed at the following rates:

<u>Position Category</u>	<u>Billing Rate (\$/hour)</u>
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Administrative Assistant	
Technician	
Forester/Analyst I	
Forester/Analyst II	
Senior Forester/Analyst III	
Manager/Area Manager	
Director/Region Manager	
Executive	

Expenses will be billed as follows:

Mileage	[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
Materials and Services	At actual cost

**EXHIBIT C
TO FIRST AMENDMENT
WORK AUTHORIZATION FOR STRSO PROPERTIES
Work Authorization Number "W1"**

1. **Master Agreement.** This Work Authorization Number "W 1" is issued pursuant to the Master Timber Management Agreement effective as of January 1, 1998 by and between Client and Manager (as amended, the "Master Agreement"). Capitalized terms not otherwise defined herein have the meanings given in the Master Agreement.
2. **Effective Date.** This Work Authorization is effective as of November 1, 1998
3. **Reference Title for Services.** The reference title for services under this Work Authorization is "Support for Transition of Management Services on STRSO Properties."
4. **Services To be Performed.** Services to be performed under this Work Authorization are described below:
 - (a) Project administration and meetings, which includes organizing the work, tracking the status of the work, and reporting on the status of the work. This does include reasonable travel costs for attending meetings as is required by the work. This does not include tracking time spent on the project or invoicing.
 - (b) Document copying, which includes organizing and copying documents and maps for transfer to STRSO and its agents.
 - (c) Provision of map data/hardcopies of maps, which includes development and printing of hardcopies of the requested maps, development of descriptions of the spatial data sets and data dictionary, and provision of softcopies of the spatial data sets.
 - (d) Provision of inventory data, which includes development and printing of the requested inventory reports, development of descriptions of the inventory data sets and data dictionary, and provision of softcopies of the inventory data.
 - (e) Provision of financial data, which includes provision of hard copies of the property budgets, property long-term plan data and accounting data, and transfer of the relevant accounting records.
 - (f) Provision of field data, which includes identification of existing leases and other agreements affecting the STRSO properties, identification of the needs for additional easements and agreements between STRSO properties and other CLIENT properties.

- (g) Supporting the development and/or assignment of leases and other agreements by **CLIENT's** legal staff. **MANAGER** does not warrant or guarantee the accuracy of the information provided and will not be held liable for any inaccuracies in the information provided.
- (h) Supporting the development of legal descriptions of the STRSO properties by **CLIENT's** legal staff and title companies. **MANAGER** does not warrant or guarantee the accuracy of

the information provided and will not be held liable for any inaccuracies in the information provided.

- (i) Property tours and inspections, which includes development of maps and directions, briefing STRSO personnel and agents and **CLIENT** personnel regarding property locations and conditions, and guiding tours of the properties for STRSO personnel and agents and **CLIENT's** personnel.
- (j) Property preparation, which includes changing, locks and signs on the properties, ensuring that the appropriate gates are locked, contract management on required surveys and boundary line maintenance, and support for **CLIENT's** legal staff in obtaining any required property partitions.
- (k) Quality control, which includes reviewing materials that have been developed and ensuring that they meet the data requests.

5. **Compensation For Services.** **MANAGER** will be compensated for work performed under this Work Authorization on a time and materials basis. Billing will be at the rates listed in Exhibit B of the First Amendment to the Master Agreement. **MANAGER** will submit invoices monthly for work performed. Terms will be net 30 days.
6. **Travel and Miscellaneous Expenses.** **MANAGER** will be reimbursed by **CLIENT** for reasonable travel and miscellaneous other expenses incurred directly in connection with the performance of the Services as specified in Exhibit B of the First Amendment to the Master Agreement.
7. **Changes.** Any amendment or modification of this Work Authorization shall be agreed to in writing by both parties ("Change Order").
8. **MANAGER** Representatives. The representatives of **MANAGER** who shall have full authority to negotiate and execute Change Orders are Tom Gilkey, Wesley Nicholson or any other person designated in writing by **MANAGER**.
9. **CLIENT** Representatives. The representatives of the **CLIENT** who shall have full authority to request the Services to be provided, to terminate the Services and to negotiate and execute Change Orders are David Kenney, John Davis or any other person designated in writing by the **CLIENT**.

AGREED TO AND ACCEPTED BY:

<p>CLIENT</p> <p>Hancock Natural Resource Group, Inc. 99 High Street, 26th Floor Boston, MA 02110</p> <p>By: <u>/s/ (Unreadable)</u></p> <p>Its: <u>Vice President</u></p>	<p>MANAGER</p> <p>Olympic Resource Management LLC 19245 Tenth Avenue NE, PO Box 1780 Poulsbo, WA 98370-0239</p> <p>By: <u>/s/ (Unreadable)</u></p> <p>Its: <u>President & CEO</u></p>
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**EXHIBIT 2A
TO FIRST AMENDMENT
Property Management Service Fee**

<u>States</u>	<u>Property</u>	<u>Acreage (as of 10/31/98)</u>	<u>Base Rate \$/Acre Fee</u>
California	McCloud	39,364	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed

separately with the Securities and Exchange Commission]

California	Pondosa	39,266
California	Trinity	24,649
Oregon	Coates Creek	6,406
Oregon	Deer Creek	13,133
Oregon	Gold Beach	28,825
Oregon	Hershey	5,352
Oregon	Mist	22,155
Oregon	Nicolai	5,524
Oregon	Pebble Creek	15,203
Oregon	Santiam	5,297
Oregon	Scappoose	10,906
Oregon	St. Helens	4,894
Oregon	Umpqua	19,272
Oregon	Wlark	7,775
Oregon	Wiley Creek	47,039
Oregon	Wilson River	13,372
Washington	Cavanaugh	50,786
Washington	Gold Bar	6,076
Washington	Granite Falls	9,967
Washington	Grays River	62,418
Washington	Johns River	25,043
Washington	Milwaukee	15,970
Washington	Monroe	6,982
Washington	Skykomish	6,330
Washington	Snohomish	17,083
Washington	Wishkah	20,863

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529,950

[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

Contract term for these properties: three (3) years beginning 1/1/98 and ending on 12/31/2000.

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**EXHIBIT 3B
TO FIRST AMENDMENT
DISPOSITION AND ACQUISITION TIME AND MATERIALS FEES**

Position Category	Billing Rate (\$/hour)
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Administrative Assistant	
Technician	
Forester/Analyst I	
Forester/Analyst II	
Senior Forester/Analyst	
Manager/Area Manager	
Director/Region Manager	
Executive	

Markup to Cost of Materials and Services

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

(Note: Services meaning and intending to refer to services contracted to others by Manager.)

Mileage charges

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

Rates listed are for typical classifications of positions that will be used for disposition and acquisition services. Other job classifications may be used with prior written agreement between Manager and Client.

This replaces Exhibits 3B and 4A to Master Agreement.

**SECOND AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Western Operations)

THIS SECOND AMENDMENT (the "Amendment") is dated as of the 9th day of February 2000 by and between HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given in the Master Timber Management Agreement (Western Operations) effective as of January 1, 1998, by and between Client and Manager, as amended by a First Amendment to Master Timber Management Agreement dated as of July 26, 1999, collectively the "Master Agreement."

WHEREAS, the parties wish to further amend the Master Agreement with respect to matters from and after February 9, 2000, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. **Property Management Service Fee.** Exhibit 2A of the Master Agreement is hereby replaced by Exhibit 2A to this Amendment. This replacement is effective as of February 9, 2000.
2. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

CLIENT:

HANCOCK NATURAL RESOURCE GROUP, INC.

By: /s/ Unreadable

Its: Vice President

Date: 5/4/00

MANAGER:

OLYMPIC RESOURCE MANAGEMENT LLC

By: /s/ Gary F. Tucker

Its: President & CEO

Date: April 14, 2000

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**EXHIBIT 2A
TO SECOND AMENDMENT
Property Management Service Fee**

State	Property	Acreage <i>(as of 2/9/2000)</i>	Base Rate \$/Acre Fee
California	MCCLLOUD	39,208	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Oregon	COATES CREEK	6,406	
Oregon	DEER CREEK	13,133	
Oregon	HERSHEY	5,014	
Oregon	NICOLAI	5,524	
Oregon	PEBBLE CREEK	15,203	
Oregon	SCAPPOSE	10,906	
Oregon	ST. HELENS	4,734	
Oregon	UMPQUA	19,297	
Oregon	WILARK	7,774	
Oregon	WILSON RIVER	13,372	
Washington	GOLD BAR	6,076	
Washington	MONROE	6,982	
Washington	SKYKOMISH	6,330	
Washington	WISHKAH	20,417	
		<hr/> 180,376	

Contract term for these properties: three (3) years beginning 1/1/98 and ending on 12/31/2000.

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**THIRD AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Western Operations)

THIS THIRD AMENDMENT (the "Amendment") is dated as of the 1st day of December, 2000, by and between **HANCOCK NATURAL RESOURCE GROUP, INC.**, a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and **OLYMPIC RESOURCE MANAGEMENT LLC**, a Washington limited liability company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given therefor in that certain Master Timber Management Agreement (Western Operations) effective as of January 1, 1998, as amended by the agreements listed on Exhibit A hereto (herein collectively the "Master Agreement").

WHEREAS, the parties hereto are parties to the Master Agreement, and

WHEREAS, the parties wish to amend the Master Agreement, all as set forth herein,

NOW, THEREFORE, the parties hereby agree as follows:

1. **Extension of Term.** The term of the Master Agreement is hereby extended for an additional one (1) year period commencing January 1, 2001 and continuing through and including December 31, 2001.
2. **Decision Making and Signing Authority.** Effective immediately, Exhibit 1B of the Master Agreement is hereby replaced by Exhibit 1B to this Amendment.
3. **Property Management Service Fee.** Exhibit 2A of the Master Agreement is hereby replaced by Exhibit 2A to this Amendment. This replacement is effective as of January 1, 2001.
4. **Real Estate Sales Contract.** Effective immediately, Exhibit 3A of the Master Agreement is hereby replaced by Exhibit 3A to this Agreement.
5. **Additional Services.** Exhibit B of the First Amendment of the Master Agreement is hereby replaced by Exhibit B of this Agreement. This replacement is effective as of January 1, 2001.
6. **Disposition and Acquisition Time and Material Fees.** Exhibit 3B of the First Amendment of the Master Agreement is hereby replaced by Exhibit 3B to this Agreement. This replacement is effective as of January 1, 2001.
7. **Plans and Endowments.** Effective immediately, Section 1.15 of the Master Agreement is hereby deleted and the following provision inserted in its stead:

"1.15 **Plans and Endowments** means pension fund or retirement plans and accounts, endowments or foundations domiciled in the

United States or Canada and organized and operated pursuant to the United States or Canadian law primarily or exclusively for the benefit of persons living within those jurisdictions; provided, however, that the terms "endowments" and "foundations" shall not include organizations or entities that own or acquire timberlands for conservation, environmental enhancement, wildlife protection or purposes other than commercial timberland activities."

8. **Manager's Primary Duties and Responsibilities.** Effective January 1, 2001, Section 2.02 of the Master Agreement shall be amended by including the following additional Manager duties and responsibilities:
 - (r) Manager shall participate in timber landowner association working groups and committees, such as PFLA, WFPA, OFIC, and CFA, at a level to be mutually determined by Client and Manager.
 - (s) Manager shall support Client's efforts around internal SFI audits and reporting, and around FSC/SmartWood annual audits on the McCloud property.
 - (t) Manager shall support Client's efforts in client service, including support in planning and implementation of routine client tours, and in responding to routine property-related client information requests.
 - (u) Manager shall assist Client in periodic, routine special projects, including cost benchmarking, data tracking, reporting, or mapping requests that potentially add value to Client's properties. Manager shall not be responsible for out-of-pocket expenses associated with such projects, nor is this section intended to address large-scale projects.
 - (v) Manager shall monitor and participate in forest research cooperatives as needed, so that Manager's forest management planning and implementation reflects the currently publicly available knowledge and technology. All new strategies and tactics in property management shall be pre-approved by Client.

(w) Manager shall collect clonal family data on trees to be planted (when available) and record the information within the stand level data system as part of the standard planting information process.

Existing Section 2.02(f) is amended by continuing the last sentence thereof as follows: “and a Forest Suppression Plan; said Plans to be updated annually by May 31.”

Existing Section 2.02(g) is amended by adding the following at the end thereof: “Manager shall further assist Client and its representatives in resolving legal parcel problems and other land use problems.”

Existing Section 2.02(1) is amended by deleting the first sentence thereof and inserting the following in its stead: “Manager shall be responsible for

performing all usual and customary timberland management functions, including but not limited to negotiating terms of and preparing all easements, licenses and other land use agreements on forms pre-approved by Client.”

9. Insurance. Effective January 1, 2001, Section 6.01 of the Master Agreement shall be amended as follows:

- In subsection (a)(i) delete the two references to “\$500,000” and insert in their stead “\$2,000,000.”

- Add the following sentence at the end of subsections (a)(i) and (ii) and (b)(i):

“Such policy shall name Client, its subsidiary companies and the owner of each Timberland that is subject to this Master Agreement as an Additional Insured.”

- Add the following phrase after the word “emergency” in subsection (b): “(provided, however, that Manager shall immediately notify Client of each such waiver).”

- In subsection (b)(i) delete the reference to “\$500,000” and insert “\$1,000,000” in its stead.

10. Miscellaneous. This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT:

HANCOCK NATURAL RESOURCE
GROUP, INC., a Delaware corporation

By: **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**
[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
Senior Vice President

MANAGER:

OLYMPIC RESOURCE MANAGEMENT LLC,
a Washington limited liability company

By: /s/ Allen E. Symington
Allen E. Symington
Chairman and Chief Executive Officer

EXHIBIT A
TO THIRD AMENDMENT

List of Amendments to Master Agreement

Amendments to Master Agreement

1. Letter Agreement dated November 24, 1998
2. First Amendment dated July 26, 1999
3. Second Amendment dated February 9, 2000

Work Authorizations

1. Number “AB-3” for Wishkah property dated May 1, 2000
2. Number OPA 9901 dated October 15, 1999
3. Number OPA 9902 dated October 15, 1999
4. Number OPA 0001 dated January 17, 2000

5. Number OPA 0002 dated May 11, 2000
6. Number OPA 0003 dated March 31, 2000
7. Number W2 dated August 11, 1999
8. Number W3 dated September 27, 1999
9. Number VE-00-01 pending approval
10. Number VE-00-2 pending approval

EXHIBIT 1B

TO THIRD AMENDMENT

DECISION MAKING AND SIGNING AUTHORITY
US Properties

CATEGORY

MANAGER'S AUTHORITY (\$US)

- | | |
|--|---|
| <ol style="list-style-type: none"> 1. Timber sales contracts
stumpage and log sales including salvage and miscellaneous forest products 2. Logging and trucking contracts 3. Land Use permits
i.e., road use, rock/gravel/leases, regulatory permits, licenses (inc. hunting), ferns, oil and gas, etc. 4. Budgeted Capital Expenses
contracts and checks, i.e., site prep, planting, herbicide, PCT, logging roads, etc. 5. Budgeted Operating Expenses
checks, except management fees 6. Budgeted Operating Expenses
checks; management fees | <p>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</p> |
|--|---|

- | | |
|--|---|
| <ol style="list-style-type: none"> 7. All legal invoices 8. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents | <p>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</p> |
|--|---|

All Client contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority.

Manager - to provide and update list of its authorized individuals periodically.

Authorized HNRGI Associates:

- Chief Operations Officer
- Director of Forest Operations & Stewardship
- Northwest Regional Manager
- Northwest Regional Foresters

Decision-making authority:

- Budget approval must be made by the HNRGI Northwest Regional Manager and Director of Forest Operations & Stewardship;
- Dispositions require approval of Hancock Natural Resource Investment Committee and JHLICo Committee of Finance; except that dispositions under **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** must be approved by (i) a Regional Forest Manager or Director of Forest Operations & Stewardship, and

- All recorded instruments (including deeds) to be signed by authorized officers of JHLCo, John Hancock Timber Resource Corp., HNRGI or other legal owner, respectively.

EXHIBIT 2A
TO THIRD AMENDMENT

Property Management Service Fees

<u>States</u>	<u>Property</u>	<u>Acreage Forecast (as of 10/31/00)</u>	<u>Base Rate \$/Acre Fee</u>
California	McCloud	39,208	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Oregon	Coates Creek	6,406	
Oregon	Deer Creek	13,133	
Oregon	Nicolai	5,524	
Oregon	Pebble Creek	15,203	
Oregon	Scappoose	10,906	
Oregon	St. Helens	4,734	
Oregon	Umpqua	17,460	
Oregon	Wilark	7,774	
Oregon	Wilson River	13,372	
Washington	Gold Bar	6,036	
Washington	Monroe	6,982	
Washington	Skykomish	6,330	
Washington	Wishkah	25	
TOTAL		153,093	

Contract term for these properties: One (1) year, beginning 1/1/01 and ending on 12/31/2001

EXHIBIT 3A
TO THIRD AMENDMENT

Real Estate Sales Contract

1. Purchase & Sale agreement (Washington)
2. Western Real Estate Sales Contract (Oregon)
3. Western Real Estate Sales Contract (California)

EXHIBIT B
TO THIRD AMENDMENT
Rate Schedule for Additional Services

Time will be billed at the following rates:

<u>Position Category</u>	<u>Billing Rate (\$/hour)</u>
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately
Administrative Assistant	
Technician	
Forester/Analyst I	

Forester / Analyst II
 Senior Forester / Analyst III
 Manager / Area Manager
 Director / Region Manager
 Executive

with the Securities and Exchange
 Commission]

Expenses will be billed as follows:

Mileage [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
 Materials and Services [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

EXHIBIT 3B
TO THIRD AMENDMENT
DISPOSITION AND ACQUISITION TIME AND MATERIALS FEES

Position Category	Billing Rate (\$/hour)
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Administrative Assistant	
Technician	
Forester / Analyst I	
Forester / Analyst II	
Senior Forester / Analyst	
Manager / Area Manager	
Director / Region Manager	
Executive	

Markup to Cost of Materials and Services [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

(Note: Services meaning and intending to refer to services contracted to others by Manager.)

Mileage charges [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

*Rates listed are for typical classifications of positions that will be used for disposition and acquisition services. Other job classifications may be used with prior written agreement between Manager and Client.

MASTER TIMBER MANAGEMENT AGREEMENT

This Master Timber Management Agreement (the "Master Agreement") is made and entered into by and between Hancock Natural Resource Group, Inc. ("HNRGI" or the "Client") and H.A. Simons Ltd (the "Manager"), as of this 5th day of December, 1997, to be effective as of January 1, 1998.

WHEREAS, Client manages timberlands and provides timberland portfolio investment services to its parent, John Hancock Mutual Life Insurance Company ("JHMLICO"), both for JHMLICO's own account and for separate accounts maintained by JHMLICO for the benefit of certain ultimate clients, and to various partnerships, limited liability companies, corporations and other entities (collectively, the "ultimate clients"); and

WHEREAS, Manager is an independent contractor engaged in the business of operating and maintaining commercial timberlands through its employees, agents and sub-contractors.

NOW THEREFORE, Client agrees to hire Manager to perform, and Manager agrees to perform for Client non-exclusive timberland property management, disposition and acquisition services, all as more fully described below, on the terms and subject to the conditions set forth below.

Section 1. Property Management Services:

1.01 Properties Covered: Client hereby hires Manager to provide property management services, and Manager hereby agrees to provide such services with respect to the properties scheduled on Exhibit 1A attached hereto, as such Exhibit may be amended from time to time in accordance with the other provisions of this Master Agreement or as otherwise mutually agreed from time to time by the parties. Exhibit 1A shall identify the properties covered by this Master Agreement, the fees or fee schedule applicable to property management services for such properties, any special conditions or services agreed to by the parties for any property, and the expiration date of the term of this Master Agreement with respect to each property. In addition, if Manager actually provides acquisition services requested by Client pursuant to Section 3 hereof for any property acquired by Client (or by an ultimate client portfolio managed by Client) during the term of this Master Agreement, the parties shall negotiate in good faith regarding the terms on which such new acquisition would be added to Exhibit 1A. The parties shall endeavor to commence any such negotiations at least 30 days prior to the expected acquisition closing date. Under no circumstances, however, shall either party be obligated to continue any such negotiations past the actual closing date of such acquisition. Client may, but shall have no obligation to, employ Manager for property management services except with respect to properties listed on Exhibit 1A, as it may be amended from time to time.

1.02 Manager's Primary Duties and Responsibilities: With respect to any given property, the parties may agree to exclude or forego any particular service described in this Section 1, as circumstances may warrant. Unless otherwise agreed, however, the scope of property management services shall be as set forth in Sections 1.02, 1.03 and 1.04 below. Any such exclusions shall be identified or referenced on Exhibit 1A.

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(a) As soon as possible following the execution of this Master Agreement, and on or before November 1st (or other dates as may be required by certain ultimate clients) of each subsequent year, Manager shall prepare and submit to Client for Client's approval, an annual budget, in a format compatible with the Client Budget System (see 1.06), for each individual property subject to this Master Agreement for the forthcoming fiscal year (the "Annual Budgets"). Said Annual Budgets shall be based upon Manager's recommendations together with information supplied by Client as to acceptable levels of income and expenditures. The Annual Budgets shall reflect on an annual basis all work to be performed, all income to be received, and all expenses to be incurred with respect to each property during the forthcoming fiscal year. Upon approval by Client, Manager may expend the approved budgeted amounts during such fiscal year without further approval by Client. However, Client shall have the right to modify the Annual Budgets (other than the management fees set forth herein, except as further provided in Section 1.07 of this Master Agreement), and to the extent Manager has not yet incurred expenses or obligations, Manager will comply with such modifications. In addition, to facilitate ongoing management of each property, Manager may exceed any approved, budgeted line item amount, as provided in Exhibit 1B, by **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**, whichever is greater. Also, in the event of emergencies or natural disasters that threaten the value or well-being of the property, Manager shall have the obligation to protect the property and the right to expend up to **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** in extra-budgetary funds for such purpose without prior approval of Client, subject to all other provisions of this Agreement. Manager shall notify Client immediately of any such expenditure and the reason therefor. In the event of any such emergency or natural disaster which necessitates an expenditure of funds in excess of the monetary limitations set forth above, Manager shall obtain the approval of Client before expending any such excess funds above the monetary limits set above, and Manager shall seek such approval in a timely manner.

"Fiscal Month" means the period commencing on the sixteenth day of any calendar month and ending on the fifteenth day of the immediately following calendar month, and "Fiscal Year" means the period commencing on the sixteenth day of December in any calendar year and ending on the fifteenth day of December in the immediately following calendar year; provided that the initial fiscal month hereof shall begin January 1, 1998 and end January 15, 1998 and the initial fiscal year hereof shall begin January 1, 1998 and end December 15, 1998.

(b) Within twenty (20) days after the end of each fiscal quarter, Manager shall prepare and submit to Client statements setting forth actual expenditures incurred and revenues generated during said quarter for each individual property. Said statements shall be in a form approved by Client. Along with said statements, Manager shall submit to Client, at Client's request, revised Annual Budgets (the "Forward Look Budgets") based on actual levels of income and expenditures for said quarter and revised forecasts of income and expenditures for the balance of the fiscal year. Upon approval by Client, the Forward Look Budgets shall be used in place of the original Annual Budgets for the remainder of the then current fiscal year.

(c) Manager shall submit to Client by the 10th day after each fiscal month a statement setting forth expenditures incurred and revenues generated during the preceding month. Said statement shall be delivered in both an electronic and a paper form approved by Client. Manager

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will also provide Client with a monthly aging report of accounts receivable. Manager will cause to be delivered to Client all bank statements as soon as said statements have been received and reconciled. In addition to the quarterly statements required pursuant to paragraph (b) above, Manager shall also submit variance reports and forecasts in a form and on a schedule as may from time to time be requested by Client.

(d) Manager shall perform annual timber inventory updates (cruises) as outlined in Exhibit 1C, and shall maintain a computerized forest inventory system and a forest mapping system (including GIS). From time to time upon Client's request, Manager shall provide Client with a current statement of timber inventory as of the last update performed in accordance with Exhibit 1C. In addition, by June 1st and December 1st of each year, Manager shall submit to Client an updated estimate of inventory of the property in a form acceptable to Client showing the acreage of the land, the volume of merchantable timber and the premerchantable plantation acreage by species and age class. Manager shall also conduct other cruising as special circumstances may dictate, *e.g.*, wind storm and ice storm damage, trespass, granting of rights of way, etc.

(e) Manager shall maintain regular surveillance of all the property, including the contracting for aerial surveillance as conditions require, to detect weather damage, fire damage, insect and disease infestation, timber trespass or any other detrimental occurrences and such surveillance shall comply with a security plan developed by Manager and mutually agreeable to Client and Manager.

(f) Manager shall assist, consult, and cooperate with Client, or Client's agents, employees or attorneys, in matters affecting Client's ownership interests in and obligations arising from each property that is subject to this Master Agreement, including the land and timber, whether growing or harvested, which matters shall include unauthorized cuttings, trespass, entries, encroachments, claims of adverse possession, right-of-way disputes, or any disputes respecting taxes, charges, or assessments to the property.

(g) Manager shall manage and conduct the sale of all timber and logs from the property. All such sales shall be made pursuant to timber sale contracts or log sale contracts between Client and the timber or log buyer on contract forms approved by Client for such purpose. Manager shall have the authority to sign on Client's behalf and without Client's prior approval such contracts subject to the limitations set forth on Exhibit 1B. Except as provided in Exhibit 1B, Manager shall not enter into any timber sale contracts, log sale contracts or other forest products contracts without the prior written approval of Client. Client agrees that all requests from Manager for such approval shall be responded to without unreasonable delays. Manager's services in connection with timber or log sales shall include, but not be limited to, advertising, processing and handling bids, control of contract compliance of timber harvested, inspection of cutting and logging operations, collection of scale tickets, and accounting for all timber and logs sold, and timber sale layout which includes, but is not limited to: marking cutting lines, engineering and marking roads, and obtaining necessary permits. (Surveying is not included in the above definition of timber sale layout.) Manager shall also conduct a credit check on each timber or log purchaser and report the results of such credit check to Client before entering into any timber or log sales contract. Manager shall collect and maintain (electronically, wherever feasible) log scaling data from log grading and scaling bureaus.

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(h) Manager shall, in a fashion usual and customary to timberland management practices for the area in question, manage and conduct the sale of all minerals, oil, rock minor forest products and gravel from the property which are owned by each ultimate client portfolio managed by Client. Mineral, oil, rock, minor forest products or gravel sales contracts shall be directly between Client and the buyer and shall be subject to the limitations and signature requirements set forth on Exhibit 1B. Manager's services in connection with the mineral, oil or gravel sales shall include, as appropriate, but not be limited to the following services: valuing, advertising, processing and handling bids, control of contract compliance, inspection of mining and gravel removal, collection of scale tickets, and accounting for all minerals, oil or gravel sold.

(i) Manager shall, in a fashion usual and customary to timberland management practices for the area in question, be responsible for monitoring the activities of third parties who have a fee, leasehold, mineral, or other interest in the property. Client shall extend to Manager whatever reasonable aid that Manager shall reasonably request of Client to enable it to carry out such monitoring duties. Manager shall be responsible for processing all documentation which is required or desirable with respect to the rights of said third parties, including pipeline easements and rights of way necessary for oil, gas or mineral exploration, in all cases subject to the limitations and signature requirements set forth on Exhibit 1B. Notwithstanding anything herein to the contrary, all permanent easements, conservation easements, rights-of-way, mineral or other conveyances of portions of the property must be signed by Client (or the appropriate title holder), and Manager shall have no authority to sign said documents on behalf of Client.

(j) Manager shall be responsible for the administration of any hunting, grazing, camping and other leases or licenses generating income for Client or which affect the property, subject to the limitations and signature requirements set forth on Exhibit 1B.

(k) By February 1st of each year, Manager shall submit to Client a reconciliation of the current year end appraisal volumes to the prior year end appraisal volumes in a format approved by Client.

(l) Manager shall assist Client with obtaining semi-annual or annual appraisals of each property by providing to Client relevant data for the property in a form acceptable to Client, which data shall include the merchantable timber by species groups and product classes, the premerchantable acreage by age class, and the number and type of acres comprising the property.

(m) Manager shall be responsible for performing all usual and customary timberland management functions, including but not limited to preparing all easements. In addition, Manager shall establish and maintain a land record system in a form and pursuant to a time schedule mutually agreeable to Client and Manager.

(n) Manager shall be responsible for the management of the property tax records for each individual property. Manager shall be responsible for ensuring that all taxes (excluding any taxes based on income, but including ad valorem real property taxes, timber harvest taxes, and personal property taxes) on the property are paid in a timely manner. Manager shall also ensure that all lease payments required to be made with respect to each property are made in a timely manner to the appropriate parties.

(o) Manager shall provide annual updates of the long term investment analysis which is a portion of the each property management plan (“Property Management Plans”) on or before January 31 of each year during the term of this Master Agreement. Each update to the long term investment analysis will incorporate as of January 1 new economic assumptions and price forecasts using the current Annual Budget (or the Forward Look Budget, if applicable) and will roll the existing long term harvest schedules forward one year. Updates to the Property Management Plans will be accomplished as necessary upon mutual agreement of the parties hereto.

(p) Manager shall be responsible for managing and implementing stewardship projects as budgeted, or as otherwise mutually agreed.

(q) Manager shall perform an annual “Analysis of Harvest Results vs. Inventory Estimate of Volume” which shall be submitted in writing to Client by March 31 of each year.

1.03 Additional Duties and Responsibilities of Manager: Manager shall subcontract for, oversee and monitor the providing of contractual services as set forth in sub-paragraphs (a) through (s) hereinbelow. Manager’s responsibilities shall include soliciting, receiving and awarding suitable bids, entering into satisfactory contracts, only in a form acceptable to Client, in conformity with budgetary allocations and limits and signature requirements set forth on Exhibit 1B and in compliance with Client’s standards for subcontracting as set forth in this Agreement (or with Client’s prior written approval if outside the agreed upon budget or pre-approved form), and Manager will continuously monitor and oversee said services for contractor compliance. Client shall be directly responsible for payments for all subcontracted services specified below to the extent budgeted or otherwise authorized by Client in this Master Agreement or in another writing. Although Manager’s responsibility in connection herewith shall be as overseer in nature, Manager may determine from time to time that it is more feasible or economical for Manager’s employees to perform said services. In that event, and with Client’s prior written approval, Manager shall perform said services and Client shall pay Manager for such services at the agreed upon rates specified in such written approval.

(a) Site preparation and planting.

(b) Road, bridge, gate and culvert construction and maintenance.

(c) Plowing and maintenance of firebreaks.

(d) Property boundary line maintenance (marking) and surveys.

(e) Vegetation management, chemical or mechanical.

(f) Prescribed burning.

(g) Hardwood control, chemical or mechanical.

(h) Insect and disease control.

(i) Aerial surveillance.

(j) Slash burning and fire suppression.

(k) Contract logging and trucking.

(l) Fertilization.

(m) Stocking control.

(n) Animal control.

(o) Appraisals of mineral and gravel sales.

(p) Monitoring of oil and gas activities.

(q) Surveying for threatened and endangered species.

(r) archeological or other specialized surveys outside the scope of services customarily provided by professional timberland managers in the area in question.

(s) All other subcontractual work incurred at Client’s request with prior written approval of Client.

1.04 Property Management Plans: If any new property is acquired by Client and added to this Master Agreement, Client may in its sole discretion request that Manager prepare a postacquisition, long-term property management plan for such new property. The costs of any such long-term plan shall be paid for by Client on a time and material basis at the rates set forth in Exhibit 1A. When a property management plan has been put into effect for a particular property, the related long term investment analysis shall be updated as set forth in paragraph (o) of Section 1.02.

1.05 Income and Expenses; Bank Accounts: The payment of all expenditures referred to in Section 1.03, to the extent budgeted or otherwise permitted by the terms of Exhibit 1A, and any other expenditures expressly approved in writing by Client, shall be the responsibility of Client. Manager, however, shall review and approve and certify for accuracy, as appropriate, all bills, invoices or claims for payment relating to such expenditures, and shall cause such items to be paid from Client's designated account with United States Bank of Oregon, 1340 S.W. Second Avenue, Portland, Oregon 97201 or The Bank of Nova Scotia, 602 W. Hastings, Vancouver, British Columbia V6B 1 P3 ("Client's Account"). Manager's authority to make such payments from Client's Account shall be subject to the limitations and requirements set forth in Exhibit 1B to this Master Agreement.

Manager shall provide its own hardware compatible with Client's Wide Area Network ("WAN"). Each party shall pay the costs of all hardware purchased and installed at its locations for use in the (WAN). However, the parties shall split 50-50 any charges, such as line charges and other similar charges, in connection with the use of such shared hardware between Client's and Manager's primary offices.

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Manager shall arrange for all income, proceeds and fees generated by each property (including but not limited to timber sales proceeds and fees from leases and licenses), together with appropriate documentation thereof, to be remitted to Client's Account or as otherwise directed by Client with duplicate sales documentation to Manager. Manager shall review said documentation and certify the accuracy thereof on the monthly statement to Client required by paragraph (c) of Section 1.02.

Nothing in this Master Agreement shall be deemed to authorize Manager to open any bank account in Client's name or to deposit or cause to be deposited any of Client's funds in any bank account not expressly authorized by Client for the purposes contemplated by this Master Agreement. Signature authority with respect to bank accounts established by Client may be granted to Manager by Client, in Client's sole discretion.

1.06 Property Records: Manager shall maintain and provide to Client full and accurate records covering the operation and management of each property, which records shall be in such scope and detail as to be satisfactory to Client and to satisfy ordinary and necessary tax and accounting reporting requirements. Client and Client's accountants at all reasonable times shall have access upon demand to such records as well as to all other books and records of Manager relating to the management and operation of each property. Without limiting the foregoing, Manager shall keep, in an organized manner, copies of records and documents relating to purchase, sale, lease, easement and other transactions affecting or involving each property subject to this Master Agreement, which are not maintained in duplicate or original form by Client. Such property records and documents shall be maintained in a convenient electronic form, in a standard ASCII text format suitable for use with a forest management information system, with Client's Timber Investment Model System, a.k.a. "TIM," and with its Client Budget System, a.k.a. "CBS." Such property records and documents shall include but not be limited to stand data (by ultimate client portfolio), GIS and GPS data, projection models (by stand), and long-term plans; shall be held for ten (10) years and shall be made available to Client, its agents, representatives and consultants, and for legal process, at Client's reasonable request. Upon termination of this Master Agreement with respect to any property, all records pertaining to such property kept by Manager shall become the property of Client and shall be turned over to Client forthwith. Client will also have access to any of Client's computer data, and all other information of Client which Manager has within its control, and shall, upon request, provide such data to Client in a printed format and/or an ASCII format or other appropriate and customary electronic format. Any custom investment models or other custom computer software provided to Manager by Client or otherwise developed, purchased or paid for by Client for the purpose of acquiring, managing, or disposing of any property that is subject to this Master Agreement (including without limitation TIM and CBS) shall be deemed the property of Client and, at Client's request, exact copies thereof or the originals of any such items in the possession of Manager shall be promptly made available to Client at Manager's expense in the event of termination of this Master Agreement.

1.07 Property Management Service Fees: Property management service fees shall be set forth in writing and included in Exhibit 1A as described above. **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** The Annual

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Budget for each property, as described in Section 1.02, shall be based (in pertinent part) on the management service fees as so negotiated. Client shall pay to Manager the applicable property management service fee for each property (as set forth in Exhibit 1A) on a calendar month basis by the tenth business day of the month following the month in which the charges were incurred, or within five (5) days of Client's receipt of Manager's invoice for the previous month, whichever is later. In the event of termination of this Master Agreement with respect to any property, or the sale of any tract, Client shall pay only that daily pro rata portion of the dollar-per-acre fee which has accrued to the date of termination or sale. In the event that significant changes in the total management activities alter monthly budgeted cash flows for any property by 50% or more for a period exceeding 90 consecutive days, property management fees for that property will be re-examined and revised by both parties as appropriate. Such reused fees shall only apply prospectively.

Section 2. Disposition Services:

2.01 Properties to be Sold; Terms of Sale: Client may from time to time provide Manager, at Client's sole discretion, with a list of properties to be sold by Manager and guidelines as to sales prices and other matters as may be directed by Client. Such list, together with said guidelines, shall hereinafter be referred to as the "List". Said List may be amended, from time to time, at Client's sole discretion. Unless otherwise approved by Client in writing, all sales contracts submitted by Manager for Client's approval shall be made on Client's approved Standard Real Estate Sales Contract form for that area ("Real Estate Sales

Contract”). A copy of one such form is attached hereto and made a part hereof as Exhibit 2A. All offers and proposed purchase prices and terms shall in no way bind or obligate Client until and unless expressly approved by Client’s appropriate business people and Committees at Client’s or JHMLICO’s Home Office in Boston and expressly accepted in writing by Client.

Manager acknowledges and agrees that Client has the sole, exclusive and unilateral right to engage and contract with brokers or agents to sell any property and that Client has the absolute and exclusive right to pledge, encumber, sell, transfer, or dispose of all or any portion of any property without the consent of Manager, and Manager shall not allow or cause any lien, charge, or claim to attach to any property or to any timber or other rights located on any property. Manager represents and warrants that it will comply with all laws and regulations associated with the sale of any property for which it provides services pursuant to this Section 2, and that Manager will endeavor to provide information that is both adequate and accurate for its intended purpose, including (where Manager is to provide such services) adequate and accurate descriptions to be used by Client in drawing deeds and easements.

Manager expressly acknowledges and agrees that Manager shall have no authority to (i) commit Client to any sale of any property; or (ii) make unsubstantiated statements or representations about said properties.

2.02 Disposition Services: To the extent requested by Client, Manager shall assist, cooperate and consult with Client, its appointed brokers and agents, and shall provide the following disposition services from time to time with respect to each proposed disposition property for which it then serves as property manager:

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- (a) Assist Client in identifying properties to be put in the List based on criteria established by Client.
 - (b) Arrange for and supervise disposition cruises, prepare internal property valuations and assist Client in preparing Client’s “vote” packages.
 - (c) Solicit and procure purchasers for the properties contained in the List, market same and develop purchaser interest and summary of prospective purchasers thereof, which summary shall be updated as Client may reasonably request.
 - (d) Assist Client in screening prospective purchasers.
 - (e) Contract for any reasonable advertising program for the sale of the List properties solely in Manager’s own name and at Manager’s sole discretion.
 - (f) Distribute sales information approved by Client to prospective purchasers.
 - (g) Receive and answer inquiries from prospective purchasers.
 - (h) Show identified properties to such prospective purchasers.
 - (i) Negotiate with prospective purchasers on Client’s behalf certain terms and conditions in accordance with Client’s instructions.
 - (j) Assist in closing sale transactions, including assisting in the verification of legal descriptions of sale properties.
 - (k) Assist in preparing conveyance deeds and identifying unrecorded documents which affect sale properties and in the assigning of easements and other rights.
 - (l) Send to Client a closing statement showing prorations or adjustments promptly after each closing.
 - (m) Perform such other services as Client may reasonably request in writing.

The foregoing notwithstanding, Client shall not be obligated to employ, to offer to employ or to negotiate terms of employment with Manager for any disposition services. However, if at the time a particular disposition is proposed Manager is the current provider of property management services for that property, Manager shall be given “first consideration” for providing disposition services with respect to such disposition upon the terms and conditions set forth in this Master Agreement. Whether or not Client employs Manager to perform disposition services for any property owned by Client and managed by Manager, because Manager is the provider of Property Management Services for such property, and may have access to confidential information regarding such property and will have continuing responsibilities for management of such property unless and until it is sold, Manager shall not acquire, attempt to acquire, advise or assist any other person in its attempt to acquire said property (or any portion thereof).

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2.03 Compensation for Disposition Services:

- (a) For disposition services actually performed, Manager shall be paid [**Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission**]

(b) In some instances, Client may desire to exchange a property or portions of a property for other timberland, rather than disposing of same for cash. In such event, Manager shall provide the same services on the same terms and conditions to Client as are described in this Master Agreement regarding dispositions for cash. In such event, if Manager is employed by Client to provide both disposition and acquisition services, Manager shall document separately the services it performs for disposition of the property and the services it performs for the acquisition of the timberland received in the exchange. Manager's compensation with respect to the property disposed of shall be as described above, and its compensation with respect to the timberland acquired in the exchange shall be calculated separately in accordance with Section 3.03 of this Master Agreement.

Section 3. Acquisition Services:

3.01 Acquisitions: Regardless of a property's location, Manager may but shall not be obligated to bring any acquisition opportunity to Client's attention. Client may but shall not be obligated to employ, or to offer to employ, Manager to provide acquisition services for any acquisition, even if brought to Client's attention by Manager. Client shall not be obligated to pay Manager with respect to any acquisition unless Manager actually performs acquisition services requested by Client with respect to such property. Manager may but shall not be obligated to accept any offer from Client to perform acquisition services for any acquisition, and (subject to Section 4.02 below) Manager may attempt to acquire or assist any other person in its attempt to acquire any acquisition property; provided however, if Manager performs acquisition services for Client with respect to a particular acquisition, (except in the case of a joint acquisition approved by Client) Manager shall not attempt to acquire that property for its own account or for the account of any other person, nor shall it assist any other person in any attempt to acquire that property or compete with or hinder Client in its attempt to acquire that property.

3.02 Scope of Acquisition Services: The potential scope of acquisition services shall be as follows:

(a) Identify, investigate, and inspect (if appropriate) relevant properties offered for sale by other parties, and develop financial investment models and conduct valuations as necessary for Client's evaluation of the property(ies).

(b) Assist Client in preparing Client's bid proposal, vote packages, supervise third party timber inventory verification, value the acquisition property by parcels at the request of Client and cooperate with third party review of the parcelization process.

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(c) Review legal and historical access to the property for the purpose of managing the property.

(d) Assist Client and Client's counsel in the negotiations for acquisition of the property in accordance with verbal directions given by Client.

(e) Assist Client and Client's legal counsel with the preparation and review of various acquisition documents, including but not limited to acreage verification, review of title commitments and title exception documents.

(f) Assist Client and Client's legal counsel in the verification of all closing documents and the closing statement for the acquisition of the property.

(g) Conduct a preliminary field inspection of the property and cooperate with and assist the environmental consultant retained by Client in conducting the consultant's environmental review of the property.

With respect to any given acquisition, however, Client shall be free to perform any or all acquisition services itself, and may request Manager to perform fewer services. Any request by Client for Manager's acquisition services shall be in a writing which shall reasonably describe the services requested and such other matters as the parties deem relevant. Manager represents and warrants that it will comply with all laws and regulations associated with the acquisition of all properties for which it provides services pursuant to this Section 3.

All acquisition contracts shall be in a form approved by Client and prepared by counsel for Client. No offer or proposed term or condition shall bind or obligate Client until and unless approved and accepted in writing by Client's appropriate business people and Committees at Client's or JHMLICO's home office in Boston and expressly accepted in writing by Client. Manager shall have no authority to commit Client to any purchase of any property.

3.03 Compensation for Acquisition Services: Client shall not be obligated to pay, and Manager shall have no right to receive, any finder's or other fee for bringing acquisition opportunities to Client's attention. However, if Manager actually performs acquisition services requested by Client with respect to a property, Client shall pay Manager monthly in arrears, subject to the prior receipt of an invoice describing in reasonable detail the services actually performed during the month and the charges for such services, on a time and materials basis at the rates set forth in Exhibit 1A.

Section 4. Conflicts of Interest, Confidentiality and Non-Compete:

4.01 Confidentiality: The parties acknowledge that Client serves as an investment fiduciary for certain pension plans, foundations, endowments and other entities, and that Manager will have access to, and from time to time will obtain, confidential information. The parties agree that Manager's receipt, use and disclosure of confidential information shall be restricted as set forth in Exhibit 4A to this Master Agreement.

4.02 Non-Compete: So long as this Master Agreement shall remain in effect, Manager agrees that it will not compete with Client by (a) performing or offering timberland portfolio investment

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services for pension plans, foundations or endowments; (b) soliciting or attempting to raise timberland investment capital from pension plans, foundations or endowments; or (c) managing timberland properties for timberland investment portfolio managers who compete with Client in the market for the funds of pension plans, foundations or endowments. In addition, recognizing Client's need to protect its legitimate business interests, and as a further inducement to Client to continue to enter into this Master Agreement, Manager hereby covenants and agrees with Client that during the term of this Master Agreement, Manager will not, directly or indirectly, for itself or any other person, business or entity: (x) have any ownership interest in any Competing Business (other than passive ownership of publicly traded securities constituting less than a 1% interest); or (y) attempt to employ or recruit, or assist any other person or entity in employing or recruiting, in any Competing Business, any employee who is employed by Client. For purposes of the preceding sentence, "Competing Business" means any business that acquires, owns and/or manages timberlands within the continental United States or Canada primarily for the benefit of pension fund or retirement accounts, endowments or foundations.

Manager acknowledges that any violation or threatened violation of the restrictions contained herein would cause irreparable harm to Client and that damages at law would be inadequate. Manager therefore agrees that in the event of any breach or threatened breach of the provisions of this Section 4.02 by Manager, Client shall be entitled to preliminary and permanent injunctive relief, without bond, in addition to any other remedy which it may have at law or in equity.

Section 5. Insurance, Indemnity, Status, Standard of Performance and Legal Compliance:

5.01 Insurance and Bonding: (a) During the term of this Master Agreement, and any extensions thereof, Manager shall maintain in full force and effect at least the following minimum levels of insurance with financially stable insurance carriers satisfactory to Client:

(i) Manager shall maintain a policy of commercial general liability insurance insuring Manager and Client (and the owner of each property that is subject to this Master Agreement) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Master Agreement, in the minimum amount of \$500,000 for each occurrence, \$500,000 general aggregate, plus umbrella coverage of \$7,000,000. The premiums and other costs of such general liability insurance shall be paid for by Manager as a cost associated with the operations of Manager under this Master Agreement. All other insurance required under this Section 6 shall also be the obligation of Manager and shall be paid for by Manager, and Client shall not reimburse Manager for such expenses.

(ii) Manager shall maintain a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring Manager and Client (and the owner of each property that is subject to this Master Agreement) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Master Agreement, in the minimum of \$1,000,000 for bodily injury per accident and \$500,000 for property damage.

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(iii) Manager shall maintain Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of \$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Client, the owner of each property that is subject to this Master Agreement, and their respective agents or employees.

(b) Manager shall also be responsible for requiring and verifying that all contractors or subcontractors hired to perform any work relating to the property acquire and maintain the following insurance requirements unless otherwise approved by Client, which approval will not be unreasonably withheld or delayed by Client, provided, that Manager may at its own volition waive such insurance requirements, in whole or in part, in emergency situations for the period of such emergency:

(i) Contractors or subcontractors shall maintain a policy of commercial general liability insurance insuring contractor or subcontractor, as the case may be, and Client (and the owner of each property that is subject to this Master Agreement) against liability for bodily injury or property damage claimed to have resulted from or be in any way connected with contractor's or subcontractor's operations under this Master Agreement, in the minimum amount of \$500,000 for each occurrence and \$1,000,000 general aggregate. The premiums and other costs of such general liability insurance shall be paid for by the contractor or subcontractor as a cost associated with their operations. All other insurance required under this Section 5(b) shall also be the obligation of contractor or subcontractor and shall be paid for by contractor or subcontractor.

(ii) Contractors or subcontractors shall maintain a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring contractor or subcontractor and Client (and the owner of each property that is subject to this Master Agreement) against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Master Agreement, in the minimum of \$500,000 for bodily injury per accident and \$250,000 for property damage.

(iii) Contractors or subcontractors shall maintain Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of \$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Client, the owner of each property that is subject to this Master Agreement, and their respective employees.

(c) All insurance coverages required hereunder shall not be subject to change or cancellation without at least ten (10) days' prior written notice to Client.

(d) Manager shall furnish evidence satisfactory to Client that Manager is maintaining such insurance coverage.

(e) Manager and all employees of Manager who handle or who are responsible for the handling of Client's monies shall, at all times during the term of this Master Agreement,

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without expense to Client, be bonded by a fidelity bond acceptable both to Manager and Client, in an amount of not less than **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** and by a company acceptable to Manager and Client. A certificate verifying the existence of such a bond shall be furnished to Client by Manager.

(f) The foregoing insurance and bonding coverage are minimum requirements and the maintenance thereof shall no way limit the liability of Manager under this Master Agreement.

5.02 Indemnity - Liability: Manager agrees to defend, with counsel mutually acceptable to both Client and Manager, indemnify and hold Client, the owner of each property that is subject to this Master Agreement, and their respective agents, employees, officers, directors and affiliated companies free and harmless from and against all claims, suits, actions or proceedings, whether civil or criminal, and liabilities, losses, injuries, damages, judgments or expenses, including court costs and reasonable attorney's fees, arising out of Manager's operation and maintenance of the property and caused by Manager's improper performance of its duties and obligations under this Master Agreement or by the negligent acts or omissions of Manager, or of subcontractors employed by Manager pursuant to activities associated with the duties and responsibilities described in Section 1, made or done in the performance of, or failure to perform, its obligations under this Master Agreement, and not caused by the Client's (or such owner's) negligent or willful acts or omissions, provided that Manager's liability under this Master Agreement resulting from the negligent or intentional acts or omissions of any contractor or subcontractor utilized by Manager shall be limited to **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** in the aggregate for any one calendar year. Client agrees to defend and hold Manager, its agents, employees, officers, directors and affiliated companies free and harmless from and against all claims, suits, actions or proceedings, and all liabilities, losses, injuries, damages, judgments or expenses caused by Client's negligent or improper performance of Client's obligations hereunder.

5.03 Independent Contractor: Manager's status hereunder is that of an independent contractor, and Manager shall not contract for or on behalf of Client without Client's express written consent and Manager shall not represent to any third party that its relationship to Client is other than that of an independent contractor. Except as otherwise provided in Exhibit 1B, Manager shall subcontract in its own name. All work performed pursuant to this Master Agreement shall be by independent contractors or by employees of Manager. With respect to the latter, Manager shall obtain and maintain Workers' Compensation Insurance as required by law and under this Master Agreement. With respect to the former, Manager shall be responsible for ascertaining that all subcontractors are in compliance with all applicable Workers' Compensation requirements. While Client shall have the right, as contemplated herein, to direct and require Manager to perform certain functions, the manner in which same are to be performed shall be determined by Manager. All persons required to perform services in connection with the Property shall be employed by and be employees of Manager or of contractors or subcontractors with which it deals, and Client shall have no right to direct or to control these persons in any respect whatsoever. Anything herein to the contrary notwithstanding, Manager's use of contractors or subcontractors shall in no way exonerate Manager from full performance of its duties and obligations under this Master Agreement, except as may be limited by Section 5.02 hereof.

5.04 Standard of Performance: Manager shall (a) discharge its duties with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of alike character and with like aims, using generally accepted and proper land management and forestry practices and procedures acceptable to Client, and (b) act in accordance with the standards in effect from time to time under federal, state and local laws, rules, regulations, and ordinances applicable to its forestry and management operations. Acting through its qualified subsidiaries, agents and employees, Manager shall generally manage, oversee, and supervise each property listed from time to time on Exhibit 1B and all forestry operations thereon or incident thereto and shall furnish or subcontract for all labor, materials, equipment, supplies and services necessary to operate and maintain each property, and shall perform and carry out the duties and responsibilities as generally outlined in this Master Agreement. Manager agrees to act in good faith and with due care in selecting reputable and qualified subcontractors to be employed by Manager.

Notwithstanding anything herein to the contrary, Manager shall expend no funds with respect to any property or enter into any contracts or other agreements affecting any property in contravention of the limitations and signature requirements set forth on Exhibit 1B.

5.05 Governmental Compliance: Manager hereby represents and warrants to Client that Manager has obtained and will maintain all necessary permits and licenses required for Manager to fulfill its obligations under this Master Agreement. Manager shall take, or timely recommend, such action as shall be necessary to comply with all federal, state, and other governmental laws, orders or requirements applicable to its management and forestry operations under this Master Agreement. Whenever a report, application, notice or other document is required to be filed or reported with any governmental agency in connection with the Property or any forestry operations being conducted by Manager hereunder, Manager shall immediately notify Client of the same, and the Manager where necessary will prepare initial drafts of any such report, application, notice or other document for filing or reporting. Manager shall ensure that any and all contractors or subcontractors performing services on or relating to the Property comply with all applicable federal, state, and other governmental laws, orders or requirements relating to said contractors or subcontractors or relating to each property. Upon request, Manager shall provide Client with evidence satisfactory to Client of Manager's compliance hereunder.

Section 6. Term and Termination:

6.01 Term: The term of this Master Agreement shall commence as of January 1, 1998, and shall continue to and including December 31, 1999.

6.02 Termination for Fraud or Failure to Perform: Either party may terminate this Master Agreement, in whole or in part with respect to any property or properties, at any time, upon not less than 10 days' prior written notice thereof to the other party based on: (i) fraud or criminal activity by such party, or (ii) any material breach by such party of its obligations under this Master Agreement. Any notice given pursuant to this Section 6.02 shall describe the reason for termination in reasonable detail, shall stipulate the effective date of termination, and whether such notice of termination applies to the Master Agreement in its entirety or to specific properties which shall be identified in the notice. The other party shall have 10 days following

its receipt of any such notice in which to respond and, if possible, remedy any breach or other reason for termination, failing which this Master Agreement shall terminate to the extent specified in the notice.

6.03 Automatic Termination: This Master Agreement shall automatically terminate, in its entirety and with respect to all properties, if: (i) there are no properties with respect to which Manager is then providing property management services as contemplated by Section 1 above; (ii) either party is adjudicated as insolvent or to be liquidated, files or consents to the filing against it of a petition for relief or reorganization in bankruptcy (or under any similar law), consents to the appointment of a receiver, trustee or similar officer with respect to it or with respect to a substantial part of its property, or fails to dismiss within 30 days any petition or order seeking to effect any of the foregoing; or (iii) either party shall sell substantially all of its assets, merge or consolidate with an unaffiliated third party in such a manner that the party to this Master Agreement shall not be the survivor of such merger or consolidation, or otherwise cease to exist. This Master Agreement shall automatically terminate with respect to a given property (or any portion thereof if and when that property (or portion) is sold or disposed of; and no longer owned by or for the account of any ultimate client portfolio managed by Client.

6.04 Survival of Obligations: Notwithstanding any other provision hereof, the following obligations, as set forth in this Master Agreement, shall survive any partial termination: (i) the provisions of Sections 1 and 2 (including the Exhibits thereto and all other provisions of this Master Agreement that are incorporated by reference in Section 1 or in Exhibit 1A) shall survive with respect to a given property so long as that property remains subject to this Master Agreement; and (ii) the provisions of Section 4 shall continue in effect until this Master Agreement has terminated with respect to all properties.

6.05 Winding Up Following Termination: Within thirty (30) days following termination of this Master Agreement in its entirety, Client shall pay to Manager all amounts (if any) then due but unpaid under this Master Agreement, including without limitation all fees prorated to the date of termination. Within thirty (30) days following notification of termination of this Master Agreement with respect to any property, Manager shall turn over to Client all records, photos, maps, surveys, title data, custom computer software (as defined in Section 1.06 above), documents and other property or items relating to such property, including without limitation any Confidential Information (as defined in Exhibit 4A) relating to such property, along with all copies and abstracts of such Confidential Information.

Section 7. Notices: All notices required or permitted under this Master Agreement shall be in writing and shall be effective at the earlier of the time when actually received by the party receiving notice, regardless of the method of delivery, or one day after mailing if by reputable overnight courier or three days after mailing if by certified United States mail, to the parties at the following addresses (or to such other addresses as either party may designate from time to time in a writing delivered to the other):

AS TO THE CLIENT:

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

Attn: **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**

AS TO THE MANAGER:

Simons Reid Collies, a division of H.A. Simons Ltd
Suite 300
475 West Georgia Street
Vancouver, B.C., Canada V6B4M9
Attn: Charles Goodbrand

In the event that the last day for giving any notice hereunder falls upon a Sunday or legal holiday, the last day shall be deemed to be the next day which is neither a Sunday nor a legal holiday.

Section 8. Title to Property and Timber: Manager shall not by reason of this Master Agreement acquire title to any portion of the property or any timber located thereon. In addition, Client reserves the right to designate the party or parties to whom any or all of the timber located on the property may be sold during the term of this Master Agreement or any extension thereof. The rights of Manager hereunder shall be subject and subordinate to all liens which may now or hereafter be placed on the property.

Section 9. Miscellaneous:

9.01 This Master Agreement shall be governed by the laws of the Commonwealth of Massachusetts.

9.02 This Master Agreement shall be binding upon the parties hereto and their successors and permitted assigns.

9.03 Neither party may assign this Master Agreement or any part thereof without the express written consent of the other party, except Client may assign this Master Agreement without such consent to another subsidiary or affiliate of Client.

9.04 This Master Agreement may not be changed orally but may only be modified by an agreement in writing executed by the parties hereto.

9.05 The headings in this Master Agreement are for purposes of reference only and shall not limit or define the meaning hereof. Unless otherwise specified, all references to dollars or \$ shall refer to Canadian dollars.

9.06 If any term of this Master Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Master Agreement shall in no way be affected thereby.

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9.07 Client and its authorized representatives shall have the right to enter any portion of the property at any time, and to take any and all such actions with respect thereto as Client in its sole discretion deems necessary or appropriate to protect its interest in the property and the timber and other property rights located thereon.

9.08 This Master Agreement constitutes the entire agreement between the Client and Manager and supersedes (i) all previous agreements between Client and Manager relating to the property, and (ii) all prior drafts of and negotiations relating to this Master Agreement. This Master Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute but one instrument.

Section 10. Non-Discrimination: During the term of this Master Agreement; Manager shall not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40), or sex.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first written above, to be effective as of January 1, 1998.

HANCOCK NATURAL RESOURCE GROUP, INC.

By: /s/ [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]
Senior Vice President

Acknowledged and agreed to:

H. A. Simons Ltd.

By: /s/ Charles Goodbrand

Charles Goodbrand
Vice President and General Manager

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EXHIBIT 1A

1998 Property Management Fees

<u>Property</u>	<u>1/1/98 Acreage</u>	<u>Rate \$/Acre</u>
Comox	27,864	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Cowichan	32,135	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Total	59,999	

A. These rates are for calendar year 1998 and are expressed in Canadian dollars.

B. The 1999 property specific rates shall be revised to reflect the planned 1999 activity levels per property, provided that the weighted average rate for the combined Comox and Cowichan properties shall equal [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

C. For Acquisition, Disposition, and Property Management Plan services:

Employee hourly base rate* times [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] equals billable hourly rate.

*Employee hourly base rate is annual salary before bonus, expressed as an hourly rate.

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Cost of materials times [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] equals billable amount.

Mileage [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] (rate per mile)

DECISION MAKING and SIGNING AUTHORITY

<u>CATEGORY</u>	<u>MANAGER'S AUTHORITY (\$US)</u>
1. Timber sales contracts stumpage and log sales including salvage and misc. forest products	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
2. Logging and trucking contracts	
3. Land Use permits i.e., road use, rock/gravel/leases, regulatory permits, licenses (inc. hunting), ferns, oil and gas, etc.	
4. Budgeted Capital Expenses contracts and checks, i.e., site prep, planting, herbicide, PCT, logging roads, etc...	
5. Budgeted Operating Expenses checks, except management fees	
6. Budgeted Operating Expenses checks; management fees	
7. All legal invoices	

8. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
9. Disposition of properties — with HNRIC/COF approval Closing costs expenses; Manager's compensation; P&S contracts & closing documents	

All Hancock contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority

Manager - to provide and update list of its authorized individuals periodically

Authorized HNRGI Associates: Director Acquisitions; Manager of Acquisitions; Director of Forestry Operations & Stewardship; Regional Forestry Managers; Regional Foresters; CalPERS Forest Operations Manager; Ca1PERS CIO; Managing Director

Decision making authority:

- Budget approval must be made by the HNRGI (i) Regional Forestry Manager and Director of Forestry Operations & Stewardship, or (ii) Calipers Operations Manager and CalPERS CIO;
- Acquisitions and Dispositions require approval of Hancock Natural Resource Investment Committee and JHMLICO Committee of Finance; except that dispositions under [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] must be approved by (i) a Regional Forestry Manager or Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager or Ca1PERS CIO;
- All recorded instruments (including deeds) to be signed by authorized officers of JHMLICO, John Hancock Timber Resource Corp., or other legal owner, respectively.

TIMBER INVENTORY SCHEDULE

Annual timber inventory updates will be done to collect the following information on the following schedule:

I. EVEN-AGED MANAGED PROPERTIES

TIME OF ENTRY

Approx. 5 years after planting
 When 12 — 25 years old
 When over 25 years old:
 (1) approx. 10% of acres over 25 years old to be inventoried annually; and
 (2) following major events (e.g., final harvest, commercial thinning, material storm, bug or fire damage)

INFORMATION TO BE COLLECTED

Species, trees per acre, average stand diameter and height
 Species, trees per acre, average stand diameter and height
 Species, trees per acre, diameter at breast height (“DBH”), tree height, age

II. UNEVEN-AGE MANAGED PROPERTIES

TIME OF ENTRY

Within one year following major events
 Approx. every 10 years for stands with no major activities planned (e.g., plantations)

INFORMATION TO BE COLLECTED

Species, trees per acre, DBH, stand height by DBH class
 Species, trees per acre, DBH, stand height by DBH class

III. ACCURACY

Inventory will be maintained so that the total volume will be within 10% +/- of the true volume at the 95% confidence interval.

EXHIBIT “2A”

REAL ESTATE SALES CONTRACT

Date: _____

R.E. No: _____

Contract No.: _____

_____, of _____, City of _____, County of _____, Province of hereinafter referred to as “BUYER” hereby agrees to purchase from JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a Massachusetts corporation, hereinafter referred to as “SELLER”, AND SELLER hereby agrees to sell and convey to BUYER that certain real estate described in Exhibit A attached hereto and made a part hereof, hereinafter referred to as the “Property”, upon the following terms and conditions:

1. **Purchase Price.** BUYER hereby agrees to pay for said Property the amount of _____ dollars (\$) (“Purchase Price”), with _____ dollars (\$) (“Deposit”) to be paid by BUYER to SELLER at the time of the execution of this Contract, and the balance to be paid by BUYER to SELLER at “Closing” described in Paragraph 4 below; said Purchase Price to be paid to SELLER in cash, by official bank cashier’s check, or by wiring immediately available Federal Funds to the closing agent or to such bank account as SELLER shall designate to BUYER.

2. **Closing Costs.** SELLER shall pay the cost of preparation of the deed, for the release of any encumbrances of record not excepted below, any transfer tax imposed upon the SELLER by law, and the expenses of its own attorney. BUYER shall pay all other closing costs including without limitation other taxes, recording fees, and all fees and expenses of BUYER’S attorneys.

3. **Conveyance.** SELLER agrees to convey the Property at the Closing by a duly executed, good and sufficient deed, free and clear of all encumbrances not specifically excepted in this contract. Such conveyance shall be subject to easements, restrictions, reservations, rights of way, roadways, mineral rights or reservations, oil, gas or other mineral leases, parties in possession, leases or rights of any tenants or lessees, and all other matters which an accurate survey would show applicable to or affecting the Property. Real Estate taxes shall be prorated to the date of Closing, with the Buyer responsible for any taxes accruing or due and payable after the Closing contemplated herein. If BUYER desires an examination of title, BUYER shall pay costs thereof. If upon examination of title BUYER finds flaws in title to which BUYER objects, BUYER shall report same in writing to the SELLER before the Closing or BUYER shall be deemed to have waived such objections. SELLER shall have sixty (60) days from receipt of any such title objections to cure same, or SELLER may elect not to cure same and return the Deposit within fifteen (15) days of receipt of objections; and this Contract shall thereupon terminate.

4. Closing. The Closing contemplated herein shall mean the simultaneous closing of the sale by execution and delivery by SELLER of the deed to BUYER and payment by BUYER of the Purchase Price. Closing date to be

, unless the date of Closing is extended in writing by mutual agreement at least ten (10) days prior to the aforesaid date. THE PARTIES AGREE THAT TIME IS OF THE ESSENCE WITH RESPECT TO THIS CONTRACT. The Closing shall be held at the offices of
,
,
,
unless another place is agreed upon.

5. Deposit. The Deposit is delivered to SELLER to evidence BUYER's good faith. It is understood and agreed that same will be returned to the BUYER in the event SELLER does not execute this Contract. In the event that the Closing contemplated herein occurs, the Deposit, at the closing shall be returned to BUYER or credited to the Purchase Price. IN THE EVENT THAT THE CLOSING DOES NOT OCCUR FOR ANY REASON, WHATSOEVER, OTHER THAN THE FAULT OF THE SELLER, SELLER SHALL RETAIN THE DEPOSIT AS A MEASURE OF LIQUIDATED DAMAGES, IT BEING FURTHER UNDERSTOOD AND AGREED THAT IT WOULD OTHERWISE BE IMPOSSIBLE OR IMPRACTICABLE TO MEASURE THE ACTUAL DAMAGES CAUSED TO OR SUFFERED BY THE SELLER DUE TO THE FAILURE OF THE CLOSING TO OCCUR THIS PROVISION SHALL IN NO WAY AFFECT SELLER'S RIGHT TO RELY UPON AND TO EXERCISE ANY OTHER LEGAL REMEDIES OR RECOURSE AVAILABLE TO SELLER, INCLUDING WITHOUT LIMITATION, SPECIFIC PERFORMANCE IN THE EVENT THE CLOSING CONTEMPLATED HEREIN DOES NOT OCCUR DUE TO ANY REASON ATTRIBUTABLE TO OR DEFAULTED BY BUYER.

6. Possession. BUYER shall obtain possession of the Property upon the Closing of this Contract, subject to all the matters described in Paragraph 3 hereof.

7. Acreage. SELLER is selling the Property by the tract or parcel only, it being understood and agreed that the acreage of the Property is not guaranteed or warranted in any way by SELLER.

8. Assignment. This Contract shall not be assigned or encumbered, or otherwise transferred in any way, by BUYER without the prior written consent of SELLER, and shall not be recorded in any County Records or other office where public records are maintained.

9. Bankruptcy. SELLER shall not be obligated or under any duty to close this transaction in the event of the filing of any bankruptcy or insolvency petition or action by or against BUYER.

10. Condition of Property. BUYER agrees that it has inspected and is thoroughly familiar with the Property and is acquiring the Property in its "as is" condition. BUYER understands and agrees that SELLER has not made and makes no representations or warranties of any kind with respect to the condition of the Property or its fitness, suitability or acceptability for any particular use or purpose; and SELLER shall not be liable for any latent or patent defects therein. SELLER shall have no obligation to repair or make any improvements to the condition of the Property prior to Closing. THE PROPERTY MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS

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SUBJECT TO LAND USE LAWS AND REGULATIONS, WHICH MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE AUTHORITIES TO VERIFY APPROVED USES AND EXISTENCE OF FIRE PROTECTION FOR STRUCTURES. BUYER hereby releases SELLER and its agents, representatives and employees from any and all claims BUYER may discover after Closing that relate to:

(a) The condition of the Property at any time, before or after Closing, including without limitation, the presence of any hazardous substances; and

(b) Any other matter pertaining to the Property.

11. Risk of Loss or Damage. SELLER shall bear the risk of loss or damage to the Property and improvements thereon from any cause whatsoever, or condemnation of any portion of the Property, prior to closing. In the event of such loss, damage or condemnation prior to closing, BUYER, at its election, may terminate this agreement. If BUYER does not elect to terminate this agreement for said reasons, the transaction shall be closed as otherwise agreed to, without reduction in Purchase Price, unless the parties shall agree thereto. In the event both parties are not able to agree to close without reduction in Purchase Price, or agree on any adjustment in Purchase Price, then this transaction shall terminate without any further liability of either party to the other, except that SELLER shall refund to BUYER any portion of the Purchase Price previously paid.

12. Broker. BUYER agrees to indemnify and hold SELLER harmless from any commission, broker's fee, finder's fee or other payment by reason of action by the BUYER.

13. Acceptance of Deed. The acceptance of the deed by BUYER shall be deemed to be a full performance and discharge of every agreement and obligation of SELLER herein contained and expressed.

14. Effective Date. This Contract shall become effective and in full force only when duly and properly executed, authorized and delivered by the parties hereto.

15. Miscellaneous. This Contract may be changed, waived, discharged or terminated only by an instrument in writing, signed by the party against which enforcement of such change, waiver, discharge or termination is sought. The headings in this Contract are for purposes of reference only and shall not limit or define the meanings thereof. The terms BUYER and SELLER together with any pronoun used in connection therewith, wherever used in this Contract, shall include the singular and plural and the masculine and feminine, so far as the context may permit or require. This Contract shall inure to and be binding upon heirs, successors and assigns of the parties hereto, subject to the terms hereof.

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THIS AGREEMENT is hereby duly executed in triplicate by BUYER and SELLER on the date first above written.

BUYER:

By:

SELLER:
JOHN HANCOCK MUTUAL LIFE
INSURANCE COMPANY
By:

Deliver promptly to BUYER, either manually or by registered mail, a copy hereof showing SELLER's acceptance.

Buyer acknowledges receipt of the foregoing instrument bearing his signature and that of the Seller showing acceptance.

Date _____ Buyer
Time _____ Buyer

Copy hereof showing Seller's signed acceptance sent Buyer by registered mail to Buyer's above address. (return receipt requested) on _____, 19____ Return receipt card received and attached to broker's copy 19

EXHIBIT "4A"

Confidential Information

1. Manager and Client acknowledge that each has invested and will continue to invest considerable, effort and expense in developing techniques and strategies for timberland acquisitions, investment, management, valuation, pricing, marketing, etc., which information is proprietary and confidential, gives competitive advantage to each and will be imparted to the other and its employees during the course of this Master Agreement. Manager and Client further acknowledge that in the absence of adequate protections for each, each party would be unwilling to enter into this Master Agreement or to share with the other and its employees the information that provides both with its competitive advantage. Accordingly, the parties agree as follows.

2. For purposes of and as used in this Exhibit 4A, the words and phrases below shall have the following meanings and definitions:

(a) "Communications" shall mean all contacts and discussions, direct or indirect, written or oral, between Manager and/or one or more of its employees on the one hand and Client on the other hand concerning any and all aspects of Client's business, which contain, incorporate or utilize Confidential Information.

(b) "Confidential Information" shall mean and include any information, data and know-how relating to the business of Client that is disclosed to Manager and/or one or more of its employees by Client, or known by Manager and/or one of more of its employees as a result of Manager's relationship with Client, and not generally within the public domain (whether constituting a trade secret or not), including without limitation, the following information: non-public financial information that relates to Client's earnings, asset, asset valuations, debts, prices, profit margins, projections, budgets, tax information or other non-public financial data; pricing and purchasing strategies; details of particular transactions; marketing information, such as details about ongoing or proposed marketing programs, information about pending transactions; timberland acquisition and dispositions information, such as any compilations or lists of past, existing or prospective purchases or sales of timberland, including proposals, bids or agreements relating to purchases or sales of timberland, from or to Client (or any account or portfolio managed by Client); operations manuals, plus any information as marked "Confidential" by Client.

The term "Confidential Information" does not include (i) information that has been made generally available to the public by the act of one who has the right to disclose such information without violating any right of Client, though to the extent Client compiles or otherwise arranges such publicly available information in a unique and non-public manner, such compilation or arrangement shall constitute Confidential Information hereunder, or (ii) information substantially developed or created by Manager.

3. Manager acknowledges that Client's business is highly competitive and strongly dependent upon Manager and its employees, and upon confidential methods, techniques and strategies in which Manager and its employees have received or will receive extensive

instruction from Client. Manager further acknowledges that competitors are engaged in businesses similar in nature to the business of Client. Manager further acknowledges that Manager's and its employees' services and relationship to Client are of a special, unique and extraordinary character and place Manager and its employees in a position of confidence and trust with access to Communications and Confidential Information.

4. During the term of this Master Agreement, Manager agrees to hold in confidence and not to directly or indirectly copy, use, disseminate, disclose or in any manner publish any Communications or Confidential Information, except to the extent necessary for Manager to discharge responsibilities to Client. Notwithstanding the foregoing, with respect to each item of Confidential Information that constitutes a trade secret under applicable law, the obligations of confidentiality and non-disclosure hereunder apply to the maximum extent permitted by applicable law as long as such information continues to constitute a trade secret. The rights of Client hereunder are in addition to and not in lieu of any rights Client may have under civil or criminal law relating to protection of trade secrets.

5. Manager shall return all written, printed or other tangible Confidential Information to Client upon termination of this Master Agreement, or upon any earlier request therefor by Client, along with all copies and abstracts of such Confidential Information.

6. Recognizing Client's needs to protect its legitimate business interests, and the dependency of Client's business on the skills and expertise of Manager's employees (as enhanced by the Confidential Information disclosed to such employees), and as further inducement to Client to enter into this Master Agreement, Manager agrees to request each of its employees whose duties require having access to Confidential Information, to execute agreements with Manager, in form and substance acceptable to Client, pursuant to which each such employee individually agrees to be bound by and comply with the covenants set forth in paragraphs 4 and 5 above with respect to Manager with the following modifications:

(a) the covenants set forth in paragraph 4 shall be limited to the shorter of the term of this Master Agreement or each employee's employment with Manager (except with respect to trade secrets which shall continue as set forth therein); and

(b) each employee of Manager that has had access to Confidential Information shall agree to return all Confidential Information to Manager upon termination of said employee's employment with Manager.

7. Manager agrees to defend, indemnify and hold harmless Client and its directors, officers, employees, agents, affiliates, successors and assigns, from and against any and all claims, obligations, losses, damages, liabilities, costs and expenses of any kind or nature (including without limitation) (i) reasonable attorneys' fees and expenses, (ii) attorneys fees and expenses necessary to enforce its right to indemnification hereunder, whether accrued, absolute, contingent, known, unknown, or otherwise asserted against, imposed upon or incurred by Client or any of its directors, officers, employees, agents, affiliates, successors or assigns or for which any of the above is liable, by reason of, resulting from, arising out of, based upon, awarded or asserted against in respect of (i) the breach by any employee or former employee of Manager of the terms of any agreement described above entered into between Manager and such employee or

employees and (ii) any acts or omissions of any employees) or of Manager that would constitute a violation of any agreement described above had such been entered into between Manager and such employee(s).

8. It is the intention of the parties hereto that the provisions of this Exhibit 5A shall be enforced to the fullest extent permissible under the laws or policies of each state and jurisdiction in which such enforcement is sought, but that the unenforceability or invalidity of any provision hereof (or the modification thereof to conform with such laws or public policies) shall not render unenforceable or impair the remainder of this Exhibit 4A, which shall be deemed amended to delete or modify, as necessary, the invalid or unenforceable provisions. Manager hereby consent to and affirmatively requests that this Exhibit 4A be reformed to the extent necessary to allow for its enforcement. This Exhibit 4A shall be governed by the laws of the Commonwealth of Massachusetts, without reference to conflicts of law.

9. Manager agrees and acknowledges that the restrictions contained in this Exhibit 4A are reasonable and necessary in order to protect valuable proprietary assets, goodwill and business of Client and that the restrictions will not prevent or unreasonably restrict Managers business activities.

10. Manager acknowledges that any violation or threatened violation of the restrictions contained herein would cause irreparable harm to Client and that damages at law would be inadequate. Manager therefore agrees that in the event of any breach or threatened breach of the provisions of this Exhibit 4A by Manager, Client shall be entitled to preliminary and permanent injunctive relief, without bond, in addition to any other remedy which it may have at law or in equity.

**AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

THIS AMENDMENT TO MASTER TIMBER MANAGEMENT AGREEMENT ("Amendment") is made and entered into on December 29, 1998, by and between **ORM RESOURCES CANADA LTD.**, a British Columbia company ("ORM") and **HANCOCK NATURAL RESOURCE GROUP, INC.** ("HNRG"), to amend that certain Master Timber Management Agreement dated December 5, 1997 originally between HNRG and H.A. Simons, Ltd. ("Simons") ("Master Agreement"). The effective date of this Amendment shall be January 1, 1999 ("Effective Date"). Pursuant to an Assignment and Assumption Agreement, a copy of which is attached hereto as Exhibit 1, and with consent of HNRG, Simons assigned, and ORM assumed, all rights, obligations, benefits and privileges of Simons under the Master Agreement accruing on or after the Effective Date. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, ORM and HNRG hereby agree as follows

1. Non Compete Provisions. Subsection 4.02, Non Compete, of the Master Agreement shall be replaced in its entirety by the following provisions:

4.02 Non Compete. So long as this Master Agreement shall remain in effect, Manager agrees that neither Manager nor its affiliates will compete with Client by (a) performing, offering to perform or soliciting timberland portfolio investment services for Plans and Endowments investing in timberlands within the Continental United States or Canada; (b) soliciting or attempting to raise timberland investment capital from Plans and Endowments for timberland investments within the Continental United States or Canada; or (c) managing timberland properties in the Continental United States or Canada owned or managed for Plans and Endowments. In addition, recognizing Client's need to protect its legitimate business interests, and as a further inducement to Client to continue to enter into this Master Agreement, Manager hereby covenants and agrees with Client that during the term of this Master Agreement, Manager will not, directly or indirectly, for itself or any other person, business or entity: (x) have any ownership interest in any Competing Business (other than passive ownership of publicly-traded securities constituting less than a 1% interest), provided that Manager's continuing ownership of any ownership interest in an entity that was not a Competing Business when such investment was made, but subsequently becomes a Competing Business as a result of a sale of an interest therein to a Plan or Endowment by a person or entity not controlled by Manager, shall not constitute a breach of this clause (x) as long as Manager neither manages or operates such entity, nor owns more than 5% of the entity from and after the date that it becomes a Competing Business, unless otherwise agreed in writing by Client; or (y) attempt to employ or recruit, or assist any other person or entity in employing or recruiting, for or on behalf of any Competing Business, any employee who is employed by Client.

Manager represents and warrants that neither it nor any of its affiliates presently conducts any of the activities described in clauses (a), (b), (c) or (x) of this Section 4.02, except insofar as the units of interest in Pope Resources, A Delaware Limited Partnership ("Pope") are publicly traded. Pope and Manager or its other affiliates may be deemed to provide timberland portfolio investment services for, or to manage timberlands beneficially owned by, Plans or Endowments that purchase such, units. Notwithstanding the foregoing, Manager covenants and agrees that, so long as this Master Agreement shall remain in effect, neither Manager nor any of its affiliates will issue any new interests that are publicly traded in the United States which constitute an interest in any entity that owns or manages timberlands located in the Continental United States of Canada; except for the issuance of new interests in conjunction with any option, incentive or compensation programs of Manager or its affiliates for the benefit of its officers, directors, employees, or agents. Nothing in this Section 4.02 shall be deemed to apply to the issued units of Pope existing as of the effective date of this Master Agreement.

For purposes of this Section 4.02, "affiliate" shall mean any person or entity (whether now existing or hereafter created) that is controlled by, in control of, or under common control with Manager, and shall in any event include Pope.

Notwithstanding any other provision of this Section 4.02, it is understood and agreed that nothing herein shall prohibit Manager or its affiliates from advertising, soliciting, marketing for sale, or selling or conveying any timberland or other property now or hereafter owned by Manager or its affiliates to a Plan or Endowment, provided that neither Manager nor its affiliates shall provide management services for any timberland conveyed to such Plan or Endowment after closing. In conjunction with any such sale, an affiliate of Manager may create or cause to be created a publicly traded vehicle to facilitate the sale.

The provisions of this Section 4.02 shall survive termination of this Master Agreement for a period of (i) twenty-four calendar months with respect to each Plan and Endowment that is invested in an Ultimate Client Portfolio managed by Client and (ii) twelve calendar months with respect to any other Plan or Endowment.

Manager and Client hereby expressly agree that damages may not compensate Client adequately for a breach of this Section 4.02, and acknowledge that absent this Section 4.02 Client would not have entered into this Master Agreement. Therefore, to the maximum extent permitted by law, upon establishment of a breach of this Section 4.02, the parties hereby specifically agree that Client shall be entitled to specific performance of the provisions of this Section 4.02, and in the event that Client brings any action for specific performance of this Section 4.02 Manager waives any objection or right to object to the suitability or availability of specific performance as a remedy for breach of this Section 4.02, including without limitation any objection based on the adequacy of damages or the irreparable nature of the injury claimed by Client. The foregoing, however,

shall not be deemed to constitute a waiver by Manager of its right to participate in the litigation, to dispute whether a breach of this Section 4.02 occurred or whether the scope of the equitable relief requested by Client is appropriate and consistent with the strict enforcement of the provisions of this Section 4.02.

For purposes of this Section 4.02 the following terms shall have the corresponding meanings ascribed below:

"Plans and Endowments" means pension fund or retirement plans and accounts, endowments or foundations domiciled in the United States or Canada and organized and operated pursuant to United States or Canadian law primarily or exclusively for the benefit of persons living within those jurisdictions.

"Competing Business" means any business that acquires, owns and/or manages timberlands within the Continental United States or Canada primarily or exclusively for the benefit of Plans and Endowments.

**SECOND AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Canada Operations)

THIS SECOND AMENDMENT (the "Amendment") is dated as of the 26th day of July, 1999, by and between HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and ORM RESOURCES CANADA LTD., a British Columbia company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given in the Master Timber Management Agreement dated as of December 5, 1997 and effective as of January 1, 1998 by and between Client and H.A. Simons Ltd. ("Simons") (as amended, the "Master Agreement").

WHEREAS, Client and Simons were parties to the Master Agreement.

WHEREAS, as of January 1, 1999, Manager acquired certain assets of Simons Reid Collins, the forestry management division of Simons.

WHEREAS, in connection with the acquisition of assets by Manager, Manager and Simons entered into that certain Assignment and Assumption Agreement dated as of December 29, 1998 (the "Assignment Agreement"), whereby Manager was assigned and assumed certain rights and obligations of Simons under the Master Agreement. Client gave its consent thereto pursuant to that certain Consent to Assignment of Master Timber Management Agreement dated as of December 29, 1998. In addition, Manager and Client entered into that certain Amendment to Master Timber Management Agreement dated as of December 29, 1998 and intended to be effective as of January 1, 1999.

WHEREAS, the parties wish to further amend the Master Agreement with respect to matters from and after January 1, 1999, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. **Decision Making and Signing Authority.** Exhibit 1B of the Master Agreement is hereby replaced by Exhibit 1B to this Amendment. This replacement is effective as of January 1, 1999.
2. **Additional Services.** Pursuant to Section 1.03 of the Master Agreement, Client may from time to time engage Manager to directly provide certain additional services including the services described in said section (the "Additional Services"). With respect to the Additional Services, the parties agree to the following procedures:
 - a. The scope of Additional Services shall be set forth in a Work Authorization in form attached hereto as Exhibit A and incorporated herein by reference ("Work Authorization"). Rates charged for Additional Services shall be at an employee hourly base rate (employee hourly base rate is annual salary before bonus, expressed as an hourly rate) times **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**

to equal the billable hourly rate. The cost of materials will be billed at cost. The mileage will be billed at **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** rats per mile (CDN). The rates shall apply, without change, for the term of the Master Agreement unless otherwise specifically provided in this Master Agreement or the Work Authorization. All requests for Additional Services shall be accompanied by a completed and executed Work Authorization. Upon execution by both parties, each Work Authorization shall be deemed incorporated herein by reference.

- b. Payment for Additional Services and expenses shall be in accordance with the applicable Work Authorization and this Master Agreement.
- c. Manager will be reimbursed by Client for reasonable travel expenses incurred directly in connection with the performance of Additional Services only to the extent that all such travel expenses have been approved in advance by Client or the travel expenses are provided for in the Work Authorization. Manager will be reimbursed by Client for reasonable miscellaneous other expenses incurred directly in connection with the performance of Additional Services only to the extent that such expenses are provided for in the Work Authorization. Manager shall provide Client with a detailed monthly statement of travel and miscellaneous expenses incurred.
- d. Manager, in performing the Additional Services, shall act solely as an independent contractor. Manager, and any employees or agents of Manager, shall under no circumstances be treated as, or deemed to be, employees of Client. Nothing in the Master Agreement shall be construed to create a partnership, agency, joint venture or employer-employee relationship between the parties. Manager understands that Client has no federal, provincial, or local obligations regarding employee liability or insurance for Manager.
- e. Manager shall be responsible for and pay all costs associated with Governmental compliance of its business, including, but not limited to, city, provincial, or federal licenses, permits, taxes or assessments of any kind. Manager shall be responsible for payment of its income taxes, employment taxes, employee withholding taxes and workers' compensation premiums. Manager shall indemnify Client and hold it harmless from paying such business costs or taxes.
- f. In the event that rendition of the Additional Services provided for herein requires Manager to be located at facilities of Client, Manager shall comply with all applicable federal or state or provincial laws and regulatory requirements and all safety and health regulations prescribed by Client for its own personnel. Manager shall comply with all applicable federal, state, provincial, and local laws and regulations with regard to the services rendered hereunder.
- g. The provision of the Additional Services shall be subject to all of the terms and conditions of the Master Agreement, unless otherwise specifically provided in the Work Authorization.

3. Miscellaneous. This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT: HANCOCK NATURAL RESOURCE GROUP, INC. MANAGER: ORM RESOURCES CANADA LTD.

By: /s/ (Unreadable)
Its: Vice President

By: /s/ Gary F. Tucker
Its: President & CEO

**EXHIBIT 1B
TO SECOND AMENDMENT
DECISION MAKING AND SIGNING AUTHORITY**

<u>CATEGORY</u>	<u>MANAGER'S AUTHORITY (\$CDN)</u>
1. Timber sales contracts stumpage and log sales including salvage and miscellaneous forest products	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
2. Logging and trucking contracts	
3. Land Use permits <i>i.e.</i> , road use, rock/gravel/leases, regulatory permits, licenses (inc. hunting), ferns, oil and gas, etc.	
4. Budgeted Capital Expenses contracts and checks, <i>i.e.</i> , site prep, planting, herbicide, PCT, logging roads. etc.	
5. Budgeted Operating Expenses checks: except management fees	
6. Budgeted Operating Expenses checks; management fees	

<u>CATEGORY</u>	<u>MANAGER'S AUTHORITY (\$CDN)</u>
7. All legal invoices	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
8. Acquisition of properties — with HNRIC/COF approval closing costs, expenses; manager's compensation; P&S contracts and closing documents	
9. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents	

All Hancock contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority.

Manager – to provide and update list of its authorized individuals periodically.

Authorized HNRGI Associates:

Director of Acquisitions
Manager of Acquisitions
Director of Forestry Operations & Stewardship
Regional Forestry Managers
Regional Foresters
CalPERS Forest Operations Manager
CalPERS CIO
Managing Director

Decision-making authority:

- Budget approval must be made by the HNRGI (i) Regional Forestry Manager and Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager and CalPERS CIO;
- Acquisitions and Dispositions require approval of Hancock Natural Resource Investment Committee and JHMLICo Committee of Finance; except that dispositions under **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** must be approved by (i) a Regional Forestry Manager or Director of Forestry Operations & Stewardship, or (ii) CalPERS Operations Manager or CalPERS CIO; and
- All recorded instruments (including deeds) to be signed by authorized officers of JHMLICo, John Hancock Timber Resource Corp., or other legal owner, respectively.

**EXHIBIT A
TO FIRST AMENDMENT
FORM OF WORK AUTHORIZATION**

Work Authorization Number

1. **Master Agreement.** This Work Authorization Number _____ is issued pursuant to the Master Timber Management Agreement dated as of December 5, 1997 and effective as of January 1, 1998 by and between Client and H.A. Simons (as amended, the "Master Agreement"). Capitalized terms not otherwise defined herein have the meanings given in the Master Agreement.
2. **Effective Date.** This Work Authorization is effective upon execution by both parties.
3. **Reference Title for Services Under This Work Authorization.** The reference title for Services under this Work Authorization is _____.
4. **Services to be Performed.** This Work Authorization relates to the work more fully described below:
5. **Deliverables and Schedule of Performance.**
6. **Compensation for Services.**
7. **Acceptance Criteria.**
8. **Changes.** Any amendment or modification of this Work Authorization shall be agreed to in writing by both parties ("Change Order").
9. **Client Representatives.** The representatives of the **Client** who shall have full authority to request the Additional Services to be provided [and to terminate such Additional Services] are _____ or any other person designated in writing by the **Client**.

10. **Manager Representatives.** The representatives of the Manager who shall have full authority to negotiate and execute Change Orders are _____, or any other person designated in writing by Manager.

AGREED TO AND ACCEPTED BY:

Client:

Hancock Natural Resource Group, Inc.
99 High Street, 26th Floor
Boston, MA 02110

Manager

ORM Resources Canada Ltd.
475 West Georgia Street, Suite 300
Vancouver, BC V6B 4M9
Canada

By _____

By _____

**THIRD AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Canada Operations)

THIS THIRD AMENDMENT (the "Amendment") is dated as of the 6th day of August, 1999, by and between HANCOCK NATURAL RESOURCES GROUP, INC., a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and ORM RESOURCES CANADA LTD., a British Columbia company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given in the Master Timber Management Agreement dated as of December 5, 1997 and effective as of January 1, 1998 by and between Client and H.A. Simons Ltd. ("Simons") (as amended, the "Master Agreement").

WHEREAS, Client and Simons were parties to the Master Agreement.

WHEREAS, as of January 1, 1999, Manager acquired certain assets of Simons Reid Collins, the forestry management division of Simons.

WHEREAS, in connection with the acquisition of assets by Manager, Manager and Simons entered into that certain Assignment and Assumption Agreement dated as of December 29, 1998 (the "Assignment Agreement"), whereby Manager was assigned and assumed certain rights and obligations of Simons under the Master Agreement. Client gave its consent thereto pursuant to that certain Consent to Assignment of Master Timber Management Agreement dated as of December 29, 1998. In addition, Manager and Client entered into that certain Amendment to Master Timber Agreement dated as of December 29, 1998 and intended to be effective as of January 1, 1999.

WHEREAS, the parties wish to further amend the Master Agreement with respect to matter from and after January 1, 1999, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. **Property Management Service Fee.** Exhibit 1A of the Master Agreement is hereby replaced by Exhibit 1A to this Amendment. This replacement is effective as of January 1, 1999.
2. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT:

MANAGER:

HANCOCK NATURAL RESOURCE GROUP, INC.

ORM RESOURCES CANADA LTD.

By: **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**

By: /s/ Gary F. Tucker

Its: Western Regional Manager

Its: President & CEO

Date: August 6, 1999

Date: September 15, 1999

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**EXHIBIT 1A
TO THIRD AMENDMENT
PROPERTY MANAGEMENT SERVICE FEE**

Property	Acreage	Rate \$/Acre
Comox	28,669	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Cowichan	32,302	
Total	60,971	

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**FOURTH AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Canada Operations)

THIS FOURTH AMENDMENT (the "Amendment") is dated as of the 23rd day of December, 1999, by and between HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and ORM RESOURCES CANADA LTD., a British Columbia company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given in the Master Timber Management Agreement dated as of December 5, 1997, and effective as of January 1, 1998, by and between Client and H.A. Simons Ltd. ("Simons"), as amended by a Consent to Assignment of Master Timber Management Agreement dated as of December 29, 1998; by an Assignment and Assumption Agreement dated as of December 29, 1998; by an Amendment to Master Timber Management Agreement dated as of December 29, 1998; by a Second Amendment to Master Timber Management Agreement dated as of July 26, 1999; and by a Third Amendment to Master Timber Management Agreement dated as of August 6, 1999, collectively the "Master Agreement."

WHEREAS, the parties wish to further amend the master Agreement with respect to matters from and after January 1, 2000, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. **Term.** The term of the Master Agreement shall be extended and will continue to and include December 31, 2000.
2. **Property Management Service Fee.** Exhibit 1A of the Master Agreement is hereby replaced by Exhibit 1A to this Amendment. This replacement is effective as of January 1, 2000.
3. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT: HANCOCK NATURAL RESOURCE GROUP, INC By: <u>/s/ Unreadable</u> Its: <u>Vice President</u> Date: <u>1/10/00</u>	MANAGER: ORM RESOURCES CANADA LTD. By: <u>/s/ Gary F. Tucker</u> Its: <u>President</u> Date: <u>1/6/00</u>
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**EXHIBIT 1A
TO FOURTH AMENDMENT
PROPERTY MANAGEMENT SERVICE FEE**

Property	Acreage (As of 1/1/2000)	Rate (\$/Acre/Year) (CDS)
Comox	28,669	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Lake Cowichan	32,302	
Total	60,971	

**FIFTH AMENDMENT TO
MASTER TIMBER MANAGEMENT AGREEMENT**

(Canada Operations)

THIS FIFTH AMENDMENT (the "Amendment") is dated as of the 1st day of December, 2000, by and between **HANCOCK NATURAL RESOURCE GROUP, INC.**, a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and **ORM RESOURCES CANADA LTD.**, a **British Columbia** company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given therefor in that certain Master Timber Management Agreement effective as of January 1, 1998, as amended by the agreements listed on Exhibit A hereto (herein collectively the "Master Agreement").

WHEREAS, the parties hereto are parties to the Master Agreement, and

WHEREAS, the parties wish to amend the Master Agreement, all as set forth herein,

NOW, THEREFORE, the parties hereby agree as follows:

1. **Extension of Term.** The term of the Master Agreement is hereby extended for an additional one (1) year period commencing January 1, 2001 and continuing through and including December 31, 2001.
2. **Property Management Service Fee.** Exhibit 1A of the Master Agreement is hereby replaced by Exhibit 1A to this Amendment. This replacement is effective as of January 1, 2001.
3. **Decision Making and Signing Authority.** Effective immediately, Exhibit 1B of the Master Agreement is hereby replaced by Exhibit 1B to this Amendment.
4. **Real Estate Sales Contract.** Effective immediately, Exhibit 2A of the Master Agreement is hereby replaced by Exhibit 2A to this Agreement.
5. **Additional Services.** The compensation for additional management services outlined in Exhibit 1A of the Master Agreement is hereby replaced by Exhibit B of this Agreement. This replacement is effective as of January 1, 2001.
6. **Disposition and Acquisition Time and Material Fees.** The compensation for disposition and acquisition services outlined in Exhibit 1A of the Master Agreement is hereby replaced by Exhibit 3B to this Agreement. This replacement is effective as of January 1, 2001.
7. **Plans and Endowments.** Effective immediately, Section 4.02 of the Master Agreement (as previously amended by the Amendment dated December 29, 1998) is amended by deleting the definition of "Plans and Endowments" therein and inserting the following in its stead:

"Plans and Endowments" means pension fund or retirement plans and accounts, endowments or foundations domiciled in the United States or Canada and organized and operated pursuant to the United States or Canadian law primarily or exclusively for the benefit of persons living within those jurisdictions; provided, however, that the terms "endowments" and "foundations" shall not include organizations or entities that own or acquire timberlands for conservation, environmental enhancement, wildlife protection or purposes other than commercial timberland activities."

8. **Manager's Primary Duties and Responsibilities.** Effective January 1, 2001, Section 1.02 of the Master Agreement shall be amended by including the following additional Manager duties and responsibilities:

(r) Manager shall participate in timber landowner association working groups and committees, such as PFLA, WFPA, OFIC, and CFA, at a level to be mutually determined by Client and Manager.

(s) Manager shall support Client's efforts in client service, including support in planning and implementation of routine client tours, and in responding to routine property-related client information requests.

(t) Manager shall assist Client in periodic, routine special projects, including cost benchmarking, data tracking, reporting, or mapping requests that potentially add value to Client's properties. Manager shall not be responsible for out-of-pocket expenses associated with such projects, nor is this section intended to address large-scale projects.

(u) Manager shall monitor and participate in forest research cooperatives as needed, so that Manager's forest management planning and implementation reflects the currently publicly available knowledge and technology. All new strategies and tactics in property management shall be pre-approved by Client.

(v) Manager shall collect clonal family data on trees to be planted (when available) and record the information within the stand level data system as part of the standard planting information process.

(w) Manager shall provide and maintain a Forest Inventory System and a Forest Mapping System (including GIS) for Client, which shall include the parameters set forth in Exhibits 2D and 2E, respectively.

Existing Section 2.02(e) is amended by continuing the last sentence thereof as follows: “and a forest suppression plan; said plans to be updated annually by May 31.”

Existing Section 2.02(f) is amended by adding the following at the end thereof: “Manager shall further assist Client and its representatives in resolving legal parcel problems and other land use problems.”

Existing Section 2.02(m) is amended by deleting the first sentence thereof and inserting the following in its stead: “Manager shall be responsible for performing all usual and customary timberland management functions, including but not limited to negotiating terms of and preparing all easements, licenses and other land use agreements on forms pre-approved by Client.”

9. Insurance. Effective January 1, 2001, Section 5.01 of the Master Agreement shall be amended as follows:

- In subsection (a)(i) delete the two references to “\$500,000” and insert in their stead “\$2,000,000.”
- Add the following sentence at the end of subsections (a)(i) and (ii) and (b)(i):

“Such policy shall name Client, its subsidiary companies and the owner of each property that is subject to this Master Agreement as an Additional Insured.”
- Add the following phrase after the word “emergency” in subsection (b): “(provided, however, that Manager shall immediately notify Client of each such waiver).”
- In subsection (b)(i) delete the reference to “\$500,000” and insert “\$1,000,000” in its stead.

10. Use of Name: Press Releases. Effective immediately the Master Agreement is amended by including the following provision:

“**Section 11. Use of Name: Press Releases:** Not less than five (5) business days prior to distributing any press release, sales or marketing literature or other written material to unaffiliated third parties, which refers to the other party or any of its affiliates by name, or that make reference to or representations about the nature of the relationship in which the parties are engaged, Manager or Client (as the case may be) shall furnish the other party with a copy of such materials and shall refrain from distribution thereof if the other party reasonably objects in writing within five (5) business days of its receipt thereof. Each party agrees to cooperate

with the other to facilitate any desired press release or other written communication, to promptly review any suggested material (or the pertinent provisions thereof which refer to such party), to generally permit the use of its name by the other party in any factually accurate description of this Master Agreement, and to not unreasonably object to the manner in which its name may be used. Each party also acknowledges that communications to Plans and Endowments (and their advisors and consultants) that are invested in Ultimate Client Portfolios will be made periodically and will necessarily disclose the existence of this Master Agreement, identify and refer to the parties by name, and each party agrees that the use of its name in such communications need not be approved. Similarly, each party acknowledges that communications required by the Securities and Exchange Commission will be made periodically, and may disclose the existence of this Master Agreement, identify and refer to the parties by name, and each party agrees that the use of its name in such communications need not be approved.”

11. Miscellaneous. This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first specified above.

CLIENT:

MANAGER:

HANCOCK NATURAL RESOURCE
GROUP, INC., a Delaware corporation

ORM RESOURCES CANADA LTD.,
a British Columbia corporation

By: **[Confidential Treatment for the omitted
material has been requested and has been filed**

DNL
By: /s/ Allen E. Symington

separately with the Securities and Exchange Commission]

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

Senior Vice President

Allen E. Symington
Chairman and Chief Executive Officer

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**EXHIBIT A
TO FIFTH AMENDMENT**

List of Amendments to Master Agreement

Amendments to Master Agreement

1. Consent to Assignment of Master Timber Management Agreement dated December 29, 1998
2. Amendment dated December 29, 1998
3. Second Amendment dated July 26, 1999
4. Third Amendment dated August 6, 1999
5. Fourth Amendment dated December 23, 1999

Work Authorizations

1. Number OPA C0001 dated January 17, 2000
2. Number OPA C0002 dated April 3, 2000

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**EXHIBIT 1B
TO FIFTH AMENDMENT
DECISION MAKING AND SIGNING AUTHORITY
Canadian Properties**

CATEGORY	MANAGER'S AUTHORITY (\$US)
1. Timber sales contracts stumpage and log sales including salvage and miscellaneous forest products	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
2. Logging and trucking contracts	
3. Land Use permits i.e., road use, rock/gravel/leases, regulatory permits, licenses (inc. hunting), ferns, oil and gas, etc.	
4. Budgeted Capital Expenses contracts and checks, i.e., site prep, planting, herbicide, PCT, logging roads, etc.	
5. Budgeted Operating Expenses checks; except management fees	
6. Budgeted Operating Expenses checks; management fees	
7. All legal invoices	
8. Disposition of properties — with HNRIC/COF approval closing costs; expenses; manager's compensation; P&S contracts and closing documents	

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All Client contracts to be signed by authorized preparer and a minimum of two authorized individuals up to respective limits of their signing authority.

Manager — to provide and update list of its authorized individuals periodically.

Authorized HNRGI Associates: Chief Operations Officer
Director of Forest Operations & Stewardship
Northwest Regional Manager
Northwest Regional Foresters

Decision-making authority:

- Budget approval must be made by the HNRGI Northwest Regional Manager and Director of Forest Operations & Stewardship,;
- Dispositions require approval of Hancock Natural Resource Investment Committee and JHLCo Committee of Finance; except that dispositions under **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** must be approved by (i) a Regional Forest Manager or Director of Forest Operations & Stewardship, and
- All recorded instruments (including deeds) to be signed by authorized officers of JHLCo, John Hancock Timber Resource Corp., HNRGI or other legal owner, respectively.

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**Exhibit 1A
To Fifth Amendment
Property Management Service Fee
Canadian Properties /Canadian Dollars**

Property	Acreage Forecast (as of 10/31/00)	Base Rate CDN\$/Acre Fee
Lake Cowichan	32,302	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Comox	28,639	
Total	60,941	

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**EXHIBIT 2A
TO FIFTH AMENDMENT**

Real Estate Sales Contract

1. Contract of Purchase and Sale — British Columbia
2. Contract of Purchase and Sale — Comox Timber LTD.

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**EXHIBIT 2D
TO FIFTH AMENDMENT**

Computerized Mapping System Requirements

The computerized mapping system shall be a system that is reasonable and customary for the mapping and spatial analysis of large forest land bases in the Pacific Northwest. Such a system will provide, but not necessarily be limited to the following:

Collection of data using GPS units.

Downloading data from GPS units to the mapping system.

Collection of data from heads-up digitizing, digitizing pads and scanners.

Importing map and other spatial data from external public and private sources using common data transfer formats.

Editing and maintenance functions for the spatial databases.

Links to attribute data stored in resource attribute databases (such as forest inventory), creating the ability to analyze data by spatial characteristics with the capability to link to a harvest scheduling system.

- Automated standard map making processes.
- Processes for creating custom maps.
- Processes for making standard and ad hoc queries of the spatial databases.
- Automated backups of the spatial databases.
- Downloading the spatial data into one or more standard export formats.
- Downloading any attribute (non-spatial) data into standard ASCII tables.

**EXHIBIT 2E
TO FIFTH AMENDMENT**

Forest Inventory System Requirements

The computerized inventory system shall be a system that is reasonable and customary for the management of large forest inventories in the Pacific Northwest. Such a system will provide but not necessarily be limited to the following:

- Collection of data using field data recorders or cruise cards.
- Downloading data from the field data recorders to the inventory system.
- Entering, storing and maintaining plot data in the inventory databases.
- Compilation of plot data for specified aggregations of plots.
- Loading and storage of compiled cruise results into the forest inventory databases as stand tables.
- Processes for entering, storing, editing and maintaining stand level characteristics such as site, age, gross and net volumes, avg. DBH, stems per acres, and other pertinent data. Such data shall be in total by stand, by species or other aggregation as appropriate.
- Processes for updating of inventory information for annual growth by stand and projecting such growth over time.
- Processes for editing and maintenance functions for the various inventory databases.
- Obtaining stand areas from the computerized mapping system.
- Processes for production of standard forest inventory reports.
- Processes for development of standard and ad hoc queries of the inventory databases.
- Automated backups of the inventory databases.
- Downloading the cruise and inventory data into standard ASCII tables.

**EXHIBIT B
TO FIFTH AMENDMENT
Rate Schedule for Additional Services**

Time will be billed at the following rates:

Position Category	Billing Rate (CDN\$/hour)
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]

Administrative Assistant
 Technician
 Forester/Analyst I
 Forester/Analyst II
 Senior Forester/Analyst III
 Manager/Area Manager
 Director/Region Manager
 Executive

Expenses will be billed as follows:

Mileage CDN [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] / mile

Materials and Services [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] times actual cost

**EXHIBIT 3B
 TO FIFTH AMENDMENT
 DISPOSITION AND ACQUISITION TIME AND MATERIALS FEES**

Position Category	Billing Rate (CDN\$/Hour)
Clerk	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Administrative Assistant	
Technician	
Forester/Analyst I	
Forester/Analyst II	
Senior Forester/Analyst	
Manager/Area Manager	
Director/Region Manager	
Executive	

Markup to Cost of Materials and Services [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

(Note: Services meaning and intending to refer to services contracted to others by Manager.)

Mileage charges CDN [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

*Rates listed are for typical classifications of positions that will be used for disposition and acquisition services. Other job classifications may be used with prior written agreement between Manager and Client.

**FIRST AMENDMENT TO
MANAGEMENT AGREEMENT**

THIS FIRST AMENDMENT (the "First Amendment") is dated as of the 7th day of September, 2000, by and between **PIONEER RESOURCES I, LLC** a Delaware limited liability company (hereinafter referred to as "Pioneer"), and **OLYMPIC RESOURCE MANAGEMENT LLC**, a Washington limited liability company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this First Amendment shall have the meanings given to them in that certain Management Agreement effective as of March 22, 2000 (as amended, the "Management Agreement").

WHEREAS, Pioneer and Manager are parties to the Management Agreement; and

WHEREAS, the parties wish to amend the Management Agreement, all as set forth herein.

NOW, THEREFORE, the parties agree as follows:

1. Purpose. In connection with the potential sale by Pioneer of certain Timberlands located in Washington, Oregon and California, Pioneer desires to engage Manager, and Manager agrees to provide disposition services, in accordance with Section 5 of the Management Agreement and the scope of services set forth herein ("Disposition Services"). For Manager's performance of Disposition Services, Pioneer agrees to compensate Manager as set forth herein ("Disposition Fee"). The purpose of this First Amendment is to set forth the terms and conditions that apply to the Disposition Services to be provided by Manager and the Disposition Fees to be paid by Pioneer therefor.

2. Disposition Services. Without limiting the Manager's obligations to perform administration services and property management services pursuant to the management Agreement, and Pioneer's obligation under Section 6.2 of the **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** to implement the "value maximization plan" on the terms as approved by the Required Lenders pursuant to the Amendment dated as of August 11, 2000 to the **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**, the scope of Disposition Services shall include those services customary to the marketing and sale of real estate properties in Washington, Oregon and California, including the following:

- A. Respond to offers outside the normal sales process;
- B. Assist with determination of appropriate sales price;
- C. Develop a sales strategy for each property;
- D. Where necessary or desirable, locate qualified real estate brokers;
- E. Prepare, or assist with preparation of, all marketing materials and promotional activities;
- F. When applicable, conduct all aspects of a public sale auction (and, when applicable, a sealed bid auction), including transmittal of bid information packages to prospective bidders; response to all inquiries from prospective bidders; conduct property tours,

coordinate other due diligence activities; select the successful bid(s); negotiate the purchase agreement with successful bidder(s); and assist with closing of each transaction;

- G. When required by the Management Agreement, prepare materials to facilitate, and otherwise assist Pioneer in obtaining, Required Lender sale approval; and
- H. Arrange for qualified escrow services and oversee closing of each transaction.

3. Disposition Fee. Except as expressly provided in Section 5 hereof, Manager shall be entitled to compensation for Disposition Services as follows:

A. Brokered Sales. In the event that Pioneer retains a real estate broker to sell a Pioneer property, then Manager shall **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** from the sale of said property. All costs and expenses associated with the sale shall be an expense to Pioneer.

B. Non-Broker Sales. The following shall apply to sales of Pioneer property without the use of a real estate broker:

i. Public Sale Auctions. Pioneer will sell a portion of the Pioneer properties utilizing public sale auctions without the use of a real estate broker ("public sale auction"). In conjunction with a public sale auction, Manager will perform Disposition Services, including (1) preparation and distribution of an information package that includes promotional materials, property information, maps, bid information and a request for offers (hereafter "the Bid Package"); (2) facilitate the bid process; and (3) assist with closing of each transaction. In the event that Pioneer closes a sale of Pioneer property by public sale auction, then Manager shall be entitled to a **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**. All transaction costs and expenses, such as closing costs, document preparation, taxes, escrow fees, title insurance and similar expenses associated with the sale shall be an expense of Pioneer.

ii. Private Sales. Pioneer may sell a portion of the Pioneer properties by private sale without general solicitation to potential purchasers. Except as specifically provided in Section 5 with respect to the sale called NOALE involving Pioneer and the Longview Tract, in the event that Pioneer (1) receives an unsolicited or solicited offer for a Pioneer property prior to the date that a Bid Package is mailed for general distribution; and (2) the public sale auction is not commenced; and (3) the offer results in a closed sale, then Manager shall be entitled to a **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**. All transaction costs and expenses, such as closing costs, document preparation, taxes, escrow fees, title insurance and similar expenses associated with the sale shall be an expense to Pioneer.

4. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

A. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

B. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

5. **Disposition Services for Longview Tract and NOALE Exchange.** Pioneer will utilize Manager to provide certain Disposition Services in conjunction with the Northeast Oregon Assembled Land Exchange (“NOALE”) involving Pioneer properties and possibly with regard to the California Longview Tract. The parties agree to the following arrangement concerning compensation to Manager for Disposition Services relating to these two transactions:

A. **NOALE Exchange.** It is anticipated that Pioneer will exchange approximately 21,500 acres to the Bureau of Land Management (“BLM”) for [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]. Manager will provide Disposition Services relating to the transaction. Manager shall be entitled [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]. If the NOALE exchange is consummated, Manager shall provide Disposition Services relating to the sale of any of the properties received from BLM in the NOALE exchange and Manager shall be entitled to [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

B. **Longview Tract.** Pioneer may sell all, or a portion of, the California Longview Tract without the use of Disposition Services provided by Manager. Notwithstanding the provisions of Section 3(B)(i) and 3(B)(ii) above, in the event that Pioneer sells all, or a portion of, the California Longview Tract without utilizing the Disposition Services of Manager, then Manager shall [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

6. **Consent of Required Lenders.** Pursuant to Section 6.10 and Section 6.11 of the [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] Pioneer and Manager agree that the effectiveness of this First Amendment (and any amendment of this First Amendment) is subject to, and contingent upon, the prior written consent of the Required Lenders. Pioneer and Manager agree that this First Amendment shall become effective upon the execution hereof by Manager and Pioneer and Pioneer’s receipt of such written consent from the Required Lenders. Pioneer and Manager acknowledge that the written consent of the Required Lenders to this First Amendment shall not be deemed the consent of the Lenders, or indicate the Lenders’ willingness to consent, to any specific sale transaction (including the NOALE sale) contemplated hereby, such consent being required to the extent set forth in [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

7. **Miscellaneous.** This First Amendment constitutes an integral part of the Management Agreement. Except as expressly amended by this First Amendment, the Management Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this First Amendment by and through their properly authorized officers on the date first specified above.

PIONEER:

PIONEER RESOURCES I, LLC,
a Delaware liability company

By: Olympic Resource
Management, Manager

By: /s/ Thomas M. Ringo
Its: Vice President & CFO
Date: Sept. 7, 2000

MANAGER:

OLYMPIC RESOURCE MANAGEMENT LLC,
a Washington limited liability company

By: /s/ David Nunes
Its: President & COO
Date: 9/7/00

**SECOND AMENDMENT TO
MANAGEMENT AGREEMENT**

THIS SECOND AMENDMENT TO MANAGEMENT AGREEMENT (the "Second Amendment") dated as of June 29, 2001 is entered into between **PIONEER RESOURCES I, LLC**, a Delaware limited liability Company ("Pioneer"), and **OLYMPIC RESOURCE MANAGEMENT LLC**, a Washington limited liability company ("Manager"). Capitalized terms not otherwise defined in this Second Amendment shall have the meanings set forth in that certain Management Agreement between Pioneer and Manager dated as of March 22, 2000, as amended by the "First Amendment to Management Agreement" dated as of September 7, 2000 (the "First Amendment"). The original Management Agreement as modified by the First Amendment shall be referred to herein as the "Management Agreement".

RECITAL

Pioneer and Manager are parties to the Management Agreement and the parties wish to further amend the Management Agreement, as set forth herein.

NOW, THEREFORE, the parties agree as follows:

AMENDMENT TO MANAGEMENT AGREEMENT

1. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] (a) Section 2.2(a) of the Management Agreement is deleted in its entirety and replaced by the following:

2.2 Fees. (a)(i) **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**

(ii) **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**

(iii) Any fees payable to Manager for Additional Services or Optional Services performed by Manager in accordance with Sections 4.3 and 4.4 of this Agreement, respectively, shall be payable in accordance with the terms of Manager's engagement by Pioneer to perform such Additional Services or Optional Services."

(b) Schedule 1 attached to this Second Amendment shall become Schedule 1 to the Management Agreement.

(c) **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** Section 4 of the First Amendment and Exhibit 2 to the Management Agreement (and all references thereto) are hereby deleted from the Management Agreement.

2. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]

3. Extension of Term. Section 8.1 of the Management Agreement is deleted in its entirety and replaced by the following:

8.1 Term. The term of this Agreement shall commence as of the date hereof, and shall continue to and including the date of **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** (the "Termination Date"). Thereafter, this Agreement may be renewed for **[Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]** only upon the mutual consent of Manager and Pioneer in each of their sole discretions. The provisions of Sections 2.3(c)(ii), 6.1, 7.2, 7.3, 8.4 and 9 shall survive any termination of this Agreement.

4. Elimination of Pioneer Secured Fee Obligations from Manager Mortgage. Manager and Pioneer agree that, from and after date hereof, the term "Pioneer Secured Fee Obligations" is hereby deleted from the Management Agreement wherever it may occur. Manager and Pioneer further agree that, from and after the date hereof, the term "Pioneer Secured Obligations" shall mean only the Pioneer Secured Indemnity Obligations. The Manager Mortgage shall continue in full force and effect from and after the date hereof, but shall secure only the Pioneer Secured Indemnity Obligations and shall cease to secure to the Pioneer Secured Fee Obligations.

5. [Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].

(a) **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].**

(b) **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission].**

(c) Scheduled Buyers. Upon any termination of the Management Agreement on or prior to the **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**, Pioneer (acting with the consent of the Required Lenders) and Manager shall mutually agree on a schedule listing all of the parties (the "Scheduled Buyers") that Manager has contacted prior to such termination concerning a sale of any of Pioneer's real estate. Notwithstanding the termination of the Management Agreement, Pioneer shall pay to Manager **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**.

(d) Deletion of Section on Longview Tract. Effective from and after the date of this Second Amendment, Section 5(B) of the First Amendment shall be deleted in its entirety, and all future sales with respect to the Longview Tract shall be subject to and governed by the provisions of this Section 5.

6. Consent of Required Lenders. Pursuant to Section 6.10 and Section 6.11 of the **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** Pioneer and Manager agree that the effectiveness of this Second Amendment (and any amendment of this Second Amendment) is subject to, and contingent upon, the prior written consent of the Required Lenders. Pioneer and Manager agree that this Second Amendment shall become effective upon the execution hereof by Manager and Pioneer and Pioneer's receipt of such written consent from the Required Lenders.

7. Miscellaneous. This Second Amendment constitutes an integral part of the Management Agreement. The Management Agreement, as amended and supplemented by this Second Amendment, is and shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment by and through their properly authorized officers on the date first specified above.

PIONEER RESOURCES I, LLC

OLYMPIC RESOURCE MANAGEMENT, LLC

By: /s/ Thomas M. Ringo
 Its: VP for Manager
 Date: 8/9/01

By: /s/ David L. Nunes
 Its: President
 Date: 8/9/01

SCHEDULE I

[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission] Timber Tract or HBU Sales (A)
(all figures actual)

	Acres	Value	Relative Value%		
Riffe Lake	4,885	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
Aloha	5,622				
Commander All	43,263				
Williams Ranch	4,504				

Willetts	14,158	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]	[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]
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**Exchange
Commission]**

Longview	57,635
East Oregon	192,854
	322,921

Note (A): If HBUs or sub-tracts are sold, monthly rate reduction is calculated per this pre-determined schedule (e.g. sell a 1,227 acre Oregon HBU, **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**. Reduction mechanism outlined above does not apply to timber deed acres.

**TIMBERLAND DEED OF TRUST
AND SECURITY AGREEMENT
WITH ASSIGNMENT OF RENTS**
(Washington)

This Deed of Trust and Security Agreement with Assignment of Rents (the "Deed of Trust") is made this 29 day of April, 1992, by and between POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP (hereinafter referred to as the "Grantor") whose address is 19245 10th Avenue N.E., Poulsbo, Washington 98370-0239, JEFFERSON TITLE COMPANY, whose address is 2205 Washington Street, Port Townsend, Washington 98368, as Trustee, (hereinafter referred to as "Trustee") and JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, a corporation incorporated under the laws of the Commonwealth of Massachusetts (hereinafter referred to as the "Beneficiary"), whose address is John Hancock Place, P.O. Box 111, Boston, Massachusetts 02117, Attn: Senior Forestry Investment Officer, Agricultural Investment Department.

WHEREAS, Grantor is indebted to Beneficiary in the sum of Sixteen Million Dollars (\$16,000,000.00), evidenced by promissory note dated April , 1992 (hereinafter referred to as the "Note"), to be paid with interest thereon in installments as set forth in the Note, which matures, if not sooner paid, on May 1, 2022; and

WHEREAS, to secure the indebtedness evidenced by the Note, Grantor has duly authorized the execution and delivery of this Timberland Deed of Trust and Security Agreement with Assignment of Rents upon certain property in Jefferson County, Washington, as hereinafter particularly described.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and for the purpose of securing the obligations described in Section 1.1 below, Grantor hereby irrevocably grants, conveys, bargains, sells, warrants, assigns, transfers, pledges, hypothecates and grants in and confirms to Trustee, in trust, with power of sale, for the benefit and security of Beneficiary, subject to the terms and conditions hereinafter set forth, all of Grantor's right, title and interest in and to the real property located in Jefferson County, Washington (the "Real Property") more particularly described on Exhibit A attached hereto and incorporated herein by reference thereto; and all fences, gates, roads, rights of way or easements for roads, rights of ingress and egress, waters, water courses, water rights and powers, rights to underground waters, licenses, rights, interests, privileges, liberties, and all tenements, hereditaments and appurtenances whatsoever, upon or attached to or in any way belonging, relating or appertaining to the Real Property, or which hereafter shall be related to or in any way belong, or be appurtenant thereto, and all licenses, easements, rights, interests, privileges or liberties now or hereafter owned by Mortgagor belonging, relating or appertaining to the Real Property, or the timber or logs located thereon; and

TOGETHER WITH the Grantor's interest in any cutting or similar contract involving the sale of trees standing on the Real Property; any books and records relating to the use and operation of all or any portion of the Real Property; and all rights, titles and interests of Grantor in and to all present and future licenses, permits, approvals and agreements with or from any

municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division or use of all or any portion of the Real Property to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing or sales agreements, and service contracts which are in any way relevant to the ownership, development, improvement, management, sale or use of all or any portion of the Real Property; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any improvements, and all construction materials, supplies, and equipment delivered to the Real Property or intended to be used in connection with the construction of improvements on the Real Property; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may hereafter acquire with respect to any damage to or taking of all or any part of the Real Property and all awards made for taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Real Property, and any and all awards resulting from any other damage to the Real Property, all of which are hereby assigned to the Beneficiary and the Beneficiary is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor, and to apply the same to the Obligations secured hereby notwithstanding the fact that the same may not then be due and payable; and

TOGETHER WITH any and all rights, interest, and claims that Grantor now has or may hereafter acquire with respect to any and all mineral, oil and gas rights, air rights, development rights, water rights and water stock, drainage rights, zoning rights, and other similar rights or interests which benefit or are appurtenant to the Real Property and any proceeds arising therefrom; and

TOGETHER WITH all structures, buildings, and improvements of every kind and description now or at any time hereafter located on the Real Property (hereinafter referred to as the "Improvements"), including all equipment, apparatus, machinery, fixtures, fittings, and appliances and other articles and any additions to, substitutions for, changes in or replacements of the whole or any part thereof, now or at any time hereafter affixed or attached to, and which are an integral part of said structures, buildings, improvements, or the Real Property or any portion thereof, and such Improvements shall be deemed to be fixtures and an accession to the freehold and a part of the Real Property as between the parties hereto and all persons claiming by, through, or under such parties except that same shall not include such machinery and equipment of any tenant of any portion of the Real Property or Improvements, which is part of and/or used in the conduct of the normal business of such tenant conducted upon the Real Property;

TOGETHER WITH all timber, standing, cut or down, now or hereafter grown, growing or located on the Real Property, deemed for the purposes of this Deed of Trust to be real property.

ARTICLE I.

Particular Covenants and Warranties of Grantor

1.1 Obligations Secured. This Deed of Trust secures the following, collectively referred to hereinafter as the "Obligations":

(a) The payment of all indebtedness and the performance of all covenants and obligations of Grantor under the Note, whether such payment and performance is now due or becomes due in the future;

(b) The payment and performance of all covenants and obligations in this Deed of Trust, and in all other security agreements, notes, agreements, and undertakings now existing or hereafter executed by Grantor with or for the benefit of Beneficiary relative to the loan evidenced by the Note.

1.2 Payment of Indebtedness, Performance of Covenants. Grantor shall duly and punctually pay and perform all of the Obligations.

1.3 Title To Property, Type, Acres, Volume of Timber. Grantor warrants that it holds good and merchantable title to the Property, free and clear of all liens, encumbrances, reservations, restrictions, easements and adverse claims except those identified as Number 1 through 173 and Number 181 on Schedule B in the Commitment for Title Insurance issued by Jefferson County Title Company, Inc., dated March 9, 1992, Order No. 38797-RA, given to Beneficiary by Grantor prior to execution of this Deed of Trust, a copy of said Schedule B being attached hereto as Exhibit B, and that the Property is not used principally for agricultural or farming purposes. Grantor covenants that it will forever defend the Beneficiary's rights hereunder and the priority of this Deed of Trust against the adverse claims of all persons.

Grantor further warrants that the Property contains at least 37,805 acres, that the annual growth rate of merchantable conifer timber thereon is at least 11,200 MBF, and that located thereon is uncut sound merchantable conifer timber of the following species in at least the volumes indicated as follows:

Douglas Fir	236,514 MBF (net Scribner long-log sale measure)
Cedar	8,293 MBF (net Scribner long-log sale measure)
Other Conifer	36,012 MBF (net Scribner long-log sale measure)

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1.4 Further Assurances; Filing; Re-Filing; etc.

(a) Grantor shall execute, acknowledge and deliver, from time to time, such further instruments as Beneficiary may require to accomplish the purposes of this Deed of Trust.

(b) Grantor, immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, shall cause this Deed of Trust, any security agreement, Deed of Trust, or deed of trust supplemental hereto and each instrument of further assurance to be recorded and re-recorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Deed of Trust.

(c) Grantor shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Deed of Trust, any security agreement, Deed of Trust, or deed of trust supplemental hereto and any instrument of further assurance, and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Deed of Trust, any security agreement, Deed of Trust or deed of trust supplement hereto, or any instruments of further assurance.

1.5 Compliance with Laws. Grantor further represents, warrants and covenants that the Property will be maintained in full compliance with all applicable laws, statutes, ordinances, regulations and codes of all federal, state and local governments (collectively "Laws"); and all covenants, conditions, easements and restrictions affecting the Property. Grantor may, without being deemed to be in violation of this section 1.5, contest in good faith the application of any laws, covenants, conditions, easements or restrictions affecting the Property; provided, that in the event such contest involves a lien on the Property, or any part thereof, that would, if valid, have priority over the lien of this Deed of Trust, Grantor shall provide to Beneficiary an appropriate monetary deposit or corporate surety bond fully protecting Beneficiary against such lien should Grantor's contest be unsuccessful.

1.6 Environmental Protection Requirements, Warranties and Indemnities.

(a) Except to the extent Grantor may do so, in accordance with applicable state, federal or local laws and regulations, in the ordinary course of its timber planting, growing, management and harvesting business, Grantor shall not use, or permit any tenant, occupant, or any other party or entity to use, the Property, or any part thereof, for the purpose of generating, treating, producing, storing, handling, transferring, processing, transporting, disposing, or otherwise releasing "hazardous substances," as hereinafter defined, either on, in, from, or about the Property which:

(i) creates or causes a contamination either on the Property or elsewhere which is required by any governmental authority to be removed, remediated, or otherwise cleaned-up under any applicable "Environmental Law," as defined below,

(ii) creates any form of liability, civil or criminal, direct or indirect, due to such contamination, or

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(iii) is in contravention of any Environmental Law.

(b) The terms “Environmental Law” and “Environmental Laws” as used in this Deed of Trust include any and all current and future federal, state, and local environmental laws, statutes, rules, regulations, and ordinances, as the same shall be amended and modified from time to time, including but not limited to “common law,” the Comprehensive Environmental Response, Compensation and Liability Act, (CERCLA) as amended from time to time, the Resource Conservation and Recovery Act, (RCRA) as amended from time to time, and the Toxic Substances Control Act, (TSCA) as amended from time to time.

(c) The term “hazardous substances” as used in this Deed of Trust includes any and all “hazardous substances” as defined in CERCLA, any and all “hazardous wastes” as defined in RCRA, any and all “toxic substances” as defined in TSCA, petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls (“PCB’s”), radon gas, urea formaldehyde form insulation (“UFFI”), and any and all other hazardous substances, hazardous wastes, pollutants, and contaminants regulated or controlled by any of the Environmental Laws.

(d) Grantor shall, promptly after learning thereof, in the event of any discharge, spill, injection, escape, emission, disposal, leak, or other release of hazardous substances on, in, under, onto, or from the Property, which is not authorized by a currently valid permit or other approval issued by the appropriate governmental agencies:

- (i) Promptly notify Beneficiary and if required by applicable laws or regulations, the Environmental Protection Agency National Response Center and the appropriate State Department of Environmental Resources,
- (ii) take all steps necessary to promptly clean up such discharge, spill, injection, escape, emission, disposal, leak, or another release in accordance with the provisions of all applicable Environmental Laws, and
- (iii) if legally required, receive certification from the appropriate State Department of Environmental Resources or Federal Environmental Protection Agency that the Property, and any other property affected, has been cleaned up to the satisfaction of those agencies.

(e) Grantor shall and does hereby grant Beneficiary and Beneficiary’s agents, employees, contractors and designees an irrevocable license (coupled with an interest) to enter the Property, until such time as the Obligations are fully paid, upon at least 10 days prior written notice to Grantor, from time to time to:

- (i) evaluate and monitor the Property for compliance with all Environmental Laws and the terms of this Deed of Trust.
- (ii) to evaluate the presence of hazardous substances, and
- (iii) to perform appropriate tests and test borings, including taking soil and ground water samples.

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(f) That Grantor shall provide Beneficiary with all notices and other communications received from federal, state, and local agencies and departments which enforce and administer the Environmental Laws relating to violations thereof on the Property. From time to time Grantor shall provide Beneficiary, upon request, any and all information requested by Beneficiary concerning the use of the Property and Grantor’s compliance with the Environmental Laws and the terms of this Deed of Trust, including but not limited to, all licenses, permits, and certificates, and the books and records pertaining to the Property.

(g) Grantor shall require that all tenants, subtenants, undersubtenants, and other occupants of the Property to use and occupy the Property in strict compliance with the Environmental Laws and the terms of this Deed of Trust.

(h) Grantor shall and does hereby release, indemnify, agree to pay on behalf of and hold harmless Beneficiary, its officers, directors, agents, employees, successors, and assigns of, from, and against any impositions imposed by any governmental authority for any lien or so-called “super priority lien” upon the Property, as well as all losses, claims, costs, liabilities, penalties, punitive damages, causes of action, actions, demands, damages, fines (civil or criminal), penalties, expenses, clean-up costs, attorneys’ fees, and court costs (all of which are hereinafter referred to as “Environmental Damages”), regardless of when such Environmental Damages occurred, caused in whole or in part by any past, present, or future owner, occupier, tenant, subtenant, undersubtenant, licensee, guest, or any other person or entity, unless and to the extent such Environmental Damages arise as a result of the negligence or willful misconduct of Beneficiary, its employees, agents, contractors, or subcontractors, which may be incurred, suffered, or sustained by Beneficiary, its officers, directors, successors, or assigns, at any time, and from time to time, hereunder whether before, during, or after enforcement of its rights and remedies hereunder after the occurrence of an Event of Default and after payment of all sums secured hereby, by reason of or arising from, in whole or in part:

- (i) the presence or alleged presence of asbestos, asbestos-containing materials, PCB’s, radon gas, or UFFI on the Property;
 - (ii) any violation or alleged violation of any Environmental Law; and
 - (iii) any release or contamination caused by any hazardous substance on, in, under, onto, from, or about the Property;
- or
- (iv) any liability for personal injury, property damage, or damage to the environment due to (i), (ii), or (iii) above (“Receivable Claims”).

Provided, always, that Grantor’s liability under this subsection (h) shall be limited to that derived from event(s) occurring prior to or during Grantor’s ownership of the Property or portion thereof on which the event(s) occurred giving rise to the liability covered by the foregoing indemnity. In the event the liability arises from a continuing event that occurred both during or prior to Grantor’s ownership, but also after Grantor’s ownership, Grantor’s liability under the indemnity set forth above shall remain, but shall be reduced to the extent that Grantor shall prove is due to the actions or omissions of an owner(s) subsequent in time to Grantor.

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(i) The terms of paragraph 1.6 (h) shall survive the payment in full of all sums secured hereby and the termination and satisfaction of record of this Deed of Trust and/or a deed in lieu of foreclosure.

(j) Grantor agrees that in the event Beneficiary shall pay any Receivable Claims, all such sums shall be added to the amount secured hereby, shall be deemed to be obligatorily advanced under the terms of the Loan Documents, shall be secured hereby, and shall be payable on demand by Grantor. The terms of this paragraph shall survive the payment in full of all other sums secured hereby and the termination and satisfaction of record of this Deed of Trust.

(k) Grantor warrants and represents to Beneficiary that Grantor has investigated the prior ownership and use of the Property, in a manner consistent with good commercial and customary practice, to determine that the Property is free of hazardous substances, except as otherwise disclosed to Beneficiary in writing, Grantor, in performing its investigation, has considered, among other factors:

- (i) the relationship of the purchase price to the value of the Property if uncontaminated when acquired,
- (ii) commonly known or ascertainable information about the Property, and
- (iii) the obviousness of the presence, or likely presence, of contamination.

(l) Grantor warrants and represents to Beneficiary, except to the extent disclosed to Beneficiary in writing, that to the best of the Grantor's knowledge:

(i) none of the Property owned and/or occupied by Grantor has ever been used to treat, store, produce, handle, transfer, process, transport, dispose or otherwise release hazardous substances and/or any other substances regulated or controlled by the Environmental Laws or which would result in any liability therefor;

(ii) there is no pollution or danger of pollution resulting from a condition which exists on the Property which requires any corrective action under the Environmental Laws or which would result in any liability therefor;

(iii) no notification has been filed with regard to a release of hazardous substances on, into, onto, or from the Property under the Environmental Laws;

(iv) neither Grantor nor any prior owner or occupier of the Property has received a summons, citation, Notice of Violation, Administrative Order, directive, letter, or other communication, written or oral, from any governmental or quasi-governmental authority concerning any violation or alleged violation of any Environmental Laws with respect to the Property;

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(v) there are no underground storage tanks, visible asbestos, asbestos-containing materials, PCB's, or UFFI located on, in, under, or about the Property;

(vi) there have been no releases at, upon, under, or within, and no past or ongoing migration from neighboring lands to, the Property of any hazardous substances;

(vii) there is no radon gas infiltrating any buildings on the Property in excess of current state and federal guidelines; and

(viii) all warranties and representations given by Grantor in this Deed of Trust are true, complete, and correct as of the date hereof.

(m) Grantor agrees that any materials or other items found in, on, under, or around the Property, of which Grantor is aware, which qualify as hazardous substances, or any otherwise deemed unacceptable by the Beneficiary, in its sole discretion, shall be immediately removed from the Property, at Grantor's sole cost and expense, in compliance with all applicable Environmental Law; provided, however, that Grantor need not remove any substances pursuant to this subsection (m) that Grantor requires in the ordinary course of its timber planting, growing, management, and harvesting business and if such usage is in compliance with applicable state, federal, or local laws and regulations.

(n) Beneficiary shall be under no obligation or duty to inspect for or discover any hazardous substances on the Property.

(o) Grantor shall, in addition to those notifications required elsewhere in this Deed of Trust, notify Beneficiary of:

(i) the presence in any material amount known to Grantor of any visible asbestos or asbestos-containing materials, PCB's (except as shown on the Environmental Certificate), radon gas beyond acceptable limits, or urea formaldehyde foam insulation at, in, on, under, onto, or from the Property, and

(ii) the receipt by Grantor of any written notice or other written communication from any governmental entity or authority or from any tenant or other occupant or from any other person or source with respect to any alleged or actual release, contamination or other event involving a Hazardous Substance on, in, under, onto, or from the Property, and

(iii) shall promptly send Beneficiary copies of all results of tests conducted by or on behalf of Grantor of any underground storage tanks on the Property.

1.7 Waste or Deterioration. Grantor shall not commit, permit, or suffer any waste or deterioration of the Property. Grantor shall give Beneficiary no less than 20 days prior notice before commencing any construction, alteration, or improvement on the Property, excepting that any such activity, such as road construction, normal to the cutting and removal of timber from the Property shall not require such prior notice.

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1.8 Liens. Grantor shall not create or suffer or permit to be created any mortgage, deed of trust, lien, security interest, charge, or encumbrance upon the Property or any part thereof, prior to, on a parity with, or subordinate to, the lien of this Deed of Trust. Provided always that the following shall not be deemed a violation of this Section 1.8 or of any other provision of this Deed of Trust:

- (a) Financing secured by liens on the Property (or a portion thereof) which are subordinate to the lien of this Deed of Trust and which financing was obtained with Beneficiary's prior written consent.
- (b) Cutting or stumpage contracts concerning merchantable conifer timber on the Property entered into in the ordinary course of Grantor's business.
- (c) Leases involving portions of the Property entered into in the ordinary course of Grantor's business.

1.9 Impositions.

(a) Grantor shall pay or cause to be paid, when due and before any fine, penalty, interest, or cost attaches thereto, all taxes, assessments, utility charges, and all other governmental or nongovernmental charges or levies now or hereafter assessed or levied against any part of the Property (including, without limitation, levies or charges resulting from covenants, conditions and restrictions affecting the Property) or upon the lien or estate of the Beneficiary therein (collectively, the "Impositions"); provided, however, that if by law any such imposition may be paid in installments, whether or not interest shall accrue on the unpaid balance thereof, the Grantor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same become due, before any fine, penalty, or cost attaches thereto. Grantor shall also pay when due all claims for labor, materials, or supplies that, if unpaid, might become a lien on the Property or any portion thereof.

(b) Should Grantor be in default under the Note or this Deed of Trust, Beneficiary, at its option, may engage Ticor Realty Tax Service (or other realty tax payment monitoring service Beneficiary shall select) to monitor, for the balance of the term of the Note, the payments made by Grantor on the real estate taxes due on the Property. Grantor shall reimburse Beneficiary on demand, the charges for such service. If not so paid, such charges shall be deemed an advancement by the Beneficiary as provided for in Section 1.9(d) and shall bear interest accordingly.

(c) Grantor may, at its expense and after prior notice to Beneficiary, contest by appropriate legal, administrative, or other proceedings conducted in good faith and with due diligence, the amount, validity, or application, in whole or in part, of any Imposition or lien therefor or any claim of any laborer, materialmen, supplier or vendor or lien therefor, and may withhold payment of the same pending completion of such proceedings if permitted by law, provided that: (i) such proceedings shall suspend collection from the Property; (ii) neither the Property nor any part thereof nor interest therein will be sold, forfeited, or lost if Grantor pays the amount or satisfies the condition being contested, and Grantor would have the opportunity to do so in the event of Grantor's failure to prevail in the contest; (iii) Beneficiary shall, by virtue of

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such permitted contest, not be exposed to any risk of any criminal liability or any civil liability for which Grantor has not furnished additional security as provided in clause (iv) following; and (iv) Grantor shall have furnished to Beneficiary additional security in respect of the claim being contested or the loss or damage which may result from Grantor's failure to prevail in such contest in such form and amount as may be reasonably requested by Beneficiary.

(d) Upon Grantor's failure to comply with the covenants and agreements contained in this Deed of Trust, including without limitation payment of taxes, charges, assessments, insurance premiums, maintenance and repair of the Property and costs incurred for the protection of the Property and Beneficiary's priority, Beneficiary, without prejudice to any rights given herein, may make advances to perform or cure same in behalf of Grantor; and Grantor hereby agrees to repay all sums so advanced, on written demand, with interest from the date advanced at the rate of 12.65% per annum. All sums so advanced, with interest as aforesaid, until paid by Grantor, shall be immediately due and payable and be added to and become a part of any indebtedness or obligation secured hereby in such manner or order as Beneficiary may desire or determine, having the benefit of the lien hereby created as a part thereof and of its priority; but no such advances shall be deemed to relieve Grantor from any default hereunder or impair any right or remedy consequent thereto. The exercise of the rights to make advances granted in this paragraph shall be optional with Beneficiary and not obligatory; and Beneficiary shall not, in any case, be liable to Grantor for failure to exercise any such right.

1.10 Books and Records; Inspection and Audit of Records and the Property. Grantor shall keep adequate records and books of account in accordance with generally accepted accounting principles consistently applied and shall permit Beneficiary, and its authorized representatives to enter and inspect the Property, to examine the records and books of account of the Grantor with respect thereto, including but not limited to harvest activity thereon, for the purpose of ascertaining that the obligations of the Grantor under this Deed of Trust and obligations of the maker of the Note are being complied with, and make copies of extracts thereof, such inspection or audit of books and records to be at such reasonable times as may be requested by Beneficiary. In addition, Beneficiary shall be permitted ready access to such books and records for the purpose of an audit or audits thereof as often as Beneficiary may reasonably request, at Beneficiary's expense, by independent public accountants engaged by Beneficiary. Grantor shall be obligated under this Section 1.10 to make such books and records available only at the location(s) where such are usually kept in the ordinary course of the Grantor's business.

1.11 Annual Harvest Reports. Within 45 days of the end of Grantor's fiscal year, Grantor shall provide Beneficiary a written report of the following activity with respect to the Property during the fiscal year just ended:

- (a) Timber volume harvested, broken down by species.
- (b) Timber volume damaged by fire, insects, disease, storms or other act of nature.
- (c) Number of acres (and the location thereof) prepared and planted for reforestation purposes, including the species planted.

Provided, that if at any time the amount of timber harvested from the Property shall exceed the amount that may be harvested without triggering an extra principal payment under the Note (as detailed in Section 2 thereof), Grantor shall notify Beneficiary in writing within 15 days of the date Grantor becomes aware that it has exceeded such allowable harvest total and follow such notification within 45 days with a written report to Beneficiary for the year to date including the same items required to be in the annual report, such report to be submitted monthly for the balance of such year, within 15 days after the end of each month for which such report is required.

1.12 Partnership Status, Continuous Operations etc. Grantor covenants that:

(a) It is a validly existing limited partnership under the laws of the State of Delaware, duly qualified to do business in the State of Washington and any other place where such qualification is necessary.

(b) It has the necessary power and authority to accept the Commitment Letter dated April 8, 1992, sent by Beneficiary to Grantor (hereinafter referred to as the "Commitment Letter") and to borrow pursuant thereto.

(c) It will at all times (i) conduct its business and operate actively, (ii) keep in full force and effect its partnership existence and comply with all laws and regulations governing the conduct of its partnership operations, and (iii) make all such reports and pay all franchise and other taxes and license fees and do all such other acts and things as may be lawfully required, to maintain its rights, licenses, leases, powers and franchises under the laws of the United States and of the states of jurisdictions in which it operates.

(d) The making and performance by Grantor of the Commitment Letter, the Note and this Deed of Trust have been duly authorized by partnership action and will not violate any provision of law or of its articles of incorporation, bylaws or partnership agreement, result in the breach of or constitute a default under any indenture or other agreement or instrument to which Grantor is a party or by which Grantor or the Property may be bound or affected, including any loan agreements with U.S. Bank of Washington, N.A.

1.13 Annual Financial Statements. Grantor shall furnish to Beneficiary as soon as practical after the end of each fiscal year of Grantor, and in any event within 90 days thereafter, audited financial statements including without limitation balance sheets and statements of income and expense prepared and certified, at Grantor's expense, by an independent certified public accountant acceptable to Beneficiary who is a member of the American Institute of Certified Public Accountants together with a certificate by such accountant stating that he is familiar with the financial provisions of the loan secured hereby and whether his examination has disclosed the existence of any default under this Deed of Trust, the Note secured hereby, or the Commitment Letter, specifying the nature and period of any default that has been discovered.

1.14 Quarterly Financial Statements. Grantor shall furnish Beneficiary, within 45 days from the end of each fiscal quarter of Grantor, unaudited financial and operating statements, certified by the Managing General Partner of Grantor and by the authorized officers of such Managing General Partner.

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1.15 Limitations of Use. Grantor 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 Property, or any part thereof, without the prior written consent of Beneficiary, other than granting road easements incident to normal forest management and logging operations. Provided, that the preceding sentence to the contrary notwithstanding, Grantor may, without violating the terms of this Deed of Trust accomplish any or all of the actions proscribed by the preceding sentence if the taking of such action or actions (whether taken at one or more than one time) does not have the result of eliminating the Grantor's ability, based on the reasonable projections using the market conditions then prevailing, to fully service the debt secured hereby, according to its terms, from the harvesting of timber from the Property.

1.16 Local Improvement District. Grantor will not, without the prior written consent of Beneficiary, create or initiate, vote for, or in any other manner foster, join in or consent to the creation of, or the inclusion of the Property or any part thereof within the boundaries of any irrigation, levee, drainage or other improvement district (except school or road), under which any such district has or will have the power to issue bonds or other evidence of indebtedness and/or the power to make assessments against the Property or any part thereof.

1.17 Special Financial Requirements of Grantor.

(a) Definitions: For the purposes of this Section 1.17, the following listed terms shall be interpreted as stated below:

(i) **Grantor:** Pope Resources, A Delaware Limited Partnership, and any subsidiary of Grantor.

(ii) **Subsidiary:** Any corporation in which a majority of the securities which have voting power are owned by the Grantor. For the purposes hereof, a corporation in which a majority of the securities which have voting power are owned by a subsidiary as herein defined, shall also be deemed to be a subsidiary.

(iii) **Beneficiary:** John Hancock Mutual Life Insurance Company or its successors and assigns.

(iv) **Consolidated Basis:** Assets, liabilities, and partner's capital of Grantor and any subsidiary shall be deemed to be one for accounting purposes in calculating the various ratios and requirements used herein.

(v) **Assets:** Anything owned by Grantor or any right or interest therein of Grantor.

(vi) **Liquid Assets:** Cash and cash equivalents, accounts receivable due within one year, work in progress which is reasonably expected to be converted to cash within one year, principal payments on contracts receivable due within one year, prepaid expenses, and inventory.

(vii) **Liabilities:** Any debt or obligation of Grantor.

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(viii) **Liquid Liabilities:** Debts or other obligations of the Grantor which must be paid or satisfied within a year, including accounts payable, accrued liabilities, and debt principal payments due within one year, and excluding any deferred taxes.

(ix) **Liquid Ratio:** Ratio of Liquid Assets to Liquid Liabilities of Grantor.

(x) **Tangible Assets:** All assets except assets such as goodwill, patents, and similar assets of an intangible nature.

(xi) **Tangible Partner's Capital:** All Tangible Assets less all consolidated liabilities of Grantor.

(xii) **Standing Timber Inventory:** The existing timber value (in board-feet or cords) allocated to the Property.

(xiii) **Average Annual Growth:** The average annual timber growth allocated to the Property.

(b) Liquid Ratio: On a consolidated basis, the Grantor shall at all times maintain a Liquid Ratio of no less than 1.25:1.

(c) Consolidated Ratio of Liabilities to Capital: The ratio of Grantor's Consolidated Liabilities (excluding deferred profit) to Tangible Partner's Capital shall at all times not be greater than 2.0:1.0.

(d) Tangible Partner's Capital: The Grantor's Tangible Partner's Capital was not less than \$18,600,000 on December 31, 1991, and will be maintained at no less than that level plus 50% of Grantor's consolidated net income on an annual basis for the first five years following 1991, plus 40% of consolidated net income on a consolidated basis for the next five years, plus 30% of consolidated net income for the next five years, plus 20% of net income for the next five years, plus 10% of consolidated net income for the next five years.

(e) Consolidated Ratio of Net Income Plus Interest Expense to Consolidated Interest Expense: The ratio of Grantor's consolidated net income plus interest expense to Grantor's consolidated interest expense shall not be less than 1.5:1.0.

1.18 Special Covenants of Grantor. Without the prior written consent of Beneficiary, Grantor shall not:

(a) Acquire any funded debt (defined as any borrowing or other obligation of Grantor or any subsidiary thereof maturing within a period in excess of one year, excluding capitalized leases and revolving lines of credit, excluding the loan from Beneficiary secured by this Deed of Trust) unless after giving effect thereto, Grantor remains in compliance with all the terms and provisions of this Deed of Trust, including all special restrictions and requirements.

(b) Merge or consolidate with any other entity.

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(c) Declare any dividends, purchase, redeem or otherwise retire or make any distribution in respect of any of its partnership units, if after giving effect to any such dividend, purchase, redemption, retirement or distribution, Grantor would be in violation of any terms of this Deed of Trust or covenants set forth therein or in violation of any law relating to distribution to partners.

1.19 Timberlands Covenants.

(a) Definition. The term "Timberlands" as used in this Deed of Trust, refer to that part of the Property maintained and operated primarily for the production of timber.

(b) Management, General. The Timberlands shall be maintained in good condition and shall be operated for their highest and best use as timberlands, having due regard to soil conditions, stand arrangements, and other factors relevant to the conduct of sound silvicultural and harvesting practices. Any harvesting of timber, shall be carried out in a manner calculated to produce the maximum growth on the maximum number of items, consistent with the production of the greatest quantity of timber.

(c) Access. There currently exists with regard to the Timberlands access thereto sufficient to remove the timber from the Timberlands on a commercially feasible basis, based on current and reasonably anticipated market conditions and harvest costs.

(d) Harvesting Limits, Operations and Payments. Borrower may harvest and/or remove up to the annual growth (currently 11,200 MBF, net Scribner long log scale measure) of merchantable conifer timber from the Timberlands in any calendar year (prorated for 1992), without generating any obligation to make extra payments under the terms of the Note. Nothing in this Deed of Trust shall be deemed to limit Grantor's ability to harvest hardwood timber or to require any payments on the obligations by reason of any such harvest of hardwood timber. Said removal allowance is cumulative in that 100% of the volume not removed in any particular calendar year may be carried forward to the following year(s). Provided, always, that in no event will the annual harvest exceed a figure equal to twice the annual growth for that year without generating an obligation to reduce the principal balance of the Note, as set forth therein, and as follows:

Should the amount of merchantable conifer timber harvested from the Property exceed in any calendar year the lower of:

(i) twice the assumed annual growth of 11,200 MBF (prorated for 1992) of the merchantable conifer timber on the Property or

(ii) the assumed annual growth of 11,200 MBF (prorated for 1992) of the merchantable conifer timber on the Property, plus the allowable carryover as defined below a principal payment shall be then due under the Note, in addition to any other principal reductions required or prepaid, 45 days after harvest, subject to the prepayment provisions of the Note, in accordance with the following formula:

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\$80.00 per MBF (net Scribner long-log scale measure) for Douglas Fir;

\$60.00 per MBF (net Scribner long-log scale measure) for Cedar;

\$60.00 per MBF (net Scribner long-log scale measure) for other conifer species.

Should the volume of merchantable conifer timber harvested from the Property during any calendar year not exceed the assumed annual growth rate (currently 11,200 MBF) for that year (prorated for 1992) 100% of the allowed annual harvest volume not removed in that year may be carried forward to the following year. If such carryover volume is not removed in the first carryover year, the unused portion of such carryover shall expire. Timber harvested shall be first applied against any available carryover amount when computing any need for reduction of principal under the Note.

Any and all cutting operations shall be conducted in such a manner as to realize the greatest return from the individual tree and from the timber stand, to effect suitable utilization of the Timberlands, to assure the early and complete regeneration of stands of desirable timber, and to bring about their optimum development as to growth. Trees shall be cut as close to the ground as practicable. All desirable trees which are not at the time being harvested, including young trees, shall be protected against unnecessary injury from felling, skidding, and hauling. All measures reasonably practicable shall be used to prevent soil erosion, including the proper location of skidways and roads.

(e) Salvage. To the extent economically feasible, all trees which are dead, diseased, fallen, or otherwise damaged by casualty, shall be salvaged in accordance with sound silvicultural practices.

(f) Fire Protection. All measures shall be taken which are reasonably necessary to protect the Timberlands from loss by fire, which measure shall be at least equal to fire-control practices generally followed on timber producing property in the same general area, including the adoption of suitable prevention and control measures, the maintenance of adequate fire-fighting equipment in accordance with applicable state regulations, proper disposal of slash, and full cooperation with state and federal agencies on matters of fire prevention and control. Grantor shall maintain membership in forest protective associations where any of the Timberlands fall within a forest protective district under the jurisdiction of any such association, and shall pay as due any forest patrol assessments of any State Forester (or other agency having jurisdiction), or of such forest protective association.

(g) Maintenance of Roads. An adequate system of roads and roadways shall be maintained in such manner as to permit access of mobile fire-fighting equipment to all parts of the Timberlands.

(h) Control of Disease. There shall be maintained at all times in accordance with sound silvicultural practices all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the Property.

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(i) Trespass. The Property shall be marked to indicate the boundaries thereof in a conspicuous manner at road entry points, and such markings shall be renewed from time to time as may be necessary clearly to maintain public notice of boundaries. Grantor shall cause the Timberlands to be inspected from time to time for the purpose of preventing trespass of any type of or nature, including unauthorized cutting of timber.

(j) Compliance. Grantor shall comply in all respects with the Washington Forest Practices Act, all rules and regulations issued by the Washington Forest Practices Board, by the Washington Department of Natural Resources, and by any other agency having jurisdiction over the Property; and with any other state and federal laws or regulations applicable to Grantor's operations on the Property, including, without limitation, the rules and regulations of the applicable departments) regulating fish, wildlife and other natural resources.

(k) Litigation. As of the date of this Deed of Trust, there neither was nor is there now pending, or threatened, to the best of Grantor's knowledge, any litigation, administrative proceeding or the like, involving Grantor, which would materially adversely affect Grantor's ability to carry out the obligations and operations of Grantor contemplated by this Deed of Trust.

(l) Inspection of Property. Beneficiary or its agents may inspect the Property, without prior notice to Grantor, at any time or times until such time as the obligations are paid in full for the purpose of determining Grantor is complying with the terms of this Deed of Trust and of the Note.

1.20 Insurance.

No casualty insurance coverage on the Property or any part thereof shall be required to be provided by Grantor.

1.21 Mineral Extraction.

That neither Grantor nor any successor in interest to Grantor in the Property shall drill or extract or enter into any lease for the drilling or extraction of oil, gas, or other hydrocarbon substances on the Property without the prior written consent of Beneficiary. Drilling for extraction of other minerals of any kind or character from the Property or from any part thereof will not require such prior written or other consent from the Beneficiary; provided, however, that this Section 1.21 shall not prohibit the exercise of rights, existing as of the date hereof and disclosed on the title reports provided to Beneficiary, of parties other than Grantor, to develop, bore, or mine for any water, gas, oil, or mineral on or under the surface of the Property; and provided further, that in the exercise of any rights permitted to it hereunder with or without Beneficiary's prior written consent, Grantor, or its contractors and assigns, shall use all commercially reasonable efforts to preserve or realize the value of any timber that shall be impacted by such activities.

1.22 Transfer, Due-on-Sale, Due-on-Encumbrance.

Grantor shall not sell, gift, convey, contract to convey, transfer, assign, encumber, pledge, or grant a security interest in the Property, or any part thereof, or any interest therein, either

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voluntarily, involuntarily, or by the operation of law (a "Transfer"), without Beneficiary's prior written consent. The provisions of this section 1.22 shall apply to each and every Transfer (excluding condemnations by governmental or other agencies have condemnation powers or transfers to such entities by reason of settlement in lieu of condemnation, for consideration of less than \$5,000 each or settlements of less than \$5,000 each in lieu thereof and any such condemnations or settlements in lieu thereof if within 10 days of receipt of any proceeds therefrom, 100% of such proceeds so received, exclusive of the amount needed to reimburse Grantor for attorneys fees and costs incurred in obtaining such proceeds, are forwarded to Beneficiary to apply as prepayment on the Note, subject to any applicable prepayment premium), regardless of whether or not Beneficiary has consented or waived its rights in connection with any previous Transfer. Beneficiary may attach such conditions to its consent under this Section 1.22 as Beneficiary may determine in its sole discretion, including without limitation an increase in the interest rate or the payment of transfer or assumption fees, payment of administrative and legal fees and costs incurred by Beneficiary, and prepayment of all or any portion of the indebtedness secured hereby. Harvesting of timber by Grantor shall not be deemed a violation of this section.

Recognizing that partial releases are a standard activity of timberland owners, Beneficiary shall work closely with Grantor to expedite any requests for partial releases, but reserves the right to exercise its judgment as to the advisability of any individual transaction.

Further, without being deemed to be in violation of this Section 1.22, Grantor may from time to time exchange, with Beneficiary's prior written consent, as Beneficiary recognizes that like kind exchanges are a standard activity of timberland owner, which consent will not be unreasonably withheld or delayed, if all of the following conditions precedent are in Beneficiary's sole discretion fully satisfied, though Beneficiary reserves the right to exercise its judgment as to the advisability of any individual transaction.

Conditions Precedent

(i) The property acquired by Grantor in the exchange (herein the "Exchange Property") shall be of equal or greater value than the portion of the Property for which it is to be exchanged.

(ii) Grantor shall provide to Beneficiary such reasonable evidence as Beneficiary shall require as to the then value of both the Exchange Property and of that portion of the Property for which it is to be exchanged. If Beneficiary shall require appraisal(s) by a qualified independent third party appraiser, such shall be provided by Grantor at Grantor's sole expense. However, Beneficiary shall be the sole arbiter of the values involved.

(iii) Grantor shall obtain at Grantor's sole expense an appropriate endorsement to the Beneficiary's ALTA title insurance policy issued to insure Beneficiary's position upon closing of the loan evidenced by the Note adding the Exchange Property to that covered by said title insurance policy.

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(iv) All fees incurred by Beneficiary for its utilization of outside special counsel to advise it regarding the exchange and to advise Beneficiary as to protecting its first lien position shall be paid by Grantor.

(v) All recording costs and partial reconveyance Trustee's fees required to complete the exchange shall be paid by Grantor.

(vi) The Exchange Property must be located entirely within the State of Washington the county in which the Property is located or in a county contiguous to one such county and shall have legal access thereto as Beneficiary shall in its sole discretion deem adequate for commercial timberland.

(vii) The Exchange Property shall be commercial timberland having a value at the time of exchange reasonably equivalent to the value of the timberland to be exchanged therefor.

ARTICLE II.

Condemnation

2.1 Condemnation.

(a) Should the Property or any part thereof or interest therein be taken or damaged by reason of any public improvement, eminent domain, or condemnation proceeding, or in any other manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such a proceeding, Grantor shall give immediate written notice thereof to Beneficiary, except if the reasonably projected value of the interest involved in the Condemnation shall not exceed \$5,000.

(b) Beneficiary shall be entitled to 100% of all compensation, awards and other payments that exceed \$5,000 in the aggregate for a single condemnation proceeding ("Condemnation Proceeds") or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute any Condemnation proceeding in its own or Grantor's name and make any compromise or settlement in connection with such Condemnation; provided that the aforesaid right to prosecute in the Grantor's name and to enter into any compromise or settlement in connection therewith shall be available to Beneficiary only during such time as the Grantor is in default under this Deed of Trust.

(c) Beneficiary shall apply the condemnation proceeds to the reduction of the Obligations in such order as Beneficiary may determine.

ARTICLE III.

ASSIGNMENTS OF RENTS, ISSUES, AND PROFITS

3.1 Assignments of Rents, Issues, and Profits. Grantor hereby assigns and transfers to Beneficiary the rents, revenues, issues, profits, income, and benefits derived from the Property

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(collectively, the “Rents”), and hereby gives to and confers upon Beneficiary the right, power, and authority to collect the same. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, with power of substitution, at the option of Beneficiary at any time and from time to time following the occurrence and during the continuance of an Event of Default, to demand, receive and enforce payment of, to give receipts, releases and satisfactions for, and, in the name of Grantor or otherwise, to sue for the Rents and apply the same to the obligations; provided, however, that Grantor shall have the right to collect the Rents at any time prior to the occurrence of an Event of Default. The foregoing is intended to constitute an absolute assignment by Grantor for the benefit of Beneficiary, subject only to the terms of this Deed of Trust.

ARTICLE IV.

Security Agreement

To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in all timber that is severed from the real property covered by this Deed of Trust; provided, should Grantor not be in default under the Note or this Deed of Trust that any lien in favor of Beneficiary on severed timber shall automatically expire at such time as the timber in question is removed from the Property or, should the timber in question have been removed from the Property at the time the Grantor was in default under the Note or this Deed of Trust and such default is later cured, any lien in favor of Beneficiary on such removed timber shall automatically expire at the time of such cure. This Trust Deed shall constitute a security agreement under Article 9 of the Uniform Commercial Code of the State of Washington. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust.

ARTICLE V.

Events of Default; Remedies

5.1 Events of Default. Each of the following shall constitute an Event of Default under this Deed of Trust:

(a) Nonpayment. Failure of Grantor to pay any of the Obligations, including without limitation payments required by this Deed of Trust, not later than 10 days from the due date thereof, as to any amounts due under the terms of the Note, and as to any other amounts, not later than 10 days from receipt by Grantor of written notice, given and received as provided in Section 6.3, from Beneficiary of the amount due.

(b) Breach of Other Covenants. Failure of Grantor to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in the Commitment Letter or this Deed of Trust, or to correct any such failure within 20 days after written notice thereof deposited in the United States mail, addressed to Grantor at the address indicated on the first page hereof (or such other address as shall be hereafter designated by Grantor in writing in the manner provided for in Section 6.2 hereof) by first class mail with postage prepaid. Provided that if any such breach by Grantor is not reasonably curable within

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said 20 days, Grantor shall not be deemed to be in default if it shall commence the cure of such breach within said 20-day period and diligently and continuously pursue such cure to completion.

(c) Misinformation. Falsity when made in any material respect of any representation, warranty or information furnished by Grantor to Beneficiary in or in connection with any of the Obligations or the said Commitment Letter.

(d) Other Default. The occurrence of any other Event of Default under any of the Obligations, after notice and any cure period if applicable.

(e) Other Indebtedness, Secondary Financing. Grantor’s default beyond applicable grace periods in the payment of any other indebtedness owed by Grantor to any person if such indebtedness is secured by all or any portion of the Property.

(f) Bankruptcy. The occurrence of any of the following with respect to the Property, Grantor, or the then owner of all or any part of the Property: (i) appointment of a receiver, liquidator, or trustee; (ii) adjudication as a bankrupt or insolvent; (iii) filing of any petition under any state or federal bankruptcy, reorganization, moratorium, or insolvency law, except an involuntary petition which is dismissed within sixty (60) days of its filing; (iv) institution of any proceeding for dissolution or liquidation, except an involuntary proceeding which is dismissed within sixty (60) days of its filing; (v) inability to pay debts when due; (vi) any general assignment for the benefit of creditors; or (vii) abandonment of the Property or any material portion thereof.

(g) Termination of Business. Voluntary or involuntary termination or suspension of the business of Grantor or the attachment or seizure of a portion of the Property.

(h) Certain Taxes. For purposes of this subsection (h), State Tax shall mean:

(i) A specific tax on mortgages, trust deeds, secured indebtedness or any part of the indebtedness secured by this Deed of Trust.

(ii) A specific tax on the grantor of property subject to a trust deed which the taxpayer is authorized or required to deduct from payments on the trust deed.

(iii) A tax on property chargeable against the beneficiary or trustee under a trust deed or holder of the note secured thereby.

(iv) A specific tax (other than an income tax or a gross receipts tax) on all or any portion of the indebtedness or on payments of principal and interest made by Grantor. If any State Tax is enacted after the date of this Deed of Trust and is applicable to this Deed of Trust, enactment of the State Tax shall constitute an Event of Default, unless the following conditions are met: Grantor may lawfully pay the tax or charge imposed by the State Tax without causing any resulting economic disadvantage or increase of tax to Beneficiary; and Grantor pays or agrees in writing to pay the tax or

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charge within thirty (30) days after written notice from Beneficiary that the State Tax has been enacted and is otherwise due and payable.

5.2 **Remedies in Case of Default.** If An Event of Default shall occur, Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other remedies which may be available by law, in equity, or otherwise:

(a) **Acceleration.** Beneficiary may declare all or any portion the Obligations immediately due and payable.

(b) **Receiver.** Beneficiary may have a receiver appointed for the Property. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Property exceeds the amount of the indebtedness secured by this Deed of Trust. Grantor consents to the appointment of a receiver at Beneficiary's option and waives any and all defenses thereto.

(c) **Possession.** Beneficiary may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Property and use, operate, manage and control it as the Beneficiary shall deem appropriate in its sole discretion. Upon request after an Event of Default, Grantor shall peacefully relinquish possession and control of the Property to Beneficiary or any receiver appointed under this Deed of Trust.

(d) **Rents and Profits.** Beneficiary may revoke Grantor's right to collect the Rents and any profits from the harvest and sale of timber, and may, either itself or through a receiver, collect the same. Beneficiary may harvest and sell timber from the Property and collect any profits or rents therefrom. Beneficiary shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this subsection (d). If Rents are collected by Beneficiary under this subsection (d), Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact, with power of substitution, to endorse instruments received in payment thereof in the name of Grantor and to negotiate such instruments and collect the proceeds thereof. After payment of all Obligations, any remaining amounts shall be paid to Grantor and this power shall terminate.

(e) **Power of Sale.** Beneficiary may direct the Trustee, and the Trustee shall be empowered, to exercise the power of sale granted herein in the manner provided by Washington law.

(f) **Foreclosure.** Beneficiary may judicially foreclose this Deed of Trust and obtain a judgment foreclosing Grantor's interest in all or any part of the Property and giving Beneficiary the right to collect any deficiency remaining due after disposition of the Property.

(g) **Fixtures and Personal Property.** With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Washington Uniform Commercial Code. To the extent any notice is required under applicable law and is not waived by Grantor, Grantor agrees that as it relates to this paragraph only if such notice is marked, postage prepaid, to the Grantor at the above address at least five (5) days before the time of the sale or disposition,

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such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(h) **Abandon Security.** Beneficiary may abandon any security afforded by this Deed of Trust or any other collateral by notifying Grantor of Beneficiary's election to do so.

5.3 **Sale.** In any sale pursuant to any judgment, the Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect, without regard to the right of Grantor, any person claiming under Grantor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Property or the part thereof so sold free and clear of the estate of Grantor (other than statutory redemption rights, if any), the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, may purchase at any such sale.

5.4 **Cumulative Remedies – No Duty to Marshall Assets.** All remedies under this Deed of Trust are cumulative and not exclusive. Any election to pursue one remedy shall not preclude any other remedy. No delay or omission in exercising any right or remedy, or any agreement to an extension of time, shall impair that or any other right or remedy or constitute a waiver of any default. No release of any part of the Property or any person liable hereunder shall impair any other right or remedy or constitute a waiver of any default.

5.5 **Receiver or Beneficiary-in-Possession.** Upon taking possession of all or any part of the Property, Beneficiary or a receiver may:

(a) **Management.** Use, operate, manage, control, and conduct business with the Property and make expenditures for such purposes and for maintenance and improvements as are reasonably necessary.

(b) **Rents and Revenues.** Collect all rents, revenues, income, issues, and profits from the Property, and may harvest and sell timber therefrom, and apply such sums to the reasonable expenses of use, operation, management, maintenance, and improvements.

(c) **Construction.** At its option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors, and make any changes in plans and specifications as it deems appropriate.

(d) **Additional Indebtedness.** If the revenues produced by the Property are insufficient to pay expenses, Beneficiary or the receiver may borrow or advance such sums upon such terms as it deems reasonably necessary for the purposes stated in this section. All advances shall bear interest, unless otherwise provided, at the default rate set forth in the Note, and repayment of such sums shall be secured by this Deed of Trust.

5.6 **Application of Proceeds.** All proceeds realized from the exercise of the rights and remedies under this Article V shall be applied as follows:

(a) **Costs and Expenses.** To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Property, the costs and expenses of any

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receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 6.8 below.

- (b) Indebtedness. To pay all the Obligations, in such order as Beneficiary shall deem appropriate in its sole discretion.
- (c) Surplus. The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court.

5.7 Deficiency. No sale or other disposition of all or any part of the Property pursuant to this Article V shall be deemed to relieve Grantor of any of the Obligations, except to the extent the proceeds thereof are applied to the payment of such Obligations. If the proceeds of sale, collection or other realization of or upon the Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Grantor shall remain liable for any deficiency.

5.8 Waiver of Stay, Extension, Moratorium and Valuation Laws. To the fullest extent permitted by law, Grantor hereby waives the benefit of any existing or future stay, extension or moratorium law which may affect observance or performance of the provisions of this Deed of Trust and any existing or future law providing for the valuation or appraisal of the Property prior to any sale.

ARTICLE VI

General Provisions

6.1 Time is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Deed of Trust.

6.2 Reasonability and Materiality. Whenever this Deed of Trust shall require or permit Grantor or Beneficiary to exercise judgment or discretion or otherwise make any subjective determination, including the giving of consent or approvals hereunder, both Grantor and Beneficiary shall do so reasonably and in good faith. All provisions requiring Grantor to pay costs, expenses or fees shall be construed as requiring the payment of only such costs, expenses and fees as shall be reasonable. Grantor's representations, warranties and covenants in this Deed of Trust shall be deemed to include and shall be subject to a materiality standard, in that an immaterial inaccuracy, breach or default may not be used by Beneficiary as a basis to declare the existence of an Event of Default, accelerate the indebtedness secured hereby and/or otherwise exercise remedies available to Beneficiary in the event of a default hereunder. "Material" items shall include, but shall not be limited to, a default in monetary payment, not properly maintaining the Property, violating the prohibition against placing additional liens on the Property (or any part thereof), a default in the environmentally related provisions of the Commitment Letter, or material misrepresentation of fact.

6.3 Notice. Except as otherwise provided in this Deed of Trust, all notices pertaining hereto shall be in writing and may be delivered by hand, or mailed by first class mail, postage prepaid, and addressed to the appropriate party at its address set forth at the outset of this Trust

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Deed. In addition, a copy of any notice to Beneficiary shall be delivered or mailed by first class mail postage prepaid and addressed to Neil Auble, Associate Counsel, John Hancock Mutual Life Insurance Company, Law Department, John Hancock Place, P. O. Box 111, Boston, MA 02117. Any party may change its address for such notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph shall be deemed to have been received three (3) business days after mailing; notices given by hand shall be deemed to have been given when received.

6.4 Deed of Trust Binding on Successors and Assigns. This Deed of Trust shall be binding upon and inure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

6.5 Statute of Limitations. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived to the full extent permissible by law.

6.6 Usury Laws. Notwithstanding any provision herein or in the Note, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Washington.

6.7 Administrative Fees of Beneficiary. Grantor promises to pay and reimburse Beneficiary for administrative fees, costs, and expenses, including attorneys' fees, incurred in reviewing and processing post-closing requests of Grantor. With respect to requests which involve purely administrative functions and which do not affect any obligations under any of the Loan Documents (defined as the Note, the Commitment Letter, UCC filing(s), and this Deed of Trust) or the Property, such fees, costs, and expenses shall be limited to Beneficiary's normal and customary fees, costs, and expenses; all other requests shall not be limited.

6.8 Reconveyance by Trustee. At any time upon the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Deed of Trust, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

6.9 Substitute Trustee. In the event of dissolution or resignation of the Trustee, or for any other reason, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

6.10 No Partnership or Joint Venture. Grantor acknowledges and agrees that in no event shall Beneficiary be deemed to be a partner or joint venturer with Grantor. Without limitation of the foregoing, Beneficiary shall not be deemed to be such a partner or joint venturer on account of its becoming a mortgagee in possession or exercising any rights pursuant to this Deed of Trust or pursuant to any other instrument or document securing any portion of the indebtedness secured hereby or on account of receiving any release fee for partial releases of this Deed of Trust, or otherwise.

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6.11 No Personal Liability of General Partners. In any action brought to enforce the obligation of the maker of the Note secured hereby to pay the indebtedness evidenced by such Note or to enforce the obligation of Grantor to pay any indebtedness or obligation created or arising under this Deed of Trust, any judgment or decree shall be enforceable against the General Partners of Grantor only to the extent of their interests in the Property, and any such judgment or decree shall not be subject to execution on, nor be a lien on, assets of such General Partners of Grantor other than their interests in the Property. The foregoing shall in no way otherwise affect the personal liability of Grantor.

6.12 Successors in Interest. This Trust Deed applies to, inures to the benefit of, and is binding not only on the parties hereby, but on their heirs, executors, administrators, successors, and assigns. The term "Beneficiary" shall mean the holder and owner, including pledgees, of the Note, whether or not named as Beneficiary herein and any owner or holder of the beneficiary interest under this Trust Deed.

6.13 Right to Release. Without affecting the liability of any other person for the payment of any indebtedness herein mentioned (including Grantor should it convey the Property) and without affecting the lien or priority hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the Property, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or hereafter, and sell same or otherwise realize thereon either before, concurrently with, or after sale hereunder.

6.14 Marshalling of Assets. To the extent allowed by applicable law, Grantor on its own behalf and on behalf of its successors and assigns hereby expressly waives all rights to require a marshalling of assets by the Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to the sale of any portion of the Property which might have been retained by Grantor before foreclosing upon and selling any other portion as may be conveyed by Grantor subject to this Deed of Trust.

6.15 Expenses and Attorney Fees. If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit or proceeding in connection with any of the Obligations or the Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings or in connection with any state or federal tax lien), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs and expenses incurred by Beneficiary and/or its attorney in connection with the above mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports and the cost of surveyors' reports. Such amounts shall be secured by this Deed of Trust and shall bear interest at the rate of 12.65 percent per annum from the date Beneficiary's written demand for reimbursement to Grantor therefor is forwarded to Grantor; and all such sums and the interest thereon shall be immediately

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due and payable and be added to and become a part of the Obligations secured hereby in such manner or order as Beneficiary may desire or determine and be secured hereby, having the benefit of the lien hereby created and of its priority.

6.16 Applicable Law. The laws of the State of Washington shall govern the validity, interpretation, performance, and enforcement of this Deed of Trust.

6.17 Captions. The captions to the sections and paragraphs of this Deed of Trust are included only for the convenience of the parties and shall not have the effect of defining, diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Deed of Trust.

6.18 "Person" Defined. As used in this Deed of Trust, the word "person" shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

6.19 Severability. If any provision of this Deed of Trust shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed of Trust, and such other provisions shall be construed as if the invalid, illegal, or unenforceable provision had never been contained herein.

6.20 Statutory Notice. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

6.21 Regulation G. No part of the proceeds from the loan secured by this Deed of Trust will be used for the purpose (whether immediate, incidental, or ultimate) of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation G (12 CFR Part 207) of the Board of Governors of the Federal Reserve Systems, or for the purpose of reducing or retiring any indebtedness which was originally incurred for any such purpose.

Executed as of the date first above written.

GRANTOR:

POPE RESOURCES, A DELAWARE
LIMITED PARTNERSHIP, BY POPE
MGP, INC.,
Its Managing General Partner

By: /s/ G. H. Folquet
Signature
George H. Folquet

Its: President
Title

ATTEST: /s/ Thomas A. Griffin
Signature

Treasurer

STATE OF WASHINGTON)
) ss.
 COUNTY OF KITSAP)

On this 29th day of April, 1992, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared George H. Folquet and Thomas A. Griffin, to me known to be the President and Treasurer, respectively, of Pope MGP, Inc., the corporation that executed the foregoing instrument as Managing General Partner of Pope Resources, A Delaware Limited Partnership and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Fay Schultz
 Notary Public in and for the State of Washington, residing at Poulsbo
 My Commission expires: 8/22/93

Exhibit A

PARCEL 1:

Government Lot 3, EXCEPT the West 1/2 of the North 660 feet thereof and All of Government Lot 4 and the South 1/2 of the Northwest 1/4 in Section 3; Government Lot 1 through 4, South 1/2 of the North 1/2 and the North 1/2 of the South 1/2, and the Southwest 1/4 of the Southwest 1/4 of Section 4; Government Lots 1 and 5 and the West 3/4 of Section 5; The Northeast 1/4 and the North 1/2 of the Northwest 1/4 and the Southeast 1/4 of the Northwest 1/4 of Section 16; Government Lot 3 in Section 20; South 1/2 of the Northwest 1/4 and the North 1/2 of the Southwest 1/4 of Section 29, EXCEPT the East 30 feet of the Northeast 1/4 of the Southwest 1/4; ALSO EXCEPT the following described tract:

- a) Beginning at the Southeast corner of the Southeast 1/4 of the Northwest 1/4 of said Section 29;
 - thence North 80 rods;
 - thence West 40 rods;
 - thence South to the Creek;
 - thence following along said Creek back to the place of beginning;
 - said tract being designated on the County Assessor's Plat and Description Book as Tax No. 4 in said Section 29;

All in Township 25 North, Range 2 West, W.M., Situate in Jefferson County, Washington.

PARCEL 2:

Government Lots 3 and 4 and the West 1/2 of the Northwest 1/4, Section 1, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting thereon; Government Lots 1, 3, the East 1/2 of the Northeast 1/4 of Government Lot 4, the West 1/2 of the Southwest 1/4 of the Northeast 1/4; the Northwest 1/4 of the Southwest 1/4 of the Northwest 1/4; the South 1/2 of the Northeast 1/4 of the Southwest 1/4; the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, and the Northwest 1/4 of the Southeast 1/4 of the Southeast 1/4, Section 2, EXCEPT Coyle County Road right of way as disclosed by Jefferson County Engineers Resolution recorded under Auditor's File No. 286585; the Northwest 1/4 of the Northwest 1/4, EXCEPT the Southwest 1/4 thereof in Section 11, EXCEPT Old Coyle County Road right of way and New Coyle County Road right of way as disclosed by Jefferson County Engineer Resolution recorded under Auditor's File No. 286585;

Government Lot 3, the Northeast 1/4 of the Northeast 1/4 and the Northwest 1/4 of the Northwest 1/4, Section 22, EXCEPT Coyle County Road right of way as disclosed by Jefferson County Engineers Resolution recorded under Auditor's File No. 286585, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting upon said Government Lot 3; Government Lot 1, Section 23, TOGETHER WITH tidelands of the second class, as conveyed by the State of Washington, situate in front of, adjacent to and abutting thereon; the Northwest 1/4, Section 27;

ALSO EXCEPT the following described Tract in Section 23;

That portion of Government Lot 1 of said Section 23, described as follows:

Commencing at the Northeast corner of Section 22, Township 26 North, Range 1 West, W.M.;
 thence South 80 rods;
 thence East to the meander line of Government Lot 1;
 thence in a Northeasterly direction along the meander line to the meander corner between Sections 14 and 23;
 thence West to the point of beginning, said tract being designated on the County Assessor's Plat and Description Book as Tax No. 1 of said Section 23;

All in Township 26 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 3:

Government Lots 6 and 7, the Southwest 1/4, and the West 1/2 of the Southeast 1/4, Section 1;
Government Lots 3 and 4, Section 28, and those portions of the Northwest 1/4 and Northeast 1/4 of the Southwest 1/4 and the Southeast 1/4 of the Southwest 1/4 and the Southwest 1/4 of the Southeast 1/4 of Section 28, Township 26 North, Range 2 West, W.M., lying Southerly and Westerly of the Dosewallips River;
and the South 1/2 of the Southwest 1/4 of the Northeast 1/4 and South 1/2 of Section 29; Government Lot 2, the South 1/2 of the Southeast 1/4 of the Northwest 1/4 and the South 1/2 of Section 30;
Government Lot 4, the North 1/2; the Southeast 1/4 and the South 1/2 of the Southwest 1/4, Section 32;
Government Lot 3, the Northwest 1/4 of the Northwest 1/4, the South 1/2 of the Northwest 1/4, and the South 1/2, Section 33;
Those portions of Government Lots 1 and 2, and the South 1/2 of the Northeast 1/4 of Section 33, Township 26 North, Range 2 West, W.M., lying Southerly and Westerly of the Dosewallips River;
the Southwest 1/4 of the Southwest 1/4, and the Southwest 1/4 of the Southeast 1/4,
EXCEPT portion East of river, Section 34;
ALL in Township 26 North. Range 2 West;

EXCEPT the Dosewallips County Road as conveyed by Auditor's File No. 212027.

PARCEL 4:

The West 1,335 feet of that portion of H.E. Survey No. 253 in the Olympic National Forest in Section 3, unsurveyed, Township 26 North, Range 2 West, W.M., in Jefferson County, Washington, lying South of the present Olympic Highway, also known as Primary State Highway No. 9, the whole of said H.E. Survey No. 253 being described as follows:

Beginning at corner No. 1, identical with the quarter corner to Section 2 and 3, Township 26 North, Range 2 West, W.M.;

thence North 45° 06' West 16.52 chains to corner No. 2;
thence North 89° 04' West 22.77 chains to corner No. 3;
thence South 1° 32' West 23.89 chains to corner No. 4;
thence North 64° 01' East 9.45 chains to corner No. 5;
thence South 89° 56' East 26.40 chains to corner No. 6;
thence North 38° East 7.67 chains to corner No. 1, the place of beginning;

EXCEPTING from the above described tract those portions thereof included in the Olympic Highway or deeded to the State of Washington for the Olympic Highway, by deed dated December 21, 1937, recorded in Volume 108 of Deeds, page 144, records of Jefferson County; said tract is designated on the Assessor's Plat and Description Book as Tax No. 2 in said Section 3, Township 26 North, Range 2 West, W.M.

PARCEL 5:

The Southeast 1/4 of the Southwest 1/4 of Section 2, Township 26 North, Range 2 West, W.M., in Jefferson County, Washington;

EXCEPTING THEREFROM the following described tract:

Commencing at the Southwest corner of the South 1/2 of the Northeast 1/4 of the Southwest 1/4 of said Section 2;
thence South along the West line of the Southeast 1/4 of the Southwest 1/4 of said Section 2, 348 feet;
thence Eastward 60° East of North 771 feet to the South line of said South 1/2 of the Northeast 1/4 of the Southwest 1/4;
thence to the place of beginning;
said tract being designated on the County Assessor's Plat and Description Book as Tax No. 1 of said Section 2;

ALSO EXCEPTING THEREFROM the right of way of State Road No. 9.

PARCEL 6:

Government Lot 1 and the Southeast 1/4 of the Northeast 1/4, Section 5, lying Westerly of Secondary State Highway No. 9—E right of way (Port Ludlow to South Point Road);

ALSO all of Government Lot 2 the Southwest 1/4 of the Northeast 1/4, and the Southeast 1/4 of Section 5;
the West 1/2 of Section 5;
All of Sections 6, 7 and 8;

The Northwest 1/4;
the Southwest 1/4, EXCEPT that portion of Government Lot 3 and the Northeast 1/4 of the Southwest 1/4 lying Southeasterly of Jefferson County Road right of way as conveyed to Jefferson County by instrument recorded under Auditor's file Nos. 177018, 178775 and 179292, in Section 17;

All of Section 18, EXCEPT the West 8 feet of the Northeast 1/4 of the Southeast 1/4 of the Southwest 1/4 thereof;
EXCEPT that portion of the Southeast 1/4 of the Southeast 1/4 of said Section 8, being more particularly described as beginning at the Southwest corner of Lot 15, Division 8, Plat of Bridgehaven, as per plat recorded in Volume 6 of Plats, pages 53 and 54, records of Jefferson County, Washington;
thence South 0° 26' 20" West along the Section line between said Section 8 and Section 9, 128.0 feet to the True Point of Beginning;
thence continuing along said Section line South 0° 26' 20" West 240.0 feet;
thence North 89° 33' 40" West 100.00 feet;
thence North 0° 26' 20" East 240.00 feet;
thence South 89° 33' 40" East 100.00 feet to the True Point of Beginning;

All in Township 27 North, Range 1 East, W.M., in Jefferson County, Washington.

PARCEL 7:

The Northeast 1/4, EXCEPT the North 1/2 of the Southwest 1/4 of the Northeast 1/4;
the Northwest 1/4, EXCEPT the Northwest 1/4 of the Northwest 1/4 of the Northwest 1/4;
EXCEPT Plat of Cedarholm Villa, as per plat recorded in Volume 2 of Plats, page 119, records of Jefferson County, Washington;

ALSO EXCEPT the East 8 feet of the Northwest Quarter of the Southwest Quarter of the Northwest Quarter;

ALSO EXCEPT right of way of Thorndyke Road (County Road No. 9) as conveyed to Jefferson County by instruments recorded under Auditor's File No. 195647, 195649 and 195650, All in Section 19, Township 27 North, Range 1 East, W.M., in Jefferson County, Washington.

PARCEL 8:

Lots 1 and 2, Lots 55, 56 and 57, EXCEPT the East 10 feet thereof;
Lot 79, EXCEPT the West 10 feet thereof; and Lots 80 through 98 inclusive, Cedarholm Villa Tracts, as per plat recorded in Volume 2 of Plats, page 119, records of Jefferson County, Washington.

PARCEL 9:

All of Section 1;
All of Section 2;
Government Lots 1, 2, the South 1/2 of the Northeast 1/4, the South 1/2, EXCEPT Dabob–Coyle County Road right of way, Section 3;
the North 1/2 of the Northwest 1/4 (also known as Government Lots 3 and 4);
the South 1/2 of the Northwest 1/4, EXCEPT Dabob–Post Office County Road right of way and Dabob County Road right of way and Carl Johnson County Road right of way as conveyed by instrument recorded in Volume 1 of Road Waivers and Auditor's File No. 112297, ALSO EXCEPT that portion of the South 50 feet (as measured along the East line of the Northwest 1/4) lying Easterly of Dabob Post Office Road, Section 4;
Government Lots 2 and 3, EXCEPT Quilcene Center County Road right of way, the East 1/2 of the Southwest 1/4, and the Southwest 1/4 of the Southeast 1/4, Section 5;
the South 3/4 of the Southeast 1/4, Section 7;
the West 1/2 of the Southwest 1/4, Section 10;
All of Section 11;
All of Section 12;
the North 1/2, the Southwest 1/4, EXCEPT the East 20 feet of the North 3/4 of the East 1/2 of the Southwest 1/4, Section 13;
the East 3/4;
the Northwest 1/4 of the Northwest 1/4, the South 1/2 of the Southwest 1/4 of the Southwest 1/4, Section 14;
the West 1/2 of the Northeast 1/4, Section 15;
the North 1/2 of the Northeast 1/4, Section 18;
the Southwest 1/4 of the Northeast 1/4, the North 1/2 of the Southeast 1/4, the Southeast 1/4 of the Southeast 1/4, Section 22;
All of Section 23, EXCEPT Dabob–Coyle County Road right of way;
the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the Northeast 1/4 of the Southeast 1/4, Section 26;
the Northeast 1/4, the Southwest 1/4, the North 1/4 of the Southeast 1/4, the South 1/4 of the Southeast 1/4; EXCEPT that portion of the West 1/2 of the Southwest 1/4 of the Northwest 1/4 of the Southwest 1/4 lying Westerly of County Road, Section 29;
Government Lots 1, 2 and 3, EXCEPT that portion of the North 800 feet of said Government Lot 1 lying Westerly of County Road, Section 31;
the Northwest 1/4 of the Northeast 1/4, the Northwest 1/4, the North 1/2 of the Southwest 1/4, Section 32;

EXCEPT East Quilcene County Road, Lindsay Hill County Road right of way in Sections 20, 29, 32, Camp Discovery County Road right of way in Sections 22 and 23, and Wahl Lake County Road right of way in Sections 1 and 2 as disclosed by Jefferson County Engineers Resolution recorded under Auditor's File No. 286585;

ALSO EXCEPT that portion of Section 31 which is delineated on Survey recorded in Volume 9 of Surveys, pages 42 and 43 and re-recorded in Volume 9 of Surveys, pages 47 and 48;

ALSO EXCEPT the following described tract:

Beginning at the Southwest corner of the Northwest 1/4 of the Southwest 1/4 of said Section 32;
thence East 2,070 feet;
thence North 300 feet;
thence West 360 feet;

thence South 270 feet;
thence West 1,710 feet to the West line of said Section 32;
thence continuing West 30 feet;
thence South 30 feet;
thence East 30 feet to said Southwest corner and point of beginning;

All in Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 10:

The Southeast 1/4 of Government Lot 5 (the Southeast 1/4 of the Southwest 1/4 of the Northwest 1/4) and the Southeast 1/4 of the Northwest 1/4 in Section 6, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 11:

The West 1/2 of the East 1/2 in Section 20, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington;

EXCEPT Broad Spit County Road right of way;

ALSO EXCEPT the North 135' of the East 510' of the Northwest 1/4 of the Southeast 1/4;
ALSO EXCEPT that portion of the East 450' of the Southwest 1/4 of the Northeast 1/4 of said Section 20, lying South and Easterly of the County Road known as Broad Spit Road;
ALSO EXCEPT that portion of the East 1/2 of the Southwest 1/4 of the Northwest 1/4 lying North and East of Broad Spit Road and described as follows:

Beginning at a point 1,002.48 feet North and 1,247.31 feet East of the Southwest corner of the Southwest 1/4 of the Northeast 1/4 of Section 20, Township 27 North, Range 1 West, W.M., which point is Station 21+67.9 on the survey of C.R.P.#70 (Broad Spit Road);
thence along the center line of said road South 25° West a distance of 107.5 feet;

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thence South 40° 17' West a distance of 198.2 feet;
thence South 55° 48' East a distance of 57.4 feet;
thence South 32° 13' West a distance of 141.9 feet;
thence South 30° 03' West a distance of 70.2 feet;
thence South 53° 02' East a distance of 109.1 feet;
thence South 8° 51' West a distance of 51.0 feet;
thence South 21° 35' West a distance of 62.9 feet;
thence South 44° 11' West a distance of 205.4 feet;
thence South 81° 20' East a distance of 74.1 feet;
thence North 50° 12' East a distance of 461.9 feet;
thence North 77° 57' East a distance of 10 feet, more or less, to the East line of the said Southwest 1/4 of the Northeast 1/4;
thence Northerly along said East line a distance of 523.58 feet;
thence Westerly a distance of 72.7 feet, more or less, to the point of beginning.

PARCEL 12:

A strip of land 100 feet in width on either side of the North Fork of that unnamed creek which crosses Broad Spit Roat at approximate survey station 38400 lying within the Southwest 1/4 of the Northeast 1/4, Section 20, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 13:

Tract 28 of Seahome Addition, as per plat recorded in Volume 2 of Plats, on page 124, records of Jefferson County, EXCEPT the West 30 feet thereof conveyed to Jefferson County for county road by deed dated August 15, 1960 and recorded under Auditor's File No. 167973, records of said county;

TOGETHER WITH tidelands of the second class, as conveyed by the State of Washington, situate in front of, adjacent to and abutting upon said Tract 28 and extending to extreme low tide.

PARCEL 14:

All of Section 24, the North 900 feet of Government Lot 1, the North 1,056 feet of Government Lot 3, as measured along the West line thereof, All of Government Lot. 2, and the West 1/4 of Section 25;

TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to, and abutting thereon;

EXCEPT Thorndyke County Road right of way No. 9, all in Township 27 North, Range 1 West, in Jefferson County, Washington.

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PARCEL 15:

Government Lots 3 and 4 and the South 1/2 of the Northwest 1/4 and the Southwest 1/4 of Section 3;
Government Lots 1, 2 and the Southeast 1/4 of the Northeast 1/4, Section 4;
the Northeast 1/4 of the Northeast 1/4 and the West 1/2 of the Northeast 1/4, Section 9;

the North 1/2 of the Northwest 1/4, Section 10;
the Southwest 1/4 of the Northwest 1/4, Section 14;
the Southeast 1/4 of the Northeast 1/4, Section 28;

All in Township 27 North, Range 2 West, W.M., in Jefferson County, Washington.

PARCEL 16:

Government Lots 1, 2, 3 and 4, Section 19;
the South 1/2 of the Southwest 1/4 of the Northwest 1/4;
the North 1/2 of the Northwest 1/4, EXCEPT right of way, if any, of Teal Lake County Road;
the Northwest 1/4 of the Northeast 1/4, Section 27;
the East 1/2 of the Northwest 1/4 of the Northeast 1/4;
the Southwest 1/4 of the Northeast 1/4;
the South 1/4 of the Southeast 1/4 of the Northeast 1/4, EXCEPT right of Teal Lake County Road;
the Southeast 1/4, EXCEPT right of way of Teal Lake County Road, Section 28;
the Northwest 1/4, the South 1/2 of the Southwest 1/4;
the Northeast 1/4 of the Southwest 1/4;
the Southwest 1/4 of the Northeast 1/4;
the East 1/2 of the Northwest 1/4 of the Southwest 1/4;
the West 1/2 of the Southeast 1/4, Section 29;
Government Lots 1, 2, 3 and 4;
the East 1/2 of the West 1/2;
the Northeast 1/4;
the South 1/2 of the Southeast 1/4;
the Northwest 1/4 of the Southeast 1/4;
the West 1/2 of the Northeast 1/4 of the Southeast 1/4, Section 30;
the West 1/2;
the Northeast 1/4;
the West 1/2 of the Southeast 1/4;
the Northeast 1/4 of the Southeast 1/4 of Section 31;
the East 1/2 of the Northeast 1/4 and the Northwest 1/4 of the Northeast 1/4;
and that portion of the Northeast 1/4 of the Southeast 1/4 lying Northerly of the Northerly right of way margin of State Highway 104 as conveyed to the State of Washington by instrument recorded under Auditor's File No. 161495;
the Northwest 1/4 and the Northwest 1/4 of the Southwest 1/4 of Section 32;

EXCEPT right of way of State Highway No. 104, as conveyed to the State of Washington by instruments recorded under Auditor's File Nos. 175315 and 190277;

ALSO EXCEPT County Road right of way as conveyed in Auditor's File No. 108201;

EXCEPT that portion thereof described as follows:

Beginning at the Northeast Section corner of said Section 27;
thence South 89° 51' 30" West, 1,269.11 feet to the True Point of Beginning;
thence South 0° 08' 30" East, 405.00 feet;
thence South 89° 51' 30" West 160.00 feet;
thence North 0° 08' 30" West, 110.00 feet;
thence North 89° 51' 30" East, 150.00 feet;
thence North 0° 08' 30" West 295.00 feet;
thence North 89° 51' 30" East 10.00 feet to the True Point of Beginning;

EXCEPT that portion thereof described as follows:

Beginning at Mile Post 8.87 on SR 104 at the intersection of the Beaver Valley County Road;
thence North 18° 43' 40" East a distance of 375 feet;
thence North 71° 16' 20" West a distance of 35 feet to the True Point of Beginning;
thence continuing North 71° 16' 20" West a distance of 190 feet;
thence North 18° 43' 40" East a distance of 280 feet;
thence South 71° 16' 20" East a distance of 190 feet;
thence South 18° 43' 40" West a distance of 280 feet along the existing county right of way line to the Point of Beginning;

EXCEPT right of way for State Highway 104 as conveyed to the State of Washington by instrument recorded under Auditor's File No. 175315;

ALSO EXCEPT right of way of Beaver Valley Road as conveyed to Jefferson County by instrument recorded under Auditor's File No. 255052;

ALSO EXCEPT that portion of Government Lot 2 said Section 30, lying southeasterly of a line beginning at a point opposite Highway Engineer's Station (hereinafter referred to as HES) 493+35 on the SR 104 survey line of SR 104, Browns Lake to South Point Road and 75 feet Northeasterly therefrom;
thence Northeasterly to a point opposite HE5 493+79.06 and 151.63 feet Northeasterly therefrom and the end of this line description;

PARCEL 17:

Government Lot 1, Government Lot 2, Government Lot 5, Government Lot 6, the West 30 acres of Government Lot 4; the Southeast 1/4 of the Northwest 1/4, and the West 1/2 of the Southwest 1/4, Section 15; Government Lots 1 and 2, the West 1/2, and the Northwest 1/4 of the Southeast 1/4, Section 22; EXCEPT Ludlow Beach Tracts No. 2, as per plat recorded in Volume 3 of Plats, page 28, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting said Government Lot 1, Section 15;

ALSO EXCEPT Tala Shores No. 1, 2 and 3 as per plats recorded in Volume 4 of Plats, pages 28 and 29; Volume 4 of Plats, page 49, and Volume 5 of Plats, pages 5 and 6, respectively;

ALSO EXCEPT that portion of said Northwest 1/4 of the Southeast 1/4, Section 22, lying Northeasterly of County Road No. 6, also known as Magnolia Boulevard, as conveyed by deed recorded under Auditor's File No. 173385;

ALSO EXCEPT the South 520 feet of the South 1/2 of the Northwest 1/4 of the Southeast 1/4 of said Section 22;

ALSO EXCEPT the South 520 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of said Section 22;

ALSO EXCEPT Watson County Road right of way;

ALSO EXCEPT Ludlow-Paradise County Road No. 6 right of way;

ALSO EXCEPT the following described Parcels A, B, C and D;

A. That portion of Government Lot 1 and that portion of Government Lot 2 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Sections North 0° 09' 06" West 824.19 feet to the meander corner between said Sections;
thence South 4° 22' 37" East 109.82 feet;
thence North 30° 04' 43" East 575.63 feet;
thence North 25° 53' 53" East 205.25 feet to the Southwest corner of the tract herein described and the True Point of Beginning;
thence South 63° 39' 02" East 592.00 feet;
thence North 26° 21' 45" East 400.00 feet;
thence North 63° 39' 02" West 572.08 feet;
thence South 37° 42' 23" West 113.19 feet;
thence South 25° 53' 53" West 289.03 feet to the True Point of Beginning; including intervening land, if any, between the above described tract and the Government Meander line and bounded by the extended side lines thereof;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to and abutting thereon.

B. That portion of Government Lot 1 and that portion of Government Lot 2 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Sections, North 0° 09' 06" West 824.19 feet to the meander corner between said Sections;
thence South 4° 22' 37" East 109.82 feet;
thence North 30° 04' 43" East 280.44 feet to the Southwest corner of the Tract herein described and the True Point of Beginning;
thence South 63° 39' 02" East 609.47 feet;
thence North 26° 21' 45" East 499.81 feet;
thence North 63° 39' 02" West 592.00 feet;
thence South 25° 53' 53" West 205.25 feet;
thence South 30° 04' 43" West 295.19 feet to the True Point of Beginning; including intervening land, if any, between the above described tract and the Government Meander line;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to and abutting thereon.

C. That portion of Government Lot 1 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Section, North 0° 09' 06" West 824.19 feet to the Meander corner between said Sections;
thence South 4° 22' 37" East 109.82 feet;
thence North 30° 04' 43" East 180.23 feet to the True Point of Beginning;
thence South 63° 39' 02" East 615.97 feet;
thence North 26° 21' 45" East 100.00 feet;
thence North 63° 39' 02" West 609.47 feet;
thence South 30° 04' 43" West 100.21 feet to the True Point of Beginning;
including intervening land, if any, between the above described tract and the Government Meander line;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to, and abutting thereon.

D. Beginning at a point 617.61 feet East and 637 feet South of the Northwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 22; thence East for a distance of 208.71 feet; thence South, for a distance of 208.71 feet; thence West for a distance of 208.71 feet; thence North for a distance of 208.71 feet to the Point of Beginning;

All in Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.

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PARCEL 18:

The Southeast 1/4 of the Southwest 1/4;

the Southwest 1/4 of the Southeast 1/4;

Government Lot 1 and that portion of the Northeast 1/4 of the Southeast 1/4 lying Southerly of the Southerly right of way line of State Highway No. 9-E, also known as State Route 104, as conveyed by deeds recorded under Auditor's File Nos. 161495 and 175315, All in Section 32, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;

TOGETHER WITH tidelands of the Second Class as conveyed by the State of Washington, situate in front of, adjacent to and abutting said Government Lot 1;

EXCEPT Secondary State Highway No. 9-E right of way (Port Ludlow to South Point);

ALSO EXCEPT that portion of County road right of way as conveyed by deed recorded under Auditor's File No. 108201;

ALSO EXCEPT State Highway No. 9-E (SR 104) right of way as conveyed by deed recorded under Auditor's File No. 190277;

ALSO EXCEPT the following described Tract:

The South 1,200 feet of the Southeast 1/4 of the Southeast 1/4 of Section 32, Township 28 North, Range 1 East, W.M., lying Easterly of Secondary State Highway No. 9-E, Port Ludlow to South Point, as conveyed by Deed filed July 21, 1948 under Auditor's File No. 114515;

TOGETHER WITH adjoining tidelands as conveyed by Deed filed March 27, 1893 in Volume 40 of Deeds, pages 307 to 313 and by Deed filed September 24, 1912 in Volume 79 of Deeds, pages 383 and 384, records of Jefferson County, Washington.

PARCEL 19:

The South 1/2 of the Northeast 1/4, the North 1/2 of the Southeast 1/4, Section 2;

Government Lots 5 and 6, Section 6 and that portion of Government Lot 7 and the West 3/4 of the Southeast 1/4 of the Southwest 1/4 lying Southerly of S.R. 104 in Section 6;

Government Lots 1, 2, 3 and 4, the East 1/2 of the Northwest Quarter, the Northeast Quarter, the Northeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the North 1/2 of the Southwest 1/4 of the Southeast 1/4, and the Southeast 1/4 of the Southeast 1/4 in Section 7;

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EXCEPT that portion of the Northeast 1/4 of Section 7, lying Northerly of SR 104 right of way as conveyed by deeds recorded under Auditor's File No. 175315 and 185446;

All that portion of Section 8, lying Southerly of SR 104 right of way as conveyed by deeds recorded under Auditor's File No. 175315 and 185446;

the East 1/2 of the Northeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the West 1/2 of the Southwest 1/4, that portion of the Southwest 1/4 of the Northeast 1/4 East of road in Section 10;

the Southeast 1/4 of the Northeast 1/4, the Northwest 1/4 of the Southwest 1/4, the South 1/2 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, Section 11;

the South 1/2 of the Northwest 1/4, the Southwest 1/4 and the South 25 acres of the Northwest 1/4 of the Southeast 1/4; EXCEPT that portion, if any, lying within the North 15 acres of said Northwest 1/4 of the Southeast 1/4, All in Section 12;

the North 1/2 of the Northwest 1/4, the Southeast 1/4 of the Northwest 1/4,

the South 1/2, Section 13;

All of Section 14;

the East 1/4 of the Northeast 1/4, the Southeast 1/4, Section 15;

the Southwest 1/4 of the Northwest 1/4, the Northwest 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4, Section 17;

Government Lots 1, 2, 3 and 4 and the East 3/4, Section 18;

the Northeast 1/4; the East 1/2 of the Southwest 1/4; and the Southeast 1/4;

the South 1/2 of Government Lot 4, Section 19;

the West 1/2; the West 1/2 of the Northeast 1/4, the Northwest 1/4 of the Southeast 1/4, Section 20;

the North 1/2 of the Southeast 1/4, the Southeast 1/4 of the Southeast 1/4, the East 1/2 of the Southwest 1/4 of the Southeast 1/4, Section 21; the Northeast 1/4, the Southwest 1/4, the Southeast 1/4, Section 22;

All of Section 23;

All of Section 24;

All of Section 25;

All of Section 26;

the North 1/2, the West 1/2 of the Southwest 1/4, the Southeast 1/4 of the Southwest 1/4;

the South 1/2 of the Southeast 1/4 and the South 1/2 of the Northeast 1/4 of the Southeast 1/4, Section 27;

the East 1/2, the Northwest 1/4 of the Northwest 1/4, EXCEPT the West 542' thereof, the Southeast 1/4 of the Northwest 1/4, the Northeast 1/4 of the Southwest 1/4, Section 28;

the West 1/2, Section 29;

the Northeast 1/4; the East 1/2 of the Northwest 1/4 and the Southeast 1/4 of the Southeast 1/4 of Section 30, Township 28 North, Range 1 West, W.M.;
 Government Lots 1 and 2, the Northwest 1/4 of the Northeast 1/4;
 the East 1/2 of the Northeast 1/4;
 the East 1/2 of the Northwest 1/4, Section 31;
 the East 1/2 of the Southwest 1/4, Section 32;
 All of Section 35;
 All of Section 36;
 All in Township 28 North, Range 1 West, W.M., in Jefferson County, Washington;

EXCEPT State Highway No. 104 right of way as conveyed by deeds recorded under Auditor's File Nos. 175315; 185446 and 339073;
 ALSO EXCEPT Tarboo Lake County road right of way as conveyed by deeds recorded under Auditor's File Nos. 115537 and 191519;
 ALSO EXCEPT Sandy Shore Lake County road right of way No. 14;
 ALSO EXCEPT Lords Lake Loop County road right of way;
 ALSO EXCEPT Quilcene – Chimacum County road right of way;
 ALSO EXCEPT from Section 5 Eaglemount Road right of way as conveyed by instrument recorded under Auditor's File No. 73802;
 ALSO EXCEPT county road right of way within the Southeast 1/4 of the Northwest 1/4, Section 10 as conveyed in deed recorded in Volume 1 of Road Waivers, page 114;
 ALSO EXCEPT Larson Lake County Road right of way in Sections 11, 12, 13, 14, and 15;

ALSO EXCEPTING THEREFROM said Northeast 1/4, Section 15, as follows:

Beginning at the Northeast corner of said Section 15 and running thence Southerly along the East line of said Section 15 a distance of 30 feet, more or less, to the Southerly right of way line of Secondary State Highway No. 9-E;
 said point being the initial point of beginning;
 thence Southerly along said East line of said Section 100 feet;
 thence South 88° 42' West 200 feet;
 thence North 100 feet, more or less, to said Southerly right of way line;
 thence Easterly along said Southerly right of way line 200 feet, more or less, to the initial point of beginning;

ALSO EXCEPT the North 700 feet of the West 1/2 of the Northeast 1/4 lying Easterly of County right-of-way, commonly known as the Quilcene-Chimacum Road, said Section 20;

PARCEL 20:

That portion of the East 1/2 of the Southeast 1/4 of Section 9, in Township 28 North, Range 1 West, W.M., which lies East of the Port Townsend – Quilcene County Road as originally traveled, being more particularly bounded and described as follows:

Beginning at a point 660 feet West of the corner common to Sections 9, 10, 15 and 16 of said Township and Range, running thence along the County Road, North 8° 30' West, 404 feet;
 thence North 702 feet;
 thence North 15° 30' East, 473 feet;
 thence North 20° 45' East 384 feet;
 thence North 6° 15' East 693 feet;
 thence North 22° 15' East 75 feet to the North boundary line of the East 1/2 of the Southeast 1/4 of said Section 9;
 thence East, 330 feet to the quarter section corner;
 thence South to the Southeast corner of said Section 9;
 thence West 660 feet to the place of beginning;
 said tract being designated on the County Assessor's Plat and Description Book as Tax No. 3 in said Section 9;

All situate in the County of Jefferson, State of Washington.

PARCEL 21:

The East 3/4 of the South 1/2 of Section 10;

EXCEPT right of way of Snow Creek Road as conveyed to Jefferson County by instrument recorded under Auditor's File No. 217789;

ALSO EXCEPT that portion thereof, if any, lying within the City of Port Townsend Water Works Pipe Line as conveyed to the City of Port Townsend, by instrument recorded in Volume 54 of Deeds, pages 579 and 580;

The Southwest 1/4;
 those portions of the South 1/2 of the North 1/2 and the Southeast 1/4, lying Westerly of State Highway No. 101 as conveyed to the State of Washington by instrument recorded in Volume 94 of Deeds, page 599 and under Auditor's File No. 153102;
 Section 11;

EXCEPT that portion thereof, if any, lying within the City of Port Townsend Water Works Pipe Line as conveyed to the City of Port Townsend, by instrument recorded in Volume 54 of Deeds, pages 579 and 580;

The Southwest 1/4 of the Northwest 1/4 and the Northwest 1/4 of the Southwest 1/4, Section 13;
the Southwest 1/4, Section 14;
the Northeast 1/4;
the Northwest 1/4 of the Southwest 1/4;
the East 1/2 of the Southeast 1/4;
the East 1/2 of the Southwest 1/4 of the Southeast 1/4;
the North 1/2 of the Northwest 1/4;
the Southwest 1/4 of the Northwest 1/4;
Section 15, EXCEPT that portion thereof conveyed to Jefferson County for Snow Creek Road by instrument recorded under Auditor's File No. 217790;
the Northeast 1/4 of the Southwest 1/4;
AND the West 1/2 of the Southeast 1/4 of the Southwest 1/4, Section 23;

EXCEPT Snow Creek County Road right-of-way;

The Southeast 1/4 of the Southeast 1/4 and that portion of the West 1/2 of the Northwest 1/4, as described in Parcel 21 of instrument recorded January 24, 1966, in Volume 169 of Deeds, page 634, records of Jefferson County, Washington, Section 24;
the Northwest 1/4, the North 1/2 of the Southwest 1/4, the Southeast 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4, Section 26;
All in Township 28 North, Range 2 West, W.M., in Jefferson County, Washington;

PARCEL 22:

The Southeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the Southeast 1/4 of the Southeast 1/4, the East 760 feet of the Southwest 1/4 of the Southwest 1/4 of Section 22, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington;

TOGETHER WITH an easement as described in instrument recorded April 20, 1962, in Volume 158 of Deeds, page 11, records of Jefferson County, Washington.

EXCEPT Snow Creek County usage road right of way, as disclosed by County Resolution recorded under Auditor's File No. 286585.

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PARCEL 23:

The West 1/2 of Government Lot 1, the Northeast 1/4 of Government Lot 1, the East 1/2 of the Northeast 1/4, the North 1/2 of the Southwest 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, Section 23, Township 28 North, Range 2 West, W.M.;

EXCEPT that portion conveyed by Quit Claim Deed from Crown Zellerbach Corporation to Jefferson County in instrument dated October 23, 1968, and recorded under Auditor's File No. 198129;

ALSO EXCEPT that portion described in instrument recorded November 20, 1981, in Volume 157 of Official Records, page 135, under Auditor's File No. 275616, records of Jefferson County, Washington;

ALSO EXCEPT Lords Lake Leland County usage road right of way and Snow Creek County usage road right of way, as disclosed by County Resolution recorded under Auditor's File No. 286585.

PARCEL 24:

The North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, the Northeast 1/4 of the Southwest 1/4, that portion of the Southeast 1/4 of the Southwest 1/4 as described in instrument recorded January 24, 1966, in Volume 169 of Deeds, page 634, records of Jefferson County, Washington, All in Section 25, Township 28 North, Range 2 West, W.M.;

EXCEPT that portion of the Northeast 1/4 of the Southwest 1/4 and the North ten acres of the Southeast 1/4 of the Southwest 1/4, Section 25, Township 28 North, Range 2 West, W.M., which lies South of the county road known as Lake Leland Cut-off Road and West of State Highway No. 9.

PARCEL 25:

The Southwest 1/4 of the Northwest 1/4, the Southwest 1/4, the Northeast 1/4 of the Northeast 1/4, the East 760 feet of the North 1/2 of the Northwest 1/4 of the Northwest 1/4, the East 920 feet of the South 1/2 of the Northwest 1/4 of the Northwest 1/4 in Section 27, Township 28 North, Range 2 West, W.M.

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PARCEL 26:

The West 1/2 of the Southwest 1/4, Section 33, Township 28 North, Range 2 West, W.M.;

EXCEPT the West 396 feet thereof, which lies in Clallam County;

EXCEPT U.S. Forest Service usage road commonly known as Bon Jon Road.

PARCEL 27:

The South 1/2 of the Northeast 1/4;
the East 1/2 of the Southeast 1/4 of the Northwest 1/4;
the Northeast 1/4 of the Southwest 1/4;
the North 1/2 of the Southeast 1/4;
and the Southeast 1/4 of the Southeast 1/4, in Section 13;
the Northeast 1/4; and the Northeast 1/4 of the Southeast 1/4, in Section 24;

All in Township 29 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 28:

The East 1/2 of Section 21;
the West 1/2 of the Northwest 1/4;
the Southwest 1/4;
the Northwest 1/4 of the Southeast 1/4 of Section 22;
the Northwest 1/4 of the Northwest 1/4;
the South 1/2 of the Southwest 1/4 of Section 26;
the North 1/2 of the North 1/2;
the South 1/2 of Section 27;
the East 1/2;
the Southeast 1/4 of the Southwest 1/4;
the East 924 feet of the Southwest 1/4 of the Southwest 1/4;
Section 28;
the East 1/2 of Section 33;
All of Section 34;
All of Section 35; EXCEPT the South 1/2 of the Southeast 1/4 of the Southeast 1/4 of the Northeast 1/4;
ALSO EXCEPT the East 1/4 of the Southeast 1/4;

All in Township 29 North, Range 2 West, W.M.

All Situate in the County of Jefferson, State of Washington.

SCHEDULE B

Exceptions: Schedule B of the policy or policies to be issued will contain exceptions to the following matters unless the same are disposed of to the satisfaction of the company.

- A. Standard exceptions set forth on the inside back cover.
- B. Defects, liens, encumbrances, adverse claims or other matters, if any, created first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed Insured acquires for value of record the estate or interest or mortgage thereon covered by this Commitment.
- C. Instruments necessary to create the estate or interest to be properly executed, delivered and duly filed for record.
 - 1. Real Estate taxes for 1992, the amount of which will be furnished by Supplemental Title Report. Taxes for previous years are paid in full.
 - 2. The lands described herein have been classified as:

Forest land, disclosed by notice recorded October 26, 1976 under Recording No. 237910, and are subject to the provisions of RCW 84.34, which include the requirement of a continuation of restricted use in order to continue the present assessment rate. A change in use can cause an increased assessment rate for present and past years. Any sale or transfer of all or a portion of said property requires execution of a notice of compliance form attached to the excise tax affidavit.

AFFECTS: Said premises and other property.

- 3. Liability for lien of taxes on the timber located on the property. The lands herein described are designated on the tax rolls as forest land pursuant to RCW 84.33, and the timber located thereon is not taxed as real property, but will be subject to collection of a tax upon harvesting thereof. In the event that said property is removed from its present designation of forest land it may become liable to assessment of a compensating tax for prior years. Any sale or transfer of said property requires completion of an application and submission to the County Assessor within 60 days of such sale requesting that the classification be continued.

AFFECTS: Said premises and other property.

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- 4. Reservation by Jefferson County for existing roads, easements, and right of ways, as contained in various tax sale deeds from Jefferson County:

RECORDING NOS. : 107432 and 113858  
AFFECTS : Sections 3, 4 and 5-25-2W

5. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Permanent Easement
AREA AFFECTED : A portion of said premises
DATED : June 2, 1977
RECORDED : June 2, 1977
RECORDING NO. : 242507
AFFECTS : Section 5, Township 25 North, Range 2 West

6. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Right-of-way for construction, operation, use and maintenance of transmission line
AREA AFFECTED : A portion of said premises
DATED : September 6, 1968
RECORDED : October 7, 1968
RECORDING NO. : 197906
AFFECTS : Section 16, Township 25 North, Range 2 West

7. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

DISCLOSED BY : Deed recorded under Auditor's File No. 123384
PURPOSE : Right-of-way
AREA AFFECTED : A portion of said premises

8. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : USA
PURPOSE : Transmission line easement and access road
AREA AFFECTED : Portion of Sections 3, 4 and 29-25-2W and other properties
RECORDED : August 15, 1947; December 17, 1947; April 27, 1948; July 15, 1948; January 31, 1949 and June 10, 1968.
RECORDING NO. : 111248, 112371, 113618, 114435, 116498, 196323, respectively

9. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : USA
PURPOSE : Access road easement to transmission line
AREA AFFECTED : Portion of Section 3
RECORDED : December 10, 1948; May 13, 1957
RECORDING NO. : 115973, 153648, respectively

10. Reservation by Jefferson County for existing roads, easements and rights of way contained in various tax sale deeds from Jefferson County:

RECORDING NOS. : 107432, 161118, 167012, and 109075
AFFECTS : Sections, 11, 22, 23 and 27-26-1W

11. Reservation contained in deed from the State of Washington recorded under Recording No. 41185, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same, and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry.

Right of State of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

AFFECTS: Tidelands fronting Government Lots 3 & 4, Section 1, Township 26 North, Range 1 West.

12. Reservation contained in deed from the State of Washington recorded under Volume 86 of Deeds, page 36, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same, and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry.

Right of State of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

AFFECTS: Tidelands fronting Sections 22 and 23-26-1W.

13. Reservation for road of the North and East 15 feet of the Northwest 1/4 of Government Lot 3 in Section 2, Township 26 North, Range 1 West, made by Ole Hanson and Nellie Hanson, his wife, in deed dated October 29, 1910 and recorded in Volume 62 of Deeds on page 460, records of said county.
14. Reservation for road over the West 15 feet of the Northeast 1/4 of the Southeast 1/4 of the Southwest 1/4, Section 2, Township 26 North, Range 1 West, by Ole Hanson and Nellie Hanson, his wife, in deed dated October 8, 1910 and recorded in Volume 68 of Deeds, page 312, records of said County.
15. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : State of Washington  
 AREA AFFECTED : A 60' wide strip over the Northeast 1/4 of the Northeast 1/4, Section 21 and the Northwest 1/4 of the Northwest 1/4, Section 22, Township 26 North, Range 1 West and other property  
 RECORDED : January 5, 1977  
 RECORDING NO. : 239285
16. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Herbert H. Hanlon  
 PURPOSE : 30' road easement  
 AREA AFFECTED : Portion of Section 27, Township 26 North, Range 1 West  
 DATED : October 13, 1948  
 RECORDED : October 19, 1948  
 RECORDING NO. : 115467
17. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Mary A. Hopkins, Herman F. Hopkins, Frank H. Hopkins, Frederick J. Hopkins, and the National Bank of Commerce  
 PURPOSE : Road purposes  
 AREA AFFECTED : Portion of Section 27, Township 26 North, Range 1 West  
 DATED : November 8, 1963  
 RECORDED : December 3, 1963  
 RECORDING NO. : 177820

18. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Mary A. Hopkins  
 PURPOSE : Road purposes  
 AREA AFFECTED : Portion of Section 27, Township 26 North, Range 1 West  
 DATED : November 8, 1963  
 RECORDED : December 3, 1963  
 RECORDING NO. : 177821
19. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Alice E. Parkins  
 PURPOSE : 30' road easement  
 AREA AFFECTED : Portion of Section 27, Township 26 North, Range 1 West  
 DATED : September 19, 1965  
 RECORDED : November 3, 1965  
 RECORDING NO. : 185770 and 185771
20. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Milton E. Hartley, Jr. and Norma Hoke Hartley, husband and wife.  
 PURPOSE : Ingress and egress  
 AREA AFFECTED : an existing logging road over the Southwest 1/4 of the Southwest 1/4 of the Northwest 1/4, Section 27, Township 26 North, Range 1 West  
 DATED : November 24, 1971  
 RECORDED : December 8, 1971  
 RECORDING NO. : 211331
21. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:
- GRANTEE : Puget Sound Power & Light Company  
 PURPOSE : Electric line right of way  
 AREA AFFECTED : Portion of Section 27, Township 26 North, Range 1 West  
 DATED : March 30, 1971  
 RECORDED : April 15, 1971

22. Right of the public to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording No. 212026.

AFFECTS : The South 1/2 of the Northwest 1/4, Section 27, Township 26 North, Range 1 West.

23. Reservation by Jefferson County for "existing roads, easement, and right of ways" as contained in various tax sale deeds from Jefferson County Treasurer:

RECORDING NOS. : 107432, 118129, 138305, 138306, 138307 and 138309
AFFECTS : The West 1/2 of the Southwest 1/4, Section 1; the South 1/2 of the Southwest 1/4 of the Northeast 1/4, Government Lot 5, the Southeast 1/4 of the Southwest 1/4, Government Lot 6, and the North 1/2 of the South 1/2 of the Southeast 1/4, Sections 29, 30, 32 and 33, Township 26 North, Range 2 West.

24. Reservation by Jefferson County for a right of way for all public highways that may be constructed by the authority of the Board of Commissioners of Jefferson County, as contained in various tax sale deeds from Jefferson County:

RECORDED : In Volume 55 of Deeds, page 365 and Volume 65 of Deeds, page 356.
RECORDING NO. : The Northeast 1/4 of the Southwest 1/4 and the Southeast 1/4 of the Southwest 1/4, Section 1, Township 26 North, Range 2 West.

25. Reservation of the free use of a plot of ground, measuring 100 feet by 100 feet, located on the West side of said property, whereon the Grantors may erect a cabin and such other buildings and/or improvements as they may elect, and have the sole and continuous use of said plat, together with the right of ingress and egress thereto, for the left time of said Grantors, as reserved in the deed made by Michael P. Crosbie and Myrtle Blanche Crosbie, his wife, Grantors, to Pope & Talbot, Inc., a corporation, dated April 25, 1947 and recorded in Volume 121 of Deeds, pages 145 and 146, records of Jefferson County, Washington, which provides that upon the death of the Grantors, all rights and reservations, together with all buildings and improvements then upon said plot, shall revert to the holder of the fee title to the lands.

AFFECTS: Section 3, Township 26 North, Range 2 West

26. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Zula B. Kelly (or owners of the Northwest Quarter, Section I)
PURPOSE : Road use permit
AREA AFFECTED : An existing road lying within the East 1/2 of the Southwest 1/4, Section 1, Township 26 North, Range 2 West
DATED : October 26, 1976 RECORDED: December 7, 1976
RECORDING NO. : 238780

27. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Right of way for ingress, egress and regress to and from said lands
AREA AFFECTED :Section 3, Township 26 North, Range 2 West
DATED : August 15, 1946
RECORDED : September 11, 1946
RECORDING NO. : 108124

28. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : USA
PURPOSE : Transmission line easement
AREA AFFECTED : Portion of Section 34, Township 26 North, Range 2 West
DATED : August 15, 1947
RECORDED : August 22, 1947
RECORDING NO. : 111323

29. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : USA
PURPOSE : Transmission line easement
AREA AFFECTED : Portion of Section 1 and portion of Section 34, Township 26 North, Range 2 West
DATED : January 24, 1949 and April 18, 1968
RECORDED : January 31, 1949 and June 10, 1968
RECORDING NO. : 116498 and 196323

## 30. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

DISCLOSED BY : Instrument recorded under Recording No. 166032  
 PURPOSE : Road  
 AREA AFFECTED : The Easterly 30 feet and the Westerly 30 feet of the South 1/2 of the Northeast 1/4 of the Southeast 1/4 and the North 1/2 of the Southeast 1/4 of the Southeast 1/4, Section 5, Township 27 North, Range 1 East

## 31. Reservation by Jefferson County for existing roads, easements and right of ways, as contained in various tax sale deeds from Jefferson County:

RECORDING NO. : 118129  
 AFFECTS : Portion of Sections 6 and 17, Township 27 North, Range 1 East

## 32. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : USA  
 PURPOSE : Transmission line easement and access road  
 AREA AFFECTED : Portion of Sections 7, 17, 18, Township 27 North, Range 1 East and other property.  
 RECORDED : December 23, 1964 and October 28, 1965  
 RECORDING NO. : 182081 and 185682

## 33. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deeds recorded under Recording Nos. 177018, 178775 and 179292.

AFFECTS: Portion of Section 17, Township 27 North, Range 1 East.

## 34. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State Division of Forestry  
 PURPOSE : To construct and maintain a road for forest protection purposes only and also to construct and maintain a telephone line  
 AREA AFFECTED : A 40 foot wide strip over portions of Sections 17, 19 and Lots 1 and 2, Cedar Holm Villa Tracts  
 DATED : March 28, 1935  
 RECORDED : June 24, 1937  
 RECORDING NO : 80959

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

## 35. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

DISCLOSED BY : Instrument recorded under Recording No. 166032  
 PURPOSE : Road  
 AREA AFFECTED : The Easterly 30 feet and the Westerly 30 feet of the South 1/2 of the Northeast 1/4 of the Southeast 1/4 and the North 1/2 of the Southeast 1/4 of the Southeast 1/4, Section 5, Township 27 North, Range 1 East

## 36. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deeds recorded under Recording Nos. 195647, 195648, 195649 and 195650.

AFFECTS : The Northeast Quarter of the Northeast Quarter; the Southeast Quarter of the Northeast Quarter; the South Half of the Southwest Quarter of the Northeast Quarter; the East Half of the Southwest Quarter of the Northwest Quarter of said Section 19, Township 27 North, Range 1 East; Lots 55, 56, 57 and 79 of said Cedarholm Villa Tracts.

## 37. Reservations contained in deed from Edward Geritz and Fanny Geritz, husband and wife, as grantors, to Agnes MacLaurin, as grantee, dated September 26, 1917 and recorded in Volume 85 of Deeds on page 651, records of Jefferson County, as follows:

Reserving the North 8 feet and the East 8 feet of the Southeast Quarter of the Northwest Quarter of the Northwest Quarter of said Section 19, Township 27 North, Range 1 East and reserving the West 8 feet and the South 8 feet of the Northeast Quarter of the Northeast Quarter of the Northwest Quarter of said Section 19 for road and highway purposes.

## 38. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America  
 PURPOSE : Transmission line and access road  
 AREA AFFECTED : Portion of the Northeast Quarter of the Northeast Quarter of said Section 19, Township 27 North, Range 1 East

39. TERMS AND CONDITIONS OF RESOLUTION NO. 37-83:

FOR : Restriction on development  
DATED : May 3, 1983  
RECORDED : May 9, 1983  
RECORDING NO. : 283552.  
AFFECTS : Portions of Cedarholm Villa Tracts, Thorndyke Bay Short Plats 1-4 and adjacent properties in Section 19, Township 27 North, Range 1 East.

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40. Reservation of oil and mineral rights contained in deed from Jefferson County, recorded February 27, 1963, under Auditor's File No. 174967. Affects the Southeast 1/4 of the Northwest 1/4 of Section 6, Township 27 North, Range 1 West, W.M.

41. Reservation by Jefferson County for "existing roads, easement and right of ways" as contained in various tax sale deeds from Jefferson County Treasurer.

RECORDING NOS. : 107468, 107432 and 118129
AFFECTS : Sections 7, 15 and 18

42. Reservation by Jefferson County for a right of way for all public highways that may be constructed by the authority of the Board of Commissioners of Jefferson County as contained in various tax sale deeds from Jefferson County Treasurer.

RECORDED IN : Volume 59 of Deeds, page 409
AFFECTS : Portion of said premises in Section 28, Township 27 North, Range 1 West

43. Reservations contained in deed recorded under Recording No. 281760, as follows:

All oils, gases, coal, fossils, metals and minerals of every name and nature which may be under each of said parcels or any part thereof below an elevation of 500 feet below the surface of the said premises, and to take, and remove the same, provided, however, that in exercise of rights reserved herein by Grantors, their successors and assigns, the Grantee, its successors and assigns, shall be reasonably compensated for damage done to the surface of the said premises and improvements thereon in carrying on any of such operations.

AFFECTS: Portion of Section 6, Township 27 North, Range 1 West.

44. Reservation of all gold, silver, copper, coal, iron, lead and other ores, oil or minerals on or upon said land to explore for, mine and remove said ores, oil or minerals at any time, as contained in the deed from Menasha Wooden Ware Company, a corporation of the State of Wisconsin, dated February 27, 1948 and recorded in Volume 124 of Deeds, pages 16 and 17, records of Jefferson County.

AFFECTS: Portion of said premises in Section 20, Township 27 North, Range 1 West.

45. Reservation contained in deed from the State of Washington recorded in Volume 64 of Deeds, pages 304 and 306, dated October 20, 1908 and October 23, 1908, and deed recorded under Auditor's File No. 102087, recorded May 20, 1944, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same, and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry.

Right of State of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

AFFECTS: Tract 28 in Seahome Addition.

46. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Access road easement
AREA AFFECTED : Portion of the Southeast Quarter of the Northeast Quarter, Section 1, Township 27 North, Range 1 West
DATED : June 9, 1966
RECORDED : July 26, 1966
RECORDING NO. : 188873

47. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line easement and access road easement

AREA AFFECTED : Portion of Sections 1, 2 and 12, Township 27 North, Range 1 West
RECORDED : December 23, 1964
RECORDING NO. : 182081

48. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The United States of America
PURPOSE : Access Road
AREA AFFECTED : Portion of Section 6, Township 27 North, Range 1 West
DATED : January 22, 1958
RECORDED : February 10, 1958
RECORDING NO. : 156593

49. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The United States of America
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 6, Township 27 North, Range 1 West
DATED : February 29, 1968
RECORDED : February 29, 1968
RECORDING NO. : 195254

50. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The United States of America
PURPOSE : Access road
AREA AFFECTED : The Southeast Quarter of the Northeast Quarter of said Section 1, and Lot 5 in said Section 6, Township 27 North, Range 1 West with such additional widths as are necessary to provide for cuts, fills and turnouts and for curves at angle points
DATED : October 1, 1948
RECORDED : October 15, 1948
RECORDING NO. : 115437

51. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The Nature Conservancy
PURPOSE: Pedestrian and Vehicular access
AREA AFFECTED : Section 10, Township 27 North, Range 1 West
DATED : December 11, 1987
RECORDED : December 18, 1987
RECORDING NO. : 312069

52. Terms and conditions of easement recorded under Auditor's File No. 271994, records of Jefferson County. Affects the West 1/2 of the Southwest 1/4, Section 10, Township 27 North, Range 1 West.

53. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Norman Worthington
PURPOSE : Access road
AREA AFFECTED : Portion of Section 15, Township 27 North, Range 1 West
DATED : June 4, 1987
RECORDED : June 17, 1987
RECORDING NO. : 308543

54. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State of Washington
PURPOSE : Ingress and egress
AREA AFFECTED : A right of way 60 feet in width over a portion of the South 1/2 of Section 3, and a portion of Sections 23 and 26, Township 27 North, Range 1 West
DATED : December 30, 1976
RECORDED : January 5, 1977
RECORDING NO. : 239285

55. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Jefferson County
PURPOSE : Construction, maintenance and use of a drainage ditch
AREA AFFECTED : A strip 20 feet wide following an unnamed stream (a tributary of Tarboo Creek) lying within Government Lot 4 in Section 4, Township 27 North, Range 1 West

DATED : January 3, 1950
RECORDED : January 18, 1950
RECORDING NO. : 120648

56. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission line
AREA AFFECTED : Portion of Sections 22 and 23, Township 27 North, Range 1 West
DATED : February 7, 1962
RECORDED : March 1, 1962
RECORDING NO. : 171325

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57. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Munroe N. Dennis
PURPOSE : Ingress and egress
AREA AFFECTED : Existing roadway upon the Southwest Quarter of the Northeast Quarter, the Northwest Quarter of the Southeast Quarter, Section 22, Township 27 North, Range 1 West
DATED : July 9, 1965
RECORDED : October 10, 1966
RECORDING NO. : 189687

58. UNDERGROUND UTILITY EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light
PURPOSE : Underground electric system
AREA AFFECTED : A 7' wide strip within the Northwest Quarter of the Northwest Quarter of the Southeast Quarter, and the West Half of the Southwest Quarter of the Northeast Quarter, Section 22, Township 27 North, Range 1 West
DATED : May 30, 1980
RECORDED : June 6, 1980
RECORDING NO. : 265893

59. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Oscar A. Piper and Laura Piper, husband and wife, their successors and assigns
PURPOSE : Right of way
AREA AFFECTED : An existing roadway lying within the West 1/2 of the Northeast Quarter, Section 20, Township 27 North, Range 1 West
DATED : April 23, 1949 and amended June 5, 1972
RECORDED : May 25, 1949 and June 19, 1972
RECORDING NO. : 117768 and 213770

60. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Robert E. Pettibone
PURPOSE : Easements and right of ways
AREA AFFECTED : Existing roadway 30' wide across portion of Sections 25 and 26, Township 27 North, Range 1 West
DATED : February 10, 1954
RECORDED : February 10, 1954
RECORDING NO. : 140594

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61. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Harold and Carol Steinke
PURPOSE : Ingress, Egress and Utilities
AREA AFFECTED : A strip 30' in width over a portion of the North 1/2 of the Southwest 1/4, Section 32, Township 27 North, Range 1 West
DATED : November 4, 1983
RECORDED : November 9, 1983
RECORDING NO. : 286581

62. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Taylor United, Inc., a Washington Corporation
PURPOSE : Access for the purpose of clearing, obstructions and maintaining the flow of water in said North Fork Creek
DATED : May 11, 1978

RECORDED : May 22, 1978
RECORDING NO. : 250066

63. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission lines
AREA AFFECTED : Portion of Section 29, Township 27 North, Range 1 West
DATED : August 15, 1986
RECORDED : August 19, 1986
RECORDING NO. : 302557

64. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission lines
AREA AFFECTED : Portion of Section 32, Township 27 North, Range 1 West
DATED : March 18, 1988
RECORDED : April 18, 1988
RECORDING NO. : 314042

65. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording No. 191474.

AFFECTS: Portion of Government Lot 3, Section 5, Township 27 North, Range 1 West.

66. Right to make necessary slopes for cuts or fills upon property herein described as granted by deed recorded under Auditor's File No. 167973.

AFFECTS: Tract 28, Seahome Addition.

67. Reservation contained in deed from the State of Washington recorded under Recording No. 35544, Volume 69 of Deeds, pages 19 and 20, Auditor's File No. 171466, Volume 85 of Deeds, page 336, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same, and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry.

Right of State of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

AFFECTS: Tidelands in Township 27 North, Range 1 West and Township 28 North, Range 1 East.

68. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Guy H. Booker and Wilma I. Booker, husband and wife.
PURPOSE : Ingress, egress and regress
AREA AFFECTED : Along and across the Second Class tidelands in front of, adjacent to and abutting on Government Lots 1 and 2, Section 25, Township 27 North, Range 1 West
DATED : October 22, 1953
RECORDED : November 20, 1953
RECORDING NO. : 139863

69. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deeds recorded under Recording Nos. 183721, 187371, 187373, 187374, 187372, 192358 and 191120.

AFFECTS.: Portion adjacent to Thorndyke Road in Township 27 North, Range 1 West.

70. Reservation by Jefferson County for existing roads, easement and right of ways, as contained in various tax sale deeds from Jefferson County:

RECORDING NOS. : 110785, 108000, 142707, 111469, and 115182
AFFECTS : Sections 3, 9, 10 and 14, Township 27 North, Range 2 West

71. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : City of Port Townsend

PURPOSE : Pipeline
AREA AFFECTED : Portion of Section 4, Township 27 North, Range 2 West
DATED : March 11, 1929
RECORDED : May 10, 1929
RECORDING NO. : 61101, Volume 96 of Deeds, page 406

NOTE: Grantee's interest in said easement has been assigned to the State of Washington.

72. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The City of Port Townsend
PURPOSE : Pipeline
AREA AFFECTED : A 30 foot easement, 15 feet on each side of center line of existing 30 inch pipeline
DATED : April 18, 1961
RECORDED : May 25, 1961
RECORDING NO. : 168449
AFFECTS : Portion of Sections 4 and 9, Township 27 North, Range 2 West

NOTE: Grantee's interest in said easement has been assigned to the State of Washington.

73. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Pope & Talbot and the State of Washington
PURPOSE : Construction and maintenance of access roads
AREA AFFECTED : Portion of Sections 4 and 9, Township 27 North, Range 2 West
DATED : April 1, 1975
RECORDED : April 25, 1975
RECORDING NO. : 227993

74. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Golden Springs International, Inc.
PURPOSE : Right-of-way
AREA AFFECTED : Sections, 3, 4, 9 and 10, Township 27 North, Range 2 West and Section 26, Township 28 North, Range 2 West.
DATED : January 12, 1987
RECORDED : January 26, 1987
RECORDING NO. : 305608

75. Reservation by Jefferson County for existing roads, easements and right of ways, as contained in various tax sale deeds from Jefferson County:

RECORDING NOS. : 111469, Volume 59, page 538, 107432 and 167005
AFFECTS : Sections 27, 29, 30 and 32, Township 28 North, Range 1 East

76. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 28, Township 28 North, Range 1 East
RECORDED : September 24, 1926
RECORDING NO. : Volume 94, page 129

77. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission line
AREA AFFECTED : The Northwest Quarter of the Northwest Quarter, Section 27, Township 28 North, Range 1 East
DATED : April 7, 1937
RECORDED : November 22, 1950
RECORDING NO. : 124798

78. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Pacific Telephone and Telegraph Company, a corporation
PURPOSE : Telephone and telegraph lines and appurtenances
AREA AFFECTED : 20' wide strip over a portion of Section 27, Township 28 North, Range 1 East
DATED : April 30, 1957
RECORDED : November 19, 1957

RECORDING NO. : 155814

79. A right of way for the use of the public as a road, street or public highway over the Northerly 30 feet of the North Half of the Northwest Quarter and over the Northwest Quarter of the Northeast Quarter of said Section 27, as granted by Puget Mill Company, a corporation, party of the first part, to County of Jefferson, State of Washington, party of the second part by right of way deed dated June 18, 1940, recorded in Volume 111 of Deeds, on page 338, Auditor's File No. 92023, records of Jefferson County; which PROVIDED THAT should the said County of Jefferson at any time cease to use the said land for the purpose of a road, street or public highway, the right to the exclusive use and possession thereof shall immediately revert to the party and possession thereof shall immediately revert to the party of the first part, its successors and assigns in interest, and the right of way hereby granted shall immediately cease and determine.

The reversionary interest of the party of the first part, in and to said easement, now vested in Pope & Talbot, Inc.

AFFECTS: Portion of Section 27, Township 28 North, Range 1 East

80. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company, a Washington corporation.
PURPOSE : Underground electric and transmission and/or distribution line
AREA AFFECTED : Portion of the Northwest Quarter of the Northeast Quarter, Section 27, Township 28 North, Range 1 East
RECORDED : November 9, 1984
RECORDING NO. : 292222

NOTE: Said Easement was executed by Penn Timber, Inc., an Oregon Corporation, but should have been executed by Hood Canal Timber, Inc., a Washington Corporation.

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81. Relinquishment of access to State Highway No. 104 and of light, view and air by Deeds to the State of Washington

RECORDED : April 4, 1963 and May 18, 1959
RECORDING NOS. : 175315 and 161495
AFFECTS : Sections 30 and 32, Township 28 North, Range 1 East

82. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording No. 255052.

AFFECTS: Section 30, Township 28 North, Range 1 East

83. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission lines
AREA AFFECTED : Portions of Section 32, Township 28 North, Range 1 East
DATED : October 5, 1964
RECORDED : December 3, 1964
RECORDING NO. : 181891

84. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State of Washington
PURPOSE : Ingress and egress
AREA AFFECTED : Portion Southwest 1/4 of the Southwest 1/4 Section 15, Southwest 1/4 of the Southeast 1/4 of Section 28, Northwest 1/4 of the Northeast 1/4, Section 33, Township 28 North, Range 1 East and the West 1/2 of the Northeast 1/4 of Section 9, Township 27 North, Range 2 West.
RECORDED : April 25, 1975
RECORDING NO. : 227993

NOTE: Said Easement was amended to include additional property by instrument recorded under Auditor's File No. 328157. Affects Sections 5 and 16, Township 25 North, Range 2 West, Section 32, Township 26 North, Range 2 West and Township 28 North, Range 1 West.

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85. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Jefferson County
PURPOSE : Underground power & telephone services
AREA AFFECTED : Portions of Section 30, Township 28 North, Range 1 East
DATED : April 4, 1983
RECORDED : April 15, 1983
RECORDING NO. : 283159

86. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Jefferson County Water District No. 1
PURPOSE : Waterline
AREA AFFECTED : Portion of Section 27, Township 28 North, Range 1 East
DATED : February 25, 1987
RECORDED : March 6, 1987
RECORDING NO. : 306329

87. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission line
AREA AFFECTED : Portion of Section 30, Township 28 North, Range 1 East
DATED : May 18, 1988
RECORDED : June 9, 1988
RECORDING NO. : 315076

88. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission line
AREA AFFECTED : Portion of Section 15, Township 28 North, Range 1 East
DATED : March 20, 1989
RECORDED : April 19, 1989
RECORDING NO. : 321083

89. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : US West
PURPOSE : Underground communication line
AREA AFFECTED : Portion of Section 22, Township 28 North, Range 1 East
DATED : May 1, 1990
RECORDED : August 6, 1990
RECORDING NO. : 333327

90. Reservation by Jefferson County for existing roads, easements, and right of ways as contained in various tax sale deeds from Jefferson County under Recording Nos. 109075,

110599, 110694, 112812, 115182, 113858, 113859, 111469, 140763 and Volume 116 of Deeds, pages 276 and 308.

AFFECTS: Sections 7, 11, 12, 17, 18, 21, 22, 26, 27, 28, portion of 31, and 36, Township 28 North, Range 1 West.

91. Reservation by Jefferson County for all public highway that may be constructed by the authority of the Board of Commissioners of Jefferson County as contained in various tax sale deeds from Jefferson County under Volume 92 of Deeds, page 175, under Auditor's File No. 110694.

AFFECTS: The Southwest Quarter of Section 11, and a portion of Section 31, Township 28 North, Range 1 West.

92. A reservation of the title to all oil and natural gas and the customary right to prospect for and remove the oil and gas at any time after oil and gas has been discovered in the neighborhood, as contained in the deed from Menasha Wooden Ware Company, a Wisconsin corporation, dated December 28, 1926 and recorded in Volume 94 of Deeds, on page 227, records of Jefferson County.

AFFECTS: The Southwest Quarter of Section 11, Township 28 North, Range 1 West.

93. Reservation by the Grantors, their heirs and assigns, for the right to use an existing road approximately 200 feet long and thirty feet wide traversing the Northeast Quarter of the Northeast Quarter of the Northeast Quarter of Section 15, Township 28 North, Range 1 West, W.M., with the provision that Grantors agree to maintain said road in proportion to their use thereof, as reserved in the deed from Paul W. Palmer and Rachel A. Palmer, his wife, to Pope & Talbot, Inc., a California corporation, dated February 23, 1965 and recorded in Volume 166 of Deeds, on page 478 and recorded under Auditor's File No. 182755, records of Jefferson County.

94. Reservation contained in deed recorded under Recording No. 281760, as follows:

"the full, complete and absolute right and title to all oils, gases, coal, fossils, metals and minerals of every name and nature which may be under each of said parcels or any part thereof below an elevation of 500 feet below the surface of the said premises, and to take, and remove the same, provided, however, that in exercise of rights reserved herein by Grantors, their successors and assigns, the Grantee, its successors and assigns, shall be reasonably compensation for damage done to the surface of the said premises and improvements thereon in carrying on any of such operations."

AFFECTS: Portion of Section 31, Township 28 North, Range 1 West.

95. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Electric transmission line and access road
AREA AFFECTED : Portion of Government Lots 5 and 6 in Section 6, portion of 7, 18, 28, 29 and 35, Township 28 North, Range 1 West
RECORDED : January 31, 1949, December 23, 1964 and June 10, 1968
RECORDING NO. : 116498, 182081 and 196323, respectively

96. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 31, Township 28 North, Range 1 West
DATED : December 15, 1947
RECORDED : February 2, 1948
RECORDING NO. : 112736

97. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 31, Township 28 North, Range 1 West
DATED : March 17, 1949
RECORDED : March 24, 1949.
RECORDING NO. : 117000

98. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 31, Township 28 North, Range 1 West
DATED : January 22, 1958
RECORDED : February 10, 1958
RECORDING NO. : 156593

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99. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line
AREA AFFECTED : Portion of Section 3, Township 28 North, Range 1 West
DATED : February 29, 1968
RECORDED : February 29, 1969
RECORDING NO. : 195254

100. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State of Washington
PURPOSE : Roadway
AREA AFFECTED : A 60' wide strip over portion of Section 22, Township 26 North, Range 1 West and Section 26, Township 27 North, Range 1 West
DATED : December 29, 1976
RECORDED : January 5, 1977
RECORDING NO. : 239285

101. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company
PURPOSE : Electric transmission line
AREA AFFECTED : Portion of the Northeast Quarter of Section 15, Township 28 North, Range 1 West
DATED : September 19, 1957
RECORDED : September 13, 1962
RECORDING NO. : 173447

102. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Menasha Corporation
PURPOSE : Right of way
AREA AFFECTED : A 60' wide strip over a portion of Section 11, Township 28 North, Range 1 West
DATED : July 27, 1981
RECORDED : September 16, 1981
RECORDING NO. : 274501

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103. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : E. H. French & Olice French
PURPOSE : A drainage ditch to drain and/or control the level of what is known as Larsen Lake
AREA AFFECTED : Portion of the West 1/2 of the Northeast Quarter of the Southeast Quarter, Section 11, Township 28 North, Range 1 West
DATED : May 3, 1950
RECORDED : September 15, 1950
RECORDING NO. : 123991

104. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Floyd Goodrich, et al
PURPOSE : Ingress and egress
AREA AFFECTED : An abandoned railroad grade within the Southeast Quarter of Section 15, Township 28 North, Range 1 West of Sandy Shore County Road
DATED : May 10, 1956
RECORDED : July 17, 1956
RECORDING NO. : 150452

105. An easement for the former Center – Ludlow road over and across said premises as disclosed by Order of the County Commissioners of Jefferson County, Washington, dated May 2, 1916 and entered in Volume “J” of Commissioner’s Proceedings, on page 64.

AFFECTS: The Southwest Quarter of Section 11, Township 28 North, Range 1 West.

106. Right to make necessary slopes for cuts or fills upon the property herein described as granted to Jefferson County by deeds recorded under Recording Nos. 112974, 115537, 149069, 191473, 191474, 191475, 191476 and 191519.

AFFECTS: Township 28 North, Range 1 West

107. Right to the State of Washington in and to that portion, if any, of the property herein described which lies below the line of ordinary high water of Tarboo Lake, Ludlow Lake, Horseshoe Lake, and Tule Lake and any unnamed creeks.

108. Relinquishment of access to State Highway No. 9–E and of light, view and air by Deed to State of Washington

RECORDED : April 4, 1963
RECORDING NO. : 175315
AFFECTS : Sections 15, 22, 23, 25 and 26, Township 28 North, Range 1 West

109. Relinquishment of access to State Highway No. 9–E and of light, view and air by Deed to State of Washington

RECORDED : October 8, 1965
RECORDING NO. : 185446
AFFECTS : Section 7, Township 28 North, Range 1 West

110. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : U.S.A. Bonneville Power Administration
PURPOSE : Transmission line and maintenance road access right of way
AREA AFFECTED : Portion of Government Lots 4 and 7, Section 6; Government Lot 1, Section 7, Township 28 North, Range 1 West
RECORDED : January 10, 1948, May 24, 1948, November 2, 1964, January 14, 1965, November 27, 1965, January 15, 1968 and November 6, 1968
RECORDING NO. : 1125356, 113902, 181530, 182306, 183836, 194822 and 198252

111. Limited access to State Highway No. 9–E (SR–104) except for operation of a tree farm and/or farms:

RECORDED : September 8, 1965, May 27, 1966 and November 30, 1965
RECORDING NOS. : 185050, 188127 and 190277
AFFECTS : Portion of the Southwest 1/4, Section 6, Portions of Section 8, the Southwest 1/4, Township 28 North, Range 1 West

112. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State of Washington, Department of Natural Resources
PURPOSE : Supplemental to easement recorded under Auditor’s File No. 244872

AREA AFFECTED : Portions of Government Lot 1, Section 7, Township 28 North, Range 1 West
DATED : May 7, 1984
RECORDED : May 16, 1984
RECORDING NO. : 289499

113. A reservation for a right of way over and across any portion of the within described premises, for the passage of trucks and other vehicles, said right of way in inure to said grantors, their successors and assigns, as contained and reserved in the deed from the grantors, Oscar Udd and Florence R. Udd, husband and wife, to William D. Redmond, dated April 25, 1944 and recorded in Volume 114 of Deeds, on page 619, under Auditor's File No. 101957, records of Jefferson County, Washington.

AFFECTS: Government Lot 1, Section 7, Township 28 North, Range 1 West

114. Reservations contained in deed from W.A. Moa, et al, to Discovery Bay Timber, Inc., a corporation, recorded in Volume 146 of Deeds, page 215, under Auditor's File No. 155665; whereby the grantor, W.A. Moa, excepts and reserves 1/2 of all oil, minerals and mineral rights; the grantee, its successors and assigns, shall have the sole and exclusive management of all of said gas, oil and mineral rights.

AFFECTS: Portion of Section 6, Township 28 North, Range 1 West and Section 1, Township 28 North, Range 2 West.

115. Reservation by Jefferson County for a right of way for all public highways that may be constructed by the authority of the Board of Commissioners of Jefferson County, and/or a reservation for existing roads, easements and right of ways, as contained in various tax sale deeds from Jefferson County:

RECORDING NOS. : 106D/632, 107433, 107997 and 174967
AFFECTS : Portions of Sections 7 and 8, Township 28 North, Range 1 West

116. Reservations contained in deed recorded under Recording No. 295463.

AFFECTS: Sections 7 and 8, Township 28 North, Range 1 West.

117. Reservations contained in conveyance recorded under Recording No. 344046.

AFFECTS: Sections 6 and 7, Township 28 North, Range 1 West.

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118. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line easement
AREA AFFECTED : Portion of Sections 19 and 30, Township 28 North, Range 1 West
DATED : December 23, 1947
RECORDED : January 17, 1948
RECORDING NO. : 112617

119. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Transmission line easement
AREA AFFECTED : Portion of Sections 19, 20, 29 and 30, Township 28 North, Range 1 West
DATED : May 21, 1965
RECORDED : June 3, 1965
RECORDING NO. : 183904

120. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America
PURPOSE : Electric power transmission structures and appurtenant signal lines
AREA AFFECTED : Portions of Sections 19 and 30, Township 28 North, Range 1 West
DATED : August 19, 1968
RECORDED : August 19, 1968
RECORDING NO. : 197178

121. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Department of Natural Resources
PURPOSE : Permanent Easement upon, over, and along rights of way thirty (30) feet in width
AREA AFFECTED : Portion of Section 29, Township 28 North, Range 1 West
DATED : February 5, 1988
RECORDED : February 11, 1988
RECORDING NO. : 312924

122. Reservations by Scott Paper Company, contained in deed recorded under Recording No. 320734.

AFFECTS: Portion Township 28 North, Range 1 West.

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123. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Thomas R. Town and Mary Town, their heirs, successors or assigns
PURPOSE : A temporary easement for ingress and egress over existing road; ALSO a perpetual non-exclusive easement for ingress and egress
AREA AFFECTED : Portion of Section 27, Township 28 North, Range 1 West
DATED : October 13, 1976
RECORDED : November 1, 1976
RECORDING NO. : 238096

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124. Reservation by Jefferson County for existing roads, easements and right of ways, as contained in various tax sale deed from Jefferson County:

RECORDING NOS. : 109075, 108609, 107997, 174967, 108064 and 115182
AFFECTS : Portion Township 28 North, Range 2 West

125. Right of the State of Washington in and to that portion, if any, of the property herein described which lies below the line of ordinary high water of the Snow Creek, Andrews Creek and unnamed creek.

126. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Secretary of Agriculture
PURPOSE : Right of way
AREA AFFECTED : Sections 10 and 15, Township 28 North, Range 2 West
DATED : July 30, 1931
RECORDED : august 14, 1931
RECORDING NO. : Volume 101, page 428

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

127. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording No. 217789.

AFFECTS: Portion of Section 10, Township 28 North, Range 2 West

128. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : City of Port Townsend
PURPOSE : Undisclosed
AREA AFFECTED : 30 foot wide portion of Sections 11 and 15, Township 28 North, Range 2 West
DATED : April 24, 1928
RECORDED : February 1, 1929
RECORDING NO. : Volume 96, page 307

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

129. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : City of Port Townsend
PURPOSE : Water pipeline
AREA AFFECTED : 30' wide portion of Section 15, Township 28 North, Range 2 West
DATED : December 3, 1952
RECORDED : January 20, 1956
RECORDING NO. : 148383

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

130. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State Division of Forestry
PURPOSE : Road for forest protection purposes only
AREA AFFECTED : Sections 11, 14 and 15, Township 28 North, Range 2 West
DATED : March 28, 1935
RECORDED : June 24, 1937
RECORDING NO. : 80960, Volume 107, page 502.

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

131. Right of the waters of unnamed spring, not to exceed 0.01 of a cubic foot per second for the purpose of domestic supply, under State certificate issued September 6, 1956, to Ray S. Crist, recorded under Auditor's File No. 155517.

AFFECTS: Portion of Section 11

132. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording No. 217790.

AFFECTS: Portion of Section 15, Township 28 North, Range 2 West

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133. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company  
PURPOSE : Electric transmission and distribution line  
AREA AFFECTED : Portion of Section 23, Township 28 North, Range 2 West  
DATED : June 4, 1946  
RECORDED : September 27, 1946  
RECORDING NO. : 108271

134. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : City of Port Townsend  
PURPOSE : Ingress and egress  
AREA AFFECTED : 30 feet in width being 15 feet on either side of the center line of the present existing water supply line, Section 22, Township 28 North, Range 2 West  
DATED : January 27, 1956  
RECORDED : March 8, 1956  
RECORDING NO. : 148875

NOTE: Right to relocate the above described easement recorded April 17, 1958 under Recording No. 157299.

135. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : City of Port Townsend  
PURPOSE : To locate, construct, order, repair, improve, operate and maintain a 20 inch water supply pipe line.  
AREA AFFECTED : From the Little Quilcene River through said property in the West Half of the Southwest Quarter of Section 33, Township 28 North, Range 2 West  
DATED : February 16, 1956  
RECORDED : March 8, 1956  
RECORDING NO. : 148872

136. BOUNDARY LINE AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BETWEEN : Crown Zellerbach corporation and John G. Boulton and Lois M. Boulton, husband and wife.  
DATED : October 30, 1981  
RECORDED : December 2, 1981  
RECORDING NO. : 275724  
AFFECTS : Sections 23 and 24, Township 28 North, Range 2 West

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137. Reservation by the Grantors, their heirs and assigns, of the right to use the said strip of land and road in common with the Grantee, as contained in the conveyance of said easement made by Harley Brotherton and Mary Barbara Brotherton, husband and wife, Grantors, to Crown Zellerbach Corporation, Grantee, recorded April 20, 1962 in Volume 158 of Deeds, pages 11 to 13 inclusive, under Auditor's File No. 171837.

AFFECTS: The Easement interest in Section 22, Township 28 North, Range 2 West.

138. Reservation contained in deed from John W. Pogany and Marian M. Pogany, his wife, recorded June 25, 1951 in Volume 131 of Deeds, page 295, under Auditor's File No. 127451, as follows:

The grantors herein reserve unto themselves, their heirs, representative successors and assigns, one-half of all the gas, oil and minerals and mineral rights in and under the above described lands, with the right to prospect for and exploit the same and to carry away any such gas, oil, and minerals, if found, equal to one-half thereof. Providing said grantors do not disturb and logging operations for timber or cut any growing timber unnecessarily, and if any such timber is cut, to pay above grantees the market price for any such timber cut or disturbed.

Affects the West Half of the Northwest Quarter, Section 24, Township 28 North, Range 2 West.

139. Reservations contained in deed from W. A. Moa, et al, to Discovery Bay Timber, Inc., a corporation, recorded in Volume 146 of Deeds, page 215, under Auditor's File No. 155665; whereby the grantor, W.A. Moa, excepts and reserves one-half of all oil, minerals and mineral rights; the grantee, its successors and assigns, shall have the sole and exclusive management of all of said gas, oil, and mineral rights.

140. Reservations of all hydrocarbon minerals of any nature whatsoever including but not limited to gas, oil, etc., contained in deed recorded under Recording Nos. 311721 and 311722. EXCEPTION of all hydrocarbon minerals of any nature whatsoever including but not limited to gas, oil and related hydrocarbon and associated substances, and all geothermal steam, heat, hot water, brine and related energy-producing liquid or gaseous minerals as described and conveyed in deeds recorded under Auditor's Numbers 311721 and 311722 recorded on November 30, 1987, Deed Records of Jefferson County, Washington, EXCEPT to the extent released and quitclaimed by deed from Cavenham Energy Resources Inc. to Travelers Insurance Company dated December 28, 1988, recorded under Auditor's File No. 319133.

141. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State Division of Forestry  
PURPOSE : Road for forest protection purposes only  
AREA AFFECTED : Portion of Township 29 North, Range 2 West  
DATED : May 11, 1935  
RECORDED : June 24, 1937  
RECORDING NO. : 80958

142. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America  
PURPOSE : Using, maintaining and repairing a roadway  
AREA AFFECTED : Portion of Sections 21, 22, 27 and 28, Township 29 North, Range 2 West  
RECORDED : November 4, 1947  
RECORDING NO. : 112669

143. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America  
PURPOSE : Electric power transmission lines and appurtenant signal lines, poles, etc.  
AREA AFFECTED : Portion of Sections 21, 22 and 27, Township 29 North, Range 2 West  
RECORDED : July 13, 1948  
RECORDING NO. : 114518

144. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : The Pacific Telephone and Telegraph Company  
PURPOSE : Right of way for its employees, licenses and vehicles  
AREA AFFECTED : Portions of Sections 21, 22, 27 and 28, Township 29 North, Range 2 West  
RECORDED : October 6, 1952  
RECORDING NO. : 134422

NOTE: Said Easement was assigned to AT&T Communications by instrument recorded under Recording No. 287457.

145. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States Department of Justice, Immigration & Naturalization Service, Border Patrol, its employees, licensees, and vehicles  
PURPOSE : Right of way  
AREA AFFECTED : Portions of Sections 21, 22, 27 and 28, Township 29 North, Range 2 West  
DATED : August 29, 1961  
RECORDED : September 14, 1961  
RECORDING NO. : 169594

THE DESCRIPTION CONTAINED THEREIN IS NOT SUFFICIENT TO DETERMINE ITS EXACT LOCATION WITHIN THE PROPERTY HEREIN DESCRIBED.

146. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America  
PURPOSE : Easement and right of way  
AREA AFFECTED : Portions of Sections 21, 22, 27 and 28, Township 29 North, Range 2 West  
DATED : December 11, 1964  
RECORDED : December 17, 1964  
RECORDING NO. : 182036

147. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : United States of America

PURPOSE : Electric power transmission structures and appurtenances  
AREA AFFECTED : Portions of Sections 21, 22 and 27, Township 29 North, Range 2 West  
RECORDED : October 1, 1968  
RECORDING NO. : 197805

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148. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company  
PURPOSE : Electric transmission and distribution line  
AREA AFFECTED : Portion of Section 36, Township 29 North, Range 2 West  
DATED : October 8, 1929  
RECORDED : October 18, 1929  
RECORDING NO. : 62351

149. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Daniel Taylor  
PURPOSE : Ingress, egress and utilities  
AREA AFFECTED : Portion of Section 35 and 36, Township 29 North, Range 2 West  
DATED : June 4, 1987  
RECORDED : June 4, 1987  
RECORDING NO. : 308267

150. Reservation contained in deed from Kenneth E. Godwin and Jeannine J. Godwin, husband and wife, as Grantors, recorded January 16, 1974 under Auditor's File No. 221439, as follows:

Grantors hereby reserve unto themselves, their heirs, successors and assigns for an easement over and across the South Half of the Southeast 1/4 of the Northeast 1/4 of Section 35, Township 29 North, Range 2 West, W.M., for the use and maintenance of existing water supply pipeline and water supply system.

151. Right to the waters of unnamed stream not to exceed 0.02 cubic feet per second, 1 acre-foot per year, during entire year for domestic supply, under State Certificate issued December 18, 1972, to Alvin Leroy Majors recorded under Auditor's File No. 221459.

152. Possible rights of Jefferson County and the public as to Penny Creek Road, River Spur Road, and Townsend Creek Road in Sections 4, 9 and 28, Township 27 North, Range 2 West; Andy Cooper Road in Township 28 North, Range 1 East; and the Mt. Jupiter Road in Sections 4, 5 and 16, Township 25 North, Range 2 West and in Township 26 North, Range 2 West.

153. Right of the State of Washington in and to that portion, if any, of the property herein described which lies below the line of ordinary high water of Twin Lakes, Lost Lake, Mud (Deep) Lake and Pheasant Lake in Township 27 North, Range 1 East; Wahl Lake and Silent Lake of Sections 1 and 35 in Township 27 North, Range 1 West; the Dosewallips River in Township 26 North, Range 2 West; the Salmon Creek in Township 29 North, Range 2 West; Little Quilcene River; Sandy Shore Lake and to any unnamed creeks, lakes, streams or rivers.

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154. Paramount rights and easements in favor of the United States to regulate commerce, navigation, fishing and the production of power.

AFFECTS: Portion of said premises and other portion adjoining a body of water.

155. Question as to the exact location of the lateral boundaries of said tidelands.

AFFECTS: Portion of said premises and other property adjoining tidelands.

156. Any question that may arise due to the shifting and changing in course of unnamed creek as referred to in the legal description herein. And the Dosewallips River, and Salmon River in Township 26 North, Range 2 West and Township 29 North, Range 2 West.

157. Question as to exact boundaries of a portion of the property described within the Southeast Quarter of the Southeast Quarter, Section 28 by reason of a "spring" used to define said boundary.

AFFECTS: The "unnamed creek" used in Section 20, Township 27 North, Range 1 West.

158. Lack of a recorded means of ingress or egress to a public road from said property and it is assumed that there exists a valid and subsisting easement for that purpose over adjoining properties, but the Company does not insure against any rights based on a contrary state of facts.

AFFECTS: Portion of Section 20, Township 25 North, Range 2 West; the portions of Section 2, Township 26 North, Range 1 West; portion of Section 6, Township 27 North, Range 1 West; Sections 13 and 24, Township 29 North, Range 1 West; Section 14, Township 27 North, Range 2 West; Section 13, Township 28 North, Range 2 West; and the Southeast 1/4 of the Northeast 1/4 of Section 22, Township 28 North, Range 2 West.

159. REVOCABLE PERMIT AND THE TERMS AND CONDITIONS THEREOF:

BETWEEN : Pope & Talbot, Inc., and Jefferson County Washington, Department of Highways  
RECORDED : December 14, 1967

RECORDING NO. : 194550  
AFFECTS : Portion of the Northeast Quarter of the Southeast Quarter of Section 31, Township 28 North, Range 1 East

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160. REVOCABLE PERMIT AND THE TERMS AND CONDITIONS THEREOF:

BETWEEN : Pope & Talbot, Inc., a corporation and Jefferson County Water District No. 1  
DATED : May 26, 1967  
RECORDED : June 6, 1967  
RECORDING NO. : 192363  
AFFECTS : Township 28 North, Range 1 East

161. UNRECORDED LEASE:

LESSOR : Pope & Talbot, Inc.  
LESSEE : Western Oyster Co.  
FOR A TERM OF : Not Disclosed  
FROM : October 8, 1975  
DISCLOSED BY : Quit Claim Deed recorded under Auditor's File No. 250067  
AFFECTS : That portion of the Southwest Quarter of the Northeast Quarter, Southerly and Westerly of road in Section 20, Township 27 North, Range 1 West

162. Reservations contained in deed recorded under Recording No. 287326, as follows:

EXCEPTING AND RESERVING unto Grantor, its successors and assigns, forever, all ores and minerals of any nature whatsoever, and all geothermal steam and heat in or upon said land, not otherwise previously reserved in instruments of record, including, but not limited to coal, oil and gas, together with the right to enter upon said lands for the purpose of drilling, developing and working mines and wells and to occupy and make use of so much of the surface of said land as may be reasonably necessary for said purposes; provided that the Grantee, its successors and assigns shall be paid reasonable compensation for any injury or damage to said land, or to the improvements thereon caused by the exercise of any rights herein reserved, that the exercise of such rights by the Grantor shall not be postponed or delayed pending reasonable efforts to determine such compensation.

AFFECTS: Portion of Section 31, Township 28 North, Range 1 East, Northeasterly of Highway.

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163. Reservation by Jefferson County for right of way for all public highways that may be constructed by the authority of the Board of Commissioners of Jefferson County, and or a reservation for existing roads, easements and rights of way, as contained in tax sale deed from Jefferson County recorded under Auditor's File No. 167005.

AFFECTS: Portion of the West 1/2 of the Southwest 1/4 of Section 32, Township 28 North, Range 1 East.

164. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Puget Sound Power & Light Company, a Washington corporation  
PURPOSE : One electric transmission and distribution line  
AREA AFFECTED : Portion in Section 32, Township 28 North, Range 1 East  
DATED : November 4, 1964  
RECORDED : December 3, 1964  
RECORDING NO. : 181893

165. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Jefferson County  
PURPOSE : Ingress and egress  
AREA AFFECTED : A 20 foot strip over a portion of Section 32, Township 28 North, Range 1 East  
DATED : November 28, 1967  
RECORDED : December 12, 1967  
RECORDING NO. : 194526

166. LIMITATION OF ACCESS:

Relinquishment of access to State Highway No. 9-E (SR No. 104), Browns Lake to South Point and of light, view and air except for operation of the tree farm or farms by Deed to State of Washington:

RECORDED : November 30, 1966  
RECORDING NO. : 190277  
AFFECTS : Sections 31 and 32, Township 28 North, Range 1 East

167. LIMITATION OF ACCESS:

Relinquishment of access to State Highway No. 9–E (SR No. 104), Browns Lake to South Point and of light, view and air except for operation of the tree farm or farms by Deed to State of Washington:

RECORDED : November 30, 1966 and March 2, 1992  
RECORDING NO. : 190277 and 347864  
AFFECTS : Sections 30, 31 and 32, Township 28 North, Range 1 East

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168. Reservation contained in deed from the State of Washington recorded under Recording No. 35544, reserving to the grantor all oil, gases, coal, ores, minerals, fossils, etc., and the right of entry for opening, developing and working the same, and providing that such rights shall not be exercised until provision has been made for full payment of all damages sustained by reason of such entry.

Right of State of Washington or its successors, subject to payment of compensation therefor, to acquire rights of way for private railroads, skid roads, flumes, canals, water courses or other easements for transporting and moving timber, stone, minerals and other products from this and other property, as reserved in deed referred to above.

AFFECTS: Tidelands fronting Section 15, Township 28 North, Range 1 East.

169. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : State of Washington and Pope & Talbot, Inc.  
PURPOSE : Construction, reconstruction, use and maintenance of a road for the purpose of providing access to and from lands now owned or hereafter acquired by the parties hereto.  
AREA AFFECTED : 60' wide easement over portion of Section 15, Township 28 North, Range 1 East  
DATED : April 1, 1975  
RECORDED : April 25, 1975  
RECORDING NO. : 227993

170. EASEMENT AND THE TERMS AND CONDITIONS THEREOF:

GRANTEE : Tala Point Partnership, a general partnership; and John J. Shawcroft and Lillian M. Shawcroft, his wife  
PURPOSE : Ingress, egress and utilities  
AREA AFFECTED : 60' wide strip over portion of Sections 15 and 22, Township 28 North, Range 1 East  
DATED : March 2, 1983  
RECORDED : August 10, 1983  
RECORDING NO. : 285012

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171. AGREEMENT AND THE TERMS AND CONDITIONS THEREOF:

BETWEEN : Tala Point Estates Community Association, a nonprofit Washington corporation, the Tala Point Partnership, a Washington General Partnership  
AND : John J. Shawcroft and Lillian M. Shawcroft, husband and wife.  
DATED : June 16, 1983  
RECORDED : August 10, 1983  
RECORDING NO. : 285011  
AFFECTS : Sections 15 and 22, Township 28 North, Range 1 East

172. Right to make necessary slopes for cuts or fills upon property herein described as granted to Jefferson County by deed recorded under Recording Nos. 173385, 200078, and 280178.

AFFECTS: Portion adjacent to Ludlow–Paradise County Road No. 6 in Township 28 North, Range 1 East.

173. Reservations contained in deed recorded under Recording No. 296548.

EXCEPTING AND RESERVING unto Grantor its successors and assigns forever, from above described Parcel III, all ores and minerals of any nature whatsoever, and all geothermal steam and heat in or upon said land, not otherwise previously reserved in instruments of record, including, but not limited to coal, oil and gas, together with the right to enter upon said lands for the purpose of drilling, developing, and working mines and wells and to occupy and make use of so much of the surface of said land as may be reasonably necessary for said purposes; provided that the Grantee, its successors and assigns shall be paid reasonable compensation for any injury or damage to' said land, or to the improvements thereon caused by the exercise of any rights herein reserved, that the exercise of such rights by Grantor shall not be postponed or delayed pending reasonable efforts to determine such compensation, EXCEPTING FROM this reservation only, all sand and gravel.

AFFECTS: Portion of Section 22, Township 28 North, Range 1 East.

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181. Reservation unto the Grantors, their heirs, successors and assigns, for all oils, gases and minerals of every kind or description, which may be in or upon said premises, or any party thereof, as reserved in the deed from Samuel V. Peach and Sarah N. Peach, husband and wife, to Robert N. Munn and Dorothy I. Munn, husband and wife, dated January 18, 1956 and recorded in Volume 141 of Deeds, on page 585, under Auditor's File No. 148368.

Affects the South half of the Northeast Quarter of the Southwest Quarter. Section 26, Township 28 North, Range 2 West.

End of Schedule B

Investigation should be made to determine if there are any service, installation, maintenance or construction charges for sewer, water or electricity.

In the event this transaction fails to close, a cancellation fee will be charged for services rendered in accordance with our rate schedule.

JCN/cjh

Enclosures:     Sketches

CC:     Transamerica Title Insurance Company  
Attn:    Jerry O'Hail

AMENDMENT TO TIMBERLAND DEED OF TRUST AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (STATE OF WASHINGTON)

This amends and supplements Timberland Deed of Trust and Security Agreement with Assignment of Rents recorded April 29, 1992, in Volume 271, pages 237-332, Records of Jefferson County, Washington.

- 1. The date of the Deed of Trust shall be April 29, 1992, the "29" having been omitted from the document recorded as above.
2. The date of the note secured by the Deed of Trust is "April 29, 1992", that date filled in on the document being subject to being interpreted as a "24".
3. Page 16 of the Deed of Trust is amended so as to read as set forth on Exhibit A attached hereto and by reference made a part hereof, the purpose of the revised page being to change, in item (b), the two references to "Current Ratio" to "Liquid Ratio."
4. As amended and supplemented hereby, the Deed of Trust is ratified and confirmed.
5. The effective date of this Amendment shall be April 29, 1992.

DATED: May 13, 1992.

POPE RESOURCES, A Delaware Limited Partnership

By: POPE MGP, INC.

By: /s/ G. H. Foquet
George Folquet, President

ATTEST: /s/ Thomas M. Ringo
Thomas Ringo,
Vice President — Finance

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Donald A. Morway
Donald A. Morway

Its: Assistant Treasurer

STATE OF WASHINGTON )
) ss.
COUNTY OF KITSAP )

On this 21st day of May, 1992, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared George H. Folquet and Thomas Ringo, to me known to be the President and Vice President, respectively, of Pope MGP, Inc., the corporation that executed the foregoing instrument as Managing General Partner of Pope Resources, A Delaware Limited Partnership and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Fay Schultz
NOTARY PUBLIC in and for the State of Washington, residing at Poulsbo
My appointment expires 8/22/93

THE COMMONWEALTH OF MASSACHUSETTS )
) ss.
County of Suffolk )

On this 2nd day of June, 1992, before me, the undersigned, a Notary Public in and for the said Commonwealth, residing therein, duly commissioned and sworn, personally appeared Donald A. Morway, to me personally known who by me duly sworn, did say that he is the Assistant Treasurer of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and as the free act and deed of said corporation, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in said County the day and year in this certificate first above written.



**EXHIBIT A**

- (x) **Tangible Assets:** All assets except assets such as goodwill, patents, and similar assets of an intangible nature.
- (xi) **Tangible Partner's Capital:** All Tangible Assets less all consolidated liabilities of Grantor.
- (xii) **Standing Timber Inventory:** The existing timber value (in board-feet or cords) allocated to the Property.
- (xiii) **Average Annual Growth:** The average annual timber growth allocated to the Property.

(b) Liquid Ratio: On a consolidated basis, the Grantor shall at all times maintain a Liquid Ratio of no less than 1.25:1.

(c) Consolidated Ratio of Liabilities to Capital: The ratio of Grantor's Consolidated Liabilities (excluding deferred profit) to Tangible Partner's Capital shall at all times not be greater than 2.0:1.0.

(d) Tangible Partner's Capital: The Grantor's Tangible Partner's Capital was not less than \$18,600,000 on December 31, 1991, and will be maintained at no less than that level plus 50% of Grantor's consolidated net income on an annual basis for the first five years following 1991, plus 40% of consolidated net income on a consolidated basis for the next five years, plus 30% of consolidated net income for the next five years, plus 20% of net income for the next five years, plus 10% of consolidated net income for the next five years.

(e) Consolidated Ratio of Net Income Plus Interest Expense to Consolidated Interest Expense: The ratio of Grantor's consolidated net income plus interest expense to Grantor's consolidated interest expense shall not be less than 1.5:1.0.

1.18. Special Covenants of Grantor. Without the prior written consent of Beneficiary, Grantor shall not:

(a) Acquire any funded debt (defined as any borrowing or other obligation of Grantor or any subsidiary thereof maturing within a period in excess of one year, excluding capitalized leases and revolving lines of credit, excluding the loan from Beneficiary secured by this Deed of Trust) unless after giving effect thereto, Grantor remains in compliance with all the terms and provisions of this Deed of Trust, including all special restrictions and requirements.

SECOND AMENDMENT TO TIMERLAND DEED OF TRUST AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (STATE OF WASHINGTON)

This amends Timberland Deed of Trust and Security Agreement with Assignment of Rents, dated and recorded April 29, 1992, in Volume 271, pages 237-332, Records of Jefferson County, Washington, and first amended May 13, 1992 by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington.

1. Section 1.17(c) is hereby amended so as to read:

Consolidated Ratio of Liabilities to Capital:

The ratio of Grantor's Consolidated Liabilities (excluding deferred profit) to Tangible Partner's Capital shall at all times not be greater than 2.0:1.0. Notwithstanding the previous sentence, the aforementioned ratio shall not exceed the following benchmarks during each of the respective periods:

Table with 2 columns: Period and Ratio. Rows include March 1, 1993 through September 30, 1993 (3.8:1.0), October 1, 1993 through March 31, 1994 (2.3:1.0), and April 1, 1994 and thereafter (2.0:1.0).

2. Section 1.17(d) is hereby amended so as to read:

(d) Tangible Partner's Capital: The Grantor's Tangible Partner's Capital was not less than \$28,355,000 on December 31, 1992, and will be maintained at not less than \$9,000,000, but to be increased annually by: (i) 50% of Grantor's consolidated net income for the first four years following 1992, (ii) 40% of such consolidated net income on a consolidated basis for the next five years, (iii) 30% of such consolidated net income for the next five years, (iv) 20% of such consolidated net income for the next five years, and (v) 10% of such consolidated net income for the next five years.

3. Section 1.19(d) is hereby amended so as to add thereto the following:

Anything in this Section 1.19(d) to the contrary notwithstanding, up to an aggregate of 40,000 MBF of timber may be harvested from the Timberlands during the two year period from January 1, 1993 to December 31, 1994 without creating any obligation of the Maker to reduce the principal balance of the Note. Any harvest in excess of said 40,000 MBF during said two-year period will require principal reduction payments as specified in (b) above. Starting in 1995, the annual harvest limitations and permissible carry-over provisions set forth in the Note as originally executed will continue to apply. Provided, that no carry-over of unused allowable harvest volume from 1992 shall be allowed and that in no event will a carry-over be permitted of any portion of the said 40,000 MBF allowance that is not harvested prior to January 1, 1995.

4. As amended and supplemented hereby, the Deed of Trust and the first amendment thereto are ratified and confirmed.

5. The effective date of this Amendment shall be January 1, 1993.

DATED: May 25, 1993.

POPE RESOURCES, A Delaware Limited Partnership

By: POPE MGP, INC.

By: /s/ George Folquet, President

ATTEST: /s/ Thomas M. Ringo, Vice President - Finance

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Donald A. Morway, Assistant Treasurer

STATE OF WASHINGTON ) ) ss. COUNTY OF KITSAP )

On this 25th day of May, 1993, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared George H. Folquet and Thomas Ringo, to me known to be the President and Vice President, respectively, of Pope MGP,



THIRD AMENDMENT TO TIMBERLAND DEED OF TRUST AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (STATE OF WASHINGTON)

This amends Timberland Deed of Trust and Security Agreement with Assignment of Rents, dated and recorded April 29, 1992, in Volume 271, pages 237-332, Records of Jefferson County, Washington; first amended May 13, 1992 by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington; and amended May 25, 1993 by Second Amendment recorded June 14, 1993, in Volume , pages , records of Jefferson County, Washington.

- 1. Section 1.18(A) is amended so as to add the following: Anything to the contrary in this Deed of Trust notwithstanding: A. Provided, that the total timber harvested from the Property in calendar year 1995 does not exceed 16,500 MBF, no principal payment on the Note related to excess harvesting shall be due as a result of said 1995 harvest. B. The volume of timber harvested from the Property in calendar year 1996, without incurring any liability for a principal payment, is set at 14,000 MBF. 2. As amended and supplemented hereby, the Deed of Trust and the first and second amendments thereto are ratified and confirmed. 3. The effective date of this Amendment shall be January 1, 1995.

DATED: December 19, 1995.

POPE RESOURCES, A Delaware Limited Partnership

By: POPE MGP, INC.

By: /s/ George Folquet George Folquet, President

ATTEST: /s/ Thomas M. Ringo Thomas Ringo, Vice President — Finance

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Ken Hines, Jr. Ken Hines, Jr. Its: Senior Investment Officer

STATE OF WASHINGTON ) ) ss. COUNTY OF KITSAP )

On this 19th day of December, 1995, before me, the undersigned, a Notary Public in and for the State of Washington, personally appeared George H. Folquet and Thomas Ringo, to me known to be the President and Vice President, respectively, of Pope MGP, Inc., the corporation that executed the foregoing instrument as Managing General Partner of Pope Resources, A Delaware Limited Partnership, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Jacqueline McClurg NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON residing at Silverdale, Washington My appointment expires 10-14-98

THE COMMONWEALTH OF MASSACHUSETTS ) ) ss. COUNTY OF SUFFOLK )

On this 20th day of December, 1995, before me, the undersigned, a Notary Public in and for the said Commonwealth, residing therein, duly commissioned and sworn, personally appeared Ken Hines, Jr., to me personally known who by me duly sworn, did say that he is a Senior Investment Officer of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and

that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and as the free act and deed of said corporation, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal in said County the day and year in this certificate first above written.

Mary (Unreadable)

NOTARY PUBLIC IN AND FOR SAID COMMONWEALTH

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My appointment expires February 13, 1998

**After Recording, Return to:**  
 Douglas W. MacDougal  
 Schwabe, Williamson & Wyatt, P.C.  
 1211 SW Fifth Ave., Suite 1700  
 Portland, OR 97204

**FOURTH AMENDMENT TO TIMBERLAND DEED OF TRUST  
 AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS  
 (STATE OF WASHINGTON)**

Reference numbers of related documents:

Grantor(s):

Grantee(s):

Legal Description:

Assessor's Property Tax Parcel Account Number(s):

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**FOURTH AMENDMENT TO TIMBERLAND DEED OF TRUST  
 AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS  
 (STATE OF WASHINGTON)**

This Fourth Amendment to Timberland Deed of Trust and Security Agreement With Assignment of Rents ("Amendment") amends that certain Timberland Deed of Trust and Security Agreement with Assignment of Rents ("Deed of Trust"), dated and recorded April 29, 1992, in Volume 371, pages 237-332, Records of Jefferson County, Washington; first amended May 13, 1992 by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington; and amended May 25, 1993 by Second Amendment recorded June 14, 1993, in Volume 417, pages 297-299, records of Jefferson County, Washington, and amended May 25, 1993 by Third Amendment recorded December 29, 1995, in Volume 542, pages 447-448, records of Jefferson County, Washington. All references to the Deed of Trust herein mean and refer to the Deed of Trust as so amended.

1. Section 1.19(d) of the Deed of Trust is amended to add the following:

Anything to the contrary in this Deed of Trust notwithstanding, up to an aggregate of 130,550 MBF of timber may be harvested from the Real Property during the five-year period from January 1, 1999 to December 31, 2003 without creating any additional obligation of the Grantor to reduce the principal balance under the Note. Any harvest in excess of said 130,50 MBF during said five-year period will require principal reduction payments as specified above; provided, no more than 75,000 MBF may be harvested within calendar years 1999-2000; and provided further, if harvest volume exceeds this amount, growth estimates shall be recomputed and Beneficiary may require that a new harvest level be set.

2. All references to the Note in the Deed of Trust shall mean and refer to the Note as amended by First Amendment to Promissory Note dated May 25, 1993 and Second Amendment to Promissory Note December 19, 1995, and as amended by Third Amendment to Promissory Note dated \_\_\_\_\_, 1999.

**[Remainder of page intentionally left blank]**

- 3. As amended hereby, the Deed of Trust is ratified and confirmed.
- 4. The effective date of this Amendment shall be January 1, 1999.

DATED: December 20, 1999.

POPE RESOURCES, A Delaware Limited Partnership

By: POPE MGP, INC.

By: /s/ Gary F. Tucker  
 Name: Gary F. Tucker  
 Title: President & CEO

ATTEST: /s/ Craig L. Jones  
 Name: Craig L. Jones  
 Title: Senior Vice President

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ C. Whitney Hill  
 C. Whitney Hill  
 Its: Assistant Investment Officer

[Notaries on following page]

STATE OF WASHINGTON )  
 ) ss.  
 COUNTY OF KITSAP )

On this 20th day of December, 1999, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Gary F. Tucker and Craig L. Jones, to me known to be the President & CEO and Senior Vice President, respectively, of Pope MGP, Inc., the corporation that executed the foregoing instrument as Managing General Partner of Pope Resources, A Delaware Limited Partnership, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Wendy C. Battaglino  
 NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON  
 residing at Silverdale, Washington  
 My appointment expires 4-9-02

STATE OF CALIFORNIA )  
 ) ss.  
 COUNTY OF SACRAMENTO )

On December 17, 1999, before me, Sharon A. Sturm (notary name), Notary Public, personally appeared C. Whitney Hill (signer), personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons) whose names) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures) on the instrument the person(s), or the entity upon behalf of which persons) acted, executed the instrument.

WITNESS my hand and official seal.

/s/ Sharon A. Sturm

Sharon A. Sturm, Notary Public

My Commission expires November 3, 2000

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Mark A. Stayer, Esq.  
 Schwabe Williamson & Wyatt  
 1211 SW Fifth Avenue, Suite 1700  
 Oregon Portland, Oregon 97204

Document Title : AMENDED AND RESTATED TIMBERLAND DEED OF TRUST AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS AND FIXTURE FILING

Reference # of related documents :  
 Grantor : POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Grantee : JOHN HANCOCK LIFE INSURANCE COMPANY

Abbreviated Legal Description:

S3 T25 R2W; S4 T25 R2W; S5 T25 R2W; S16 T25 R2W; S20 T25 R2W; S29 T25 R2W; S1 T26 R1W; S2 T26 R1W; S11 T26 R1W; S22 T26 R1W; S23 T26 R1W; S27 T26 R1W; S1 T26 R2W; S2 T26 R2W; S3 T26 R2W; S28 T26 R2W; S29 T26 R2W; S30 T26 R2W; S32 T26 R2W; S33 T26 R2W; S34 T26 R2W; S5 T27 R1E; S6 T27 R1E; S7 T27 R1E; S8 T27 R1E; S17 T27 R1E; S18 T27 R1E; S19 T27 R1E; S1 T27 R1W; S2 T27 R1W; S3 T27 R1W; S4 T27 R1W; S5 T27 R1W; S6 T27 R1W; S7 T27 R1W; S10 T27 R1W; S11 T27 R1W; S12 T27 R1W; S13 T27 R1W; S14 T27 R1W; S15 T27 R1W; S18 T27 R1W; S20 T27 R1W; S22 T27 R1W; S25 T27 R1W; S26 T27 R1W; S29 T27 R1W; S31 T27 R1W; S32 T27 R1W; SEAHOME ADDITION; S3 T27 R2W; S4 T27 R2W; S9 T27 R2W; S10 T27 R2W; S14 T27 R2W; S28 T27 R2W; S15 T28 R1E; S19 T28 R1E; S22 T28 R1E; S27 T28 R1E; S28 T28 R1E; S29 T28 R1E; S30 T28 R1E; S31 T28 R1E; S32 T28 R1E; S2 T28 R1W; S6 T28 R1W; S7 T28 R1W; S8 T28 R1W; S9 T28 R1W; S10 T28 R1W; S11 T28 R1W; S12 T28 R1W;

S13 T28 R1W; S14 T28 R1W; S15 T28 R1W; S17 T28 R1W; S18 T28 R1W; S19 T28 R1W; S20 T28 R1W; S21 T28 R1W; S22 T28 R1W; S23 T28 R1W; S24 T28 R1W; S25 T28 R1W; S26 T28 R1W; S27 T28 R1W; S28 T28 R1W; S29 T28 R1W; S30 T28 R1W; S31 T28 R1W; S32 T28 R1W; S35 T28 R1W; S36 T28 R1W; S10 T28 R2W; S11 T28 R2W; S13 T28 R2W; S14 T28 R2W; S15 T28 R2W; S22 T28 R2W; S23 T28 R2W; S24 T28 R2W; S25 T28 R2W; S26 T28 R2W; S27 T28 R2W; S33 T28 R2W; S13 T29 R1W; S24 T29 R1W; S21 T29 R2W; S22 T29 R2W; S26 T29 R2W; S27 T29 R2W; S28 T29 R2W; S33 T29 R2W; S34 T29 R2W; and S35 T29 R2W.

Additional Legal Description set forth in Exhibit A attached to the Amended and Restated Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing

Assessor's Tax Parcel I.D. #:

502 032 001; 502 041 000; 502 043 001; 502 051 000; 502 202 002; 801 301 001; 992 600 029; 502 161 000; 502 292 002; 601 012 001; 601 012 002; 601 021 001; 601 022 008; 601 024 001; 601 024 002; 601 024 003; 601 024 004; 601 112 004; 601 221 001; 601 221 002; 601 224 035; 601 232 002; 601 232 003; 601 272 001; 602 014 001; 602 023 003; 602 034 001; 602 283 001; 602 283 002; 602 283 004; 602 283 005; 602 291 011; 602 293 002; 602 302 006; 602 302 007; 602 321 002; 602 322 001; 602 322 002; 602 331 002; 602 332 001; 602 343 003; 701 011 001; 701 021 002; 701 031 001; 701 031 002; 701 051 005; 701 062 004; 721 072 001; 721 080 001; 721 080 002; 721 172 001; 721 173 001; 721 182 001; 721 191 001; 721 192 007; 701 074 002; 701 103 002; 701 111 001; 701 121 001; 701 131 001; 701 141 001; 701 151 002; 701 181 002; 702 142 002; 702 144 003; 702 281 002; 721 051 001; 721 054 002; 721 062 001; 701 201 003; 701 224 001; 701 231 001; 701 244 001; 701 251 001; 701 251 006; 701 251 007; 701 262 001; 701 291 001; 701 311 007; 701 321 003; 702 031 001; 702 041 001; 702 041 002; 702 091 002; 702 102 001; 821 192 001; 821 221 001; 821 222 001; 821 271 003; 821 272 002; 821 281 001; 821 281 002; 281 281 003; 821 291 001; 821 291 002; 821 302 001; 821 311 001; 821 312 001; 821 322 001; 821 324 001; 821 324 002; 802 262 001; 821 152 001; 821 152 008; 801 021 007; 801 062 002; 801 063 001; 801 071 001; 801 071 002; 801 081 001; 801 082 001; 801 101 001; 801 111 002; 801 122 002; 801 132 001; 801 141 001; 801 154 001; 801 172 002; 801 181 001; 801 193 004; 801 201 002; 801 214 002; 801 224 001; 801 231 001; 801 241 001; 801 251 001; 801 261 001; 801 273 001; 801 281 001; 801 292 002; 802 221 002; 802 222 002; 801 311 002; 801 323 001; 801 351 001; 801 361 001; 802 104 000; 802 112 002; 802 113 000; 802 132 004; 802 143 001; 802 233 001; 802 244 011; 802 223 001; 802 233 002; 802 234 001; 802 234 002; 802 253 008; 802 253 011; 802 254 001; 802 271 001; 802 333 001; 901 131 001; 901 244 001; 902 211 000; 902 222 002; 902 262 004; 902 271 000; 902 281 000; 902 331 000; 902 340 000; 902 351 001; 701 041 001

**AND FIXTURE FILING  
(STATE OF WASHINGTON)**

WHEREAS, This Amended and Restated Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing amends and restates that certain Timberland Deed of Trust and Security Agreement with Assignment of Rents, by and between Grantor, as grantor, and John Hancock Mutual Life Insurance Company, now known as John Hancock Life Insurance Company, as beneficiary, dated and recorded April 29, 1992, in Volume 271, pages 237-332, records of Jefferson County, Washington, as amended May 13, 1992, by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington, as amended May 25, 1993, by Second Amendment recorded June 14, 1993, in Volume 417, pages 297-299, records of Jefferson County, Washington, and as amended December 19, 1995, by Third Amendment recorded December 29, 1995, in Volume 542, pages 447 and 448, records of Jefferson County, Washington, and by Fourth Amendment recorded December 30, 1999, in Volume 666, pages 274 and 278, records of Jefferson County, Washington (such Deed of Trust, and amended previously and herein, and as may be amended hereafter, is herein referred to as the "Deed of Trust"), given to secure Grantor's payment and performance obligations under that certain Promissory Note dated April 29, 1992, in the original amount of \$16,000,000, as amended by instruments dated May 25, 1993, December 19, 1995, December 20, 1999, and instrument of even date herewith (such Promissory Note, as amended previously and as may be amended hereafter, is herein referred to as the "1992 Note").

WHEREAS, under that certain Note Purchase Agreement (said Note Purchase Agreement together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof is hereinafter referred to as the "Note Purchase Agreement.") dated of even date herewith, by and among Grantor, John Hancock Life Insurance Company, and the Holders, as defined in the Note Purchase Agreement, Grantor issued to the Holders, as defined in the Note Purchase Agreement, certain Class A Fixed Rate Senior Secured Notes (said notes, together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof are hereinafter individually and collectively referred to as the "2001 Notes") all dated of even date herewith in the aggregate principal amount of \$30,000,000;

WHEREAS, the 2001 Notes are secured by that certain Timberland Deed of Trust dated of even date herewith, by and between Grantor, as grantor, and John Hancock Life Insurance Company, as collateral agent and beneficiary, and recorded in the Jefferson County, Mason County, Kitsap County, and Clallam County records (said Deed of Trust, as may be amended hereafter is herein referred to as the "2001 Deed of Trust").

WHEREAS, to secure the indebtedness evidenced by the 1992 Note and the indebtedness evidenced by the 2001 Notes, Grantor has duly authorized the execution and delivery of this Amended and Restated Timberland Deed of Trust and Security Agreement

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with Assignment of Rents and Fixture Filing upon certain property in Jefferson, County, Washington, as hereinafter particularly described.

WHEREAS, unless otherwise defined herein all capitalized terms shall have the meanings ascribed to them in the Deed of Trust.

NOW, THEREFORE, the parties agree to amend and restate the Deed of Trust as follows: for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and for the purpose of securing the obligations described in Section 1.1 below, Grantor hereby irrevocably grants, conveys, warrants, assigns, transfers, pledges, hypothecates and grants in and confirms to Trustee, in trust, with power of sale, for the benefit and security of Beneficiary, subject to the terms and conditions hereinafter set forth, all of Grantor's right, title and interest in and to the real property located in Jefferson, County, Washington more particularly described in Exhibit A attached hereto and incorporated herein by reference thereto (the "Property"); and all fences, gates, roads, rights of way or easements for roads, rights of ingress and egress, waters, water courses, water rights and powers, rights to underground waters, licenses, rights, interests, privileges, liberties, and all tenements, hereditaments and appurtenances whatsoever, upon or attached to or in any way belonging, relating or appertaining to the Property, or which hereafter shall be related to or in any way belong, or be appurtenant thereto, and all licenses, easements, rights, interests, privileges or liberties now or hereafter owned by Grantor belonging, relating or appertaining to the Property, or the timber or logs located thereon; and

TOGETHER WITH the Grantor's interest in any timber supply, cutting or similar contract involving the sale of trees standing on the Property; any books and records to the extent such books and records relate to the use and operation of all or any portion of the Property; and all rights, titles and interests of Grantor in and to all present and future licenses, permits, approvals and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division or use of all or any portion of the Property to the extent such licenses, permits, approvals, and agreements are assignable by law; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing or sales agreements, and service contracts which are in any way relevant to the ownership, development, improvement, management, sale or use of all or any portion of the Property; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may hereafter acquire with respect to any damage to or taking of all or any part of the Property and all awards made for taking by eminent domain, or by any proceeding or purchase in lieu

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thereof, of the whole or any part of the Property, and any and all awards resulting from any other damage to the Property, all of which are hereby assigned to the Beneficiary and the Beneficiary is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor, and to apply the same to the Obligations secured hereby notwithstanding the fact that the same may not then be due and payable; and

TOGETHER WITH any and all rights, interest, and claims that Grantor now has or may hereafter acquire with respect to any and all mineral, oil and gas rights, air rights, development rights, water rights and water stock, drainage rights, zoning rights, and other similar rights or interests which benefit or are appurtenant to the Property and any proceeds arising therefrom; and

TOGETHER WITH all structures, buildings, and improvements of every kind and description now or at any time hereafter located on the Property (hereinafter referred to as the "Improvements"), including all equipment, apparatus, machinery, fixtures, fittings, and appliances and other articles and any additions to, substitutions for, changes in or replacements of the whole or any part thereof, now or at any time hereafter affixed or attached to, and which are an integral part of said structures, buildings, improvements, or the Property or any portion thereof, and such Improvements shall be deemed to be fixtures and an accession to the freehold and a part of the Property as between the parties hereto and all persons claiming by, through, or under such parties except that same shall not include such machinery and equipment of any tenant of any portion of the Property or Improvements, which is part of and/or used in the conduct of the normal business of such tenant conducted upon the Property; and

TOGETHER WITH all data, files, and computer software and hardware relating to the accounting and management functions of the Property; and

TOGETHER WITH all timber, standing, cut or down, now or hereafter grown, growing or located on the Property, deemed for the purposes of this Deed of Trust to be real property.

All of the foregoing is hereinafter referred to as "Property" or as the "Trust Estate."

The Note Purchase Agreement provides for additional covenants, agreements, obligations and conditions to be kept, observed, performed, carried out and executed by Grantor, which additional covenants, agreements, obligations and conditions deal with conditions which Grantor must observe in the conduct and maintenance of its business and of the Property and in its dealings with Beneficiary. The Note Purchase Agreement is by reference hereby incorporated herein to the same extent and effect as though the Note Purchase Agreement was set forth herein in full. In the event of any conflict between the provisions of the Note Purchase Agreement and the provisions of the Deed of Trust, the provisions of the Note Purchase Agreement shall control, provided that the parties agree that the Note Purchase Agreement and the Deed of Trust shall be interpreted and construed, to the fullest extent possible, so as not to be in conflict with each other, it being the intentions of the

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parties that all provisions of the Note Purchase Agreement and this Deed of Trust shall be enforceable to the fullest extent possible. All capitalized terms not otherwise defined herein shall have the meanings attributed to them in the Note Purchase Agreement.

TO PROTECT THE PROPERTY AND SECURITY GRANTED BY THIS DEED OF TRUST, THE GRANTOR HEREBY WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

**ARTICLE 1**  
**Particular Covenants and Warranties of Grantor**

1.1 **Obligations Secured.** This Deed of Trust secures the following, collectively referred to hereinafter as the "Obligations":

- (a) The payment of all indebtedness and the performance of all covenants and obligations of Grantor under the 1992 Note, whether such payment and performance is now due or becomes due in the future; and
- (b) The payment and performance of all covenants and obligations in this Deed of Trust, and in all other security agreements, notes, agreements, and undertakings now existing or hereafter executed by Grantor with or for the benefit of Beneficiary relative to the loan evidenced by the 1992 Note, whether such payment and performance is now due or becomes due in the future; and
- (c) The payment of all indebtedness and the performance of all covenants and obligations of Grantor under the 2001 Notes, whether such payment and performance is now due or becomes due in the future; and
- (d) The payment and performance of all covenants and obligations contained in the 2001 Deed of Trust, and all other security agreements, notes, agreements, and undertakings now existing or hereafter executed by Grantor with or for the benefit of Beneficiary relative to the loan evidenced by the 2001 Notes, including, without limitation the Note Purchase Agreement and the Financing Documents, as defined in the Note Purchase Agreement, whether such payment and performance is now due or becomes due in the future.

1.2 **Payment of Indebtedness, Performance of Covenants and Warranties.** Grantor shall duly and punctually pay and perform all of the covenants and Obligations of Grantor under the Obligations, including, without limitation the covenants and obligations of Grantor under the Note Purchase Agreement; Grantor represents and warrants that Grantor's representations and warranties contained in the Note Purchase Agreement are and remain true and accurate in all material respects as of the date of this Deed of Trust.

1.3 **Title To Property, Type, Acres, Volume of Timber.** Grantor warrants that Property is not used principally for agricultural or farming purposes. Grantor covenants that it

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will forever defend the Beneficiary's rights hereunder and the priority of this Deed of Trust against the adverse claims of all persons.

1.4 **Further Assurances; Filing; Re-Filing; etc.**

- (a) Grantor shall execute, acknowledge and deliver, from time to time, such further instruments as Beneficiary may require to accomplish the purposes of this Deed of Trust.
- (b) Grantor, immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, shall cause this Deed of Trust, any security agreement, or deed of trust supplemental hereto and each instrument of further assurance to be recorded and re-recorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Deed of Trust.

(c) Grantor shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Deed of Trust, any security agreement, or deed of trust supplemental hereto and any instrument of further assurance, and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Deed of Trust, any security agreement, Deed of Trust or deed of trust supplement hereto, or any instruments of further assurance.

1.5 **Compliance with Laws.** Grantor further represents, warrants and covenants that the Property will be maintained in all material respects in full compliance with all applicable laws, statutes, ordinances, regulations and codes of all federal, state and local governments (collectively "Laws"); and all covenants, conditions, easements and restrictions affecting the Property. Grantor may, without being deemed to be in violation of this section 1.5, contest in good faith the application of any laws, covenants, conditions, easements or restrictions affecting the Property; provided, that in the event such contest involves a lien on the Property, or any part thereof, that would, if valid, have priority over the lien of this Deed of Trust, Grantor shall provide to Beneficiary an appropriate monetary deposit or corporate surety bond fully protecting Beneficiary against such lien should Grantor's contest be unsuccessful.

1.6 **Environmental Protection Requirements, Warranties and Indemnities.**

(a) Except to the extent Grantor may do so, in accordance with applicable state, federal or local laws and regulations, in the ordinary course of its timber planting, growing, management and harvesting business, Grantor shall not use, or permit any tenant, occupant, or any other party or entity to use, the Property, or any part thereof, for the purpose of generating, treating, producing, storing, handling, transferring, processing, transporting, disposing, or otherwise releasing "hazardous substances," as hereinafter defined, either on, in, from, or about the Property which:

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(i) creates or causes a contamination either on the Property or elsewhere which is required by any governmental authority to be removed, remediated, or otherwise cleaned-up under any applicable "Environmental Law," as defined below,

(ii) creates any form of liability, civil or criminal, direct or indirect, due to such contamination, or

(iii) is in contravention of any Environmental Law.

(b) The terms "Environmental Law" and "Environmental Laws" as used in this Deed of Trust include any and all current and future federal, state, and local environmental laws, statutes, rules, regulations, and ordinances relative to hazardous substances, as the same shall be amended and modified from time to time, including but not limited to "common law," the Comprehensive Environmental Response, Compensation and Liability Act, (CERCLA) as amended from time to time, the Resource Conservation and Recovery Act, (RCRA) as amended from time to time, and the Toxic Substances Control Act, (TSCA) as amended from time to time.

(c) The term "hazardous substances" as used in this Deed of Trust includes any and all "hazardous substances" as defined in CERCLA, any and all "hazardous wastes" as defined in RCRA, any and all "toxic substances" as defined in TSCA, petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls ("PCB's"), radon gas, urea formaldehyde form insulation ("UFFI"), and any and all other hazardous substances, hazardous wastes, pollutants, and contaminants regulated or controlled by any of the Environmental Laws.

(d) Grantor shall, promptly after learning thereof, in the event of any material discharge, spill, injection, escape, emission, disposal, leak, or other release of hazardous substances on, in, under, onto, or from the Property, which is not authorized by a currently valid permit or other approval issued by the appropriate governmental agencies:

(i) Promptly notify Beneficiary and if required by applicable laws or regulations, the Environmental Protection Agency National Response Center and the appropriate State Department of Environmental Resources,

(ii) take all steps necessary to promptly clean up such discharge, spill, injection, escape, emission, disposal, leak, or another release in accordance with the provisions of all applicable Environmental Laws, and

(iii) if legally required, receive certification from the appropriate State Department of Environmental Resources or Federal Environmental Protection Agency that the Property, and any other property affected, has been cleaned up to the satisfaction of those agencies.

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(e) Grantor shall and does hereby grant Beneficiary and Beneficiary's agents, employees, contractors and designees an irrevocable license (coupled with an interest) to enter the Property, until such time as the Obligations are fully paid, upon at least 10 days prior written notice to Grantor, from time to time to:

(i) evaluate and monitor the Property for compliance with all Environmental Laws and the terms of this Deed of Trust.

(ii) to evaluate the presence of hazardous substances, and

(iii) to perform appropriate tests and test borings, including taking soil and ground water samples.

(f) That Grantor shall provide Beneficiary with all notices and other communications received from federal, state, and local agencies and departments which enforce and administer the Environmental Laws relating to violations thereof on the Property. From time to time Grantor shall provide Beneficiary, upon request, any and all information requested by Beneficiary concerning the use of the Property and Grantor's compliance with the Environmental Laws and the terms of this Deed of Trust, including but not limited to, all licenses, permits, and certificates, and the books and records pertaining to the Property.

(g) Grantor shall require that all tenants, subtenants, undersubtenants, and other occupants of the Property to use and occupy the Property in strict compliance with the Environmental Laws and the terms of this Deed of Trust.

(h) Grantor shall and does hereby release, indemnify, agree to pay on behalf of and defend and hold harmless Beneficiary, its officers, directors, agents, employees, successors, and assigns of, from, and against any impositions imposed by any governmental authority for any lien or so-called "super priority lien" upon the Property, as well as all losses, claims, costs, liabilities, penalties, punitive damages, causes of action, actions, demands, damages, fines (civil or criminal), penalties, expenses, clean-up costs, attorneys' fees, and court costs (all of which are hereinafter referred to as "Environmental Damages"), regardless of when such Environmental Damages occurred, caused in whole or in part by any past, present, or future owner, occupier, tenant, subtenant, undersubtenant, licensee, guest, or any other person or entity, unless and to the extent such Environmental Damages arise as a result of the negligence or willful misconduct of Beneficiary, its employees, agents, contractors, or subcontractors, which may be incurred, suffered, or sustained by Beneficiary, its officers, directors, successors, or assigns, at any time, and from time to time, hereunder whether before, during, or after enforcement of its rights and remedies hereunder after the occurrence of an Event of Default and after payment of all sums secured hereby, by reason of or arising from, in whole or in part:

(i) the presence or alleged presence of asbestos, asbestos-containing materials, PCB's, radon gas, or UFFI on the Property;

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(ii) any violation or alleged violation of any Environmental Law; and

(iii) any release or contamination caused by any hazardous substance on, in, under, onto, from, or about the Property; or

(iv) any liability for personal injury, property damage, or damage to the environment due to (i), (ii), or (iii) above (all of the foregoing are hereinafter referred to collectively as the "Receivable Claims").

Provided, always, that Grantor's liability under this subsection (h) shall be limited to that derived from event(s) occurring prior to or during Grantor's ownership of the Property or portion thereof on which the event(s) occurred giving rise to the liability covered by the foregoing indemnity. In the event the liability arises from a continuing event that occurred both during or prior to Grantor's ownership, but also after Grantor's ownership, Grantor's liability under the indemnity set forth above shall remain, but shall be reduced to the extent that the liability occurs after Grantor's ownership.

(i) The terms of paragraph 1.6 (h) shall survive the payment in full of all sums secured hereby and the termination and satisfaction of record of this Deed of Trust and/or a deed in lieu of foreclosure.

(j) Grantor agrees that in the event Beneficiary shall pay any Receivable Claims, all such sums shall be added to the amount secured hereby, shall be deemed to be obligatorily advanced under the terms of the Financing Documents, as defined in the Note Purchase Agreement, shall be secured hereby, and shall be payable on demand by Grantor. The terms of this paragraph shall survive the payment in full of all other sums secured hereby and the termination and satisfaction of record of this Deed of Trust and/or a deed in lieu of foreclosure.

(k) Grantor warrants and represents to Beneficiary that Grantor has investigated the prior ownership and use of the Property, in a manner consistent with good commercial practice, to determine that the Property is free of hazardous substances, except as otherwise disclosed to Beneficiary in writing. Grantor, in performing its investigation, has considered, among other factors:

(i) the relationship of the purchase price to the value of the Property if uncontaminated when acquired,

(ii) commonly known or ascertainable information about the Property, and

(iii) the obviousness of the presence, or likely presence, of contamination.

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(l) Grantor warrants and represents to Beneficiary, except to the extent disclosed to Beneficiary in writing, that to the best of the Grantor's knowledge:

(i) none of the Property owned and/or occupied by Grantor has ever been used to treat, store, produce, handle, transfer, process, transport, dispose or otherwise release hazardous substances and/or any other substances regulated or controlled by the Environmental Laws or which would result in any liability therefor;

(ii) there is no pollution or danger of pollution resulting from a condition which exists on the Property which requires any corrective action under the Environmental Laws or which would result in any liability therefor;

- (iii) no notification has been filed with regard to a release of hazardous substances on, into, onto, or from the Property under the Environmental Laws;
- (iv) neither Grantor nor any prior owner or occupier of the Property has received a summons, citation, Notice of Violation, Administrative Order, directive, letter, or other communication, written or oral, from any governmental or quasi-governmental authority concerning any violation or alleged violation of any Environmental Laws with respect to the Property;
- (v) there are no underground storage tanks, visible asbestos, asbestos-containing materials, PCB's, or UFFI located on, in, under, or about the Property;
- (vi) there have been no releases at, upon, under, or within, and no past or ongoing migration from neighboring lands to, the Property of any hazardous substances;
- (vii) there is no radon gas infiltrating any buildings on the Property in excess of current state and federal guidelines; and
- (viii) all warranties and representations given by Grantor in this Deed of Trust are true, complete, and correct as of the date hereof.

(m) Grantor agrees that any materials or other items found in, on, under, or around the Property which were placed on the Property before or during Grantor's ownership, of which Grantor is aware, and which qualify as hazardous substances, or any otherwise deemed unacceptable by the Beneficiary, in its sole discretion, shall be immediately removed from the Property, at Grantor's sole cost and expense, in compliance with all applicable Environmental Law; provided, however, that Grantor need not remove any substances pursuant to this subsection (m) that Grantor requires in the ordinary course of its timber planting, growing, management, and harvesting business and if such usage is in compliance with applicable state, federal, or local laws and regulations.

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(n) Beneficiary shall be under no obligation or duty to inspect for or discover any hazardous substances on the Property.

(o) Grantor shall, in addition to those notifications required elsewhere in this Deed of Trust, notify Beneficiary of:

(i) the presence in any material amount known to Grantor of any visible asbestos or asbestos-containing materials, PCB's (except as shown on the Environmental Certificate), radon gas beyond acceptable limits, or urea formaldehyde foam insulation at, in, on, under, onto, or from the Property, and

(ii) the receipt by Grantor of any written notice or other written communication from any governmental entity or authority or from any tenant or other occupant or from any other person or source with respect to any alleged or actual release, contamination or other event involving a hazardous substance on, in, under, onto, or from the Property, and

(iii) shall promptly send Beneficiary copies of all results of tests conducted by or on behalf of Grantor of any underground storage tanks on the Property.

1.7 **Waste or Deterioration.** Grantor shall not commit, permit, or suffer any waste or deterioration of the Property. Grantor shall give Beneficiary no less than 20 days prior notice before commencing any construction, alteration, or improvement on the Property, excepting that any such activity, such as road construction, normal to the cutting and removal of timber from the Property shall not require such prior notice.

1.8 **Liens.** Except to the extent, if any, permitted by the Note Purchase Agreement, Grantor shall not create or suffer or permit to be created any mortgage, deed of trust, lien, security interest, charge, or encumbrance upon the Property or any part thereof, prior to, on a parity with, or subordinate to, the lien of this Deed of Trust.

1.9 **Impositions.**

(a) Grantor shall pay or cause to be paid, when due and before any fine, penalty, interest, or cost attaches thereto, all taxes, assessments, utility charges, and all other governmental or nongovernmental charges or levies now or hereafter assessed or levied against any part of the Property (including, without limitation, levies or charges resulting from covenants, conditions and restrictions affecting the Property) or upon the lien or estate of the Beneficiary therein (collectively, the "Impositions"); provided, however, that if by law any such imposition may be paid in installments, whether or not interest shall accrue on the unpaid balance thereof, the Grantor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same become due, before any fine, penalty, or cost attaches thereto. Grantor shall also pay when due all claims for labor, materials, or supplies that, if unpaid, might become a lien on the Property or any portion thereof. Notwithstanding the terms of this Section 1.9(a) to the contrary Grantor shall have the right to

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contest any such amounts and defer the payment thereof as and to the extent provided in the Note Purchase Agreement.

(b) Should an Event of Default occur and be continuing Beneficiary, at its option, may engage Tigor Tax Service (or other realty tax payment monitoring service Beneficiary shall select) to monitor, for the balance of the term of the Notes, the payments made by Grantor on the real estate taxes due on the Property. Grantor shall reimburse Beneficiary on demand, the charges for such service. If not so paid, such charges shall be deemed an advancement by the Beneficiary as provided for in section 1.9(d) and shall bear interest accordingly.

(c) Grantor may, at its expense and after prior notice to Beneficiary, contest by appropriate legal, administrative, or other proceedings conducted in good faith and with due diligence, the amount, validity, or application, in whole or in part, of any Imposition or lien therefor or any claim of any laborer, materialmen, supplier or vendor or lien therefor, and may withhold payment of the same pending completion of such proceedings if permitted by law, provided that: (i) such proceedings shall suspend collection from the Property; (ii) neither the Property nor any part thereof nor interest therein will be sold, forfeited, or lost if Grantor pays the amount or satisfies the condition being contested, and Grantor would have the opportunity to do so in the event of Grantor's failure to prevail in the contest; (iii) Beneficiary shall, by virtue of such permitted contest, not be exposed to any risk of any criminal liability or any civil liability for which Grantor has not furnished additional security as provided in clause (iv) following; and (iv) Grantor shall have furnished to Beneficiary additional security in respect of the claim being contested or the loss or damage which may result from Grantor's failure to prevail in such contest in such form and amount as may be reasonably requested by Beneficiary.

(d) Upon Grantor's failure to comply with the covenants and agreements contained in this Deed of Trust, including without limitation payment of taxes, charges, assessments, insurance premiums, maintenance and repair of the Property and costs incurred for the protection of the Property and Beneficiary's priority, Beneficiary, without prejudice to any rights given herein and after ten (10) days' notice to Grantor, may make advances to perform or cure same in behalf of Grantor; and Grantor hereby agrees to repay all sums so advanced, on written demand, with interest from the date advanced at the Default Rate, as defined in the Note Purchase Agreement. All sums so advanced, with interest as aforesaid, until paid by Grantor, shall be immediately due and payable and be added to and become a part of any indebtedness or obligation secured hereby in such manner or order as Beneficiary may desire or determine, having the benefit of the lien hereby created as a part thereof and of its priority; but no such advances shall be deemed to relieve Grantor from any default hereunder or impair any right or remedy consequent thereto. The exercise of the rights to make advances granted in this paragraph shall be optional with Beneficiary and not obligatory; and Beneficiary shall not, in any case, be liable to Grantor for failure to exercise any such right.

**1.10 Partnership Status, Continuous Operations, etc.** Grantor covenants that:

(a) It is a validly existing limited partnership under the laws of the State of Delaware, duly qualified to do business in the State of Washington and any other place where such qualification is necessary.

(b) It has the necessary power and authority to enter into the Note Purchase Agreement.

(c) The making and performance by Grantor of this Deed of Trust, the Financing Documents, and all other Obligations have been duly authorized by partnership action and will not violate any provision of law or of its partnership agreement, result in the breach of or constitute a default under any indenture or other agreement or instrument to which Grantor is a party or by which Grantor or the Property may be bound or affected.

**1.11 Limitations of Use.** Grantor 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 Property, or any part thereof, without the prior written consent of Beneficiary, other than granting road easements incident to normal forest management and logging operations. Provided, that the preceding sentence to the contrary notwithstanding, Grantor may, without violating the terms of this Deed of Trust accomplish any or all of the actions proscribed by the preceding sentence if the taking of such action or actions (whether taken at one or more than one time) does not have the result of eliminating the Grantor's ability, based on the reasonable projections using the market conditions then prevailing, to fully service the debt secured hereby, according to its terms, from the harvesting of timber from the Property.

**1.12 Local Improvement District.** Grantor will not, without the prior written consent of Beneficiary, create or initiate, vote for, or in any other manner foster, join in or consent to the creation of, or the inclusion of the Property or any part thereof within the boundaries of any irrigation, levee, drainage or other improvement district (except school or road), under which any such district has or will have the power to issue bonds or other evidence of indebtedness and/or the power to make assessments against the Property or any part thereof.

**1.13 Insurance.**

No casualty insurance coverage on the Property or any part thereof shall be required to be provided by Grantor.

**1.14 Mineral Extraction.**

That neither Grantor nor any successor in interest to Grantor in the Property shall drill or extract or enter into any lease for the drilling or extraction of oil, gas, or other hydrocarbon substances on the Property without the prior written consent of Beneficiary. Drilling for

extraction of other minerals of any kind or character from the Property or from any part thereof will not require such prior written or other consent from the Beneficiary; provided, however, that this Section 1.14 shall not prohibit the exercise of rights, existing as of the date hereof and disclosed on the title reports provided to Beneficiary, of parties other than Grantor, to develop, bore, or mine for any water, gas, oil, or mineral on or under the surface of the Property; and provided further, that in the exercise of any rights permitted to it hereunder with or without Beneficiary's prior written consent, Grantor, or its contractors and assigns, shall use all commercially reasonable efforts to preserve or realize the value of any timber that shall be impacted by such activities.

**ARTICLE 2  
Condemnation**

**2.1 Condemnation.**

(a) Should the Property or any part thereof or interest therein be taken or damaged by reason of any public improvement, eminent domain, or condemnation proceeding, or in any other manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such a proceeding, Grantor shall give immediate written notice thereof to Beneficiary, except if the reasonably projected value of the interest involved in the Condemnation shall not exceed \$25,000.

(b) Beneficiary shall be entitled to 100% of all compensation, awards and other payments that exceed \$25,000 in the aggregate for a single condemnation proceeding ("Condemnation Proceeds") or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute any Condemnation proceeding in its own or Grantor's name and make any compromise or settlement in connection with such Condemnation; provided that the aforesaid right to prosecute in the Grantor's name and to enter into any compromise or settlement in connection therewith shall be available to Beneficiary only during such time as the Grantor is in default under this Deed of Trust.

(c) Beneficiary shall apply the condemnation proceeds to the reduction of the Obligations in such order as Beneficiary may determine.

### ARTICLE 3 Assignments of Rents, Issues and Profits

3.1 Grantor hereby assigns and transfers to Beneficiary the rents, revenues, issues, profits, income, and benefits derived from the Property (collectively, the "Rents"), and hereby gives to and confers upon Beneficiary the right, power, and authority to collect the same. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, with power of substitution, at the option of Beneficiary at any time and from time to time following the occurrence and during the continuance of an Event of Default, to demand, receive and enforce payment of, to give receipts, releases and satisfactions for, and, in the name of Grantor or otherwise, to sue for the Rents and apply the same to the Obligations; provided, however, that

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Grantor shall have the right to collect the Rents except during the occurrence and continuance of an Event of Default and after receipt of notice from Beneficiary to cease such collection. The foregoing is intended to constitute an absolute assignment by Grantor for the benefit of Beneficiary, subject only to the terms of this Deed of Trust.

### ARTICLE 4 Security Agreement

4.1 **Security Agreement.** To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in all personal property included in the Trust Estate, and the products and proceeds thereof, whether now existing or hereafter acquired, including but not limited to any and all timber that is severed from the Property covered by this Deed of Trust; provided, that unless an Event of Default shall have occurred and be continuing any lien in favor of Beneficiary on severed timber shall automatically expire at such time as the timber in question is removed from the Property or, should the timber in question have been removed from the Property during the continuance of an Event of Default and such Event of Default is later cured, any lien in favor of Beneficiary on such removed timber shall automatically expire at the time of such cure. This Trust Deed shall constitute a security agreement under Article 9 of the Uniform Commercial Code of the State of Washington. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust.

4.2 **Fixtures.** It is understood and agreed that, in order to protect Beneficiary from the effect of RCW 62A.9-313, as amended from time-to-time, in the event that (i) Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part thereof, and (ii) such goods will be subject to a purchase money security interest held by a seller or any other party:

(A) Grantor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Beneficiary, and all requests for such written approval shall be in writing and contain the following information:

- (1) a description of the fixtures to be replaced, added to, installed or substituted,
- (2) the address at which the fixtures will be replaced, added to, installed or substituted and
- (3) the name and address of the proposed holder and proposed amount of the security interest,

and any failure of Grantor to obtain such approval shall be a material breach of Grantor's covenant under this Deed of Trust, and shall, at the option of Beneficiary, entitle Beneficiary to all rights and remedies provided for herein upon default provided, that Beneficiary shall be

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deemed to have approved such agreement if it fails to object to such agreement within thirty (30) days of its actual receipt of Grantor's written request for such approval. No consent by Beneficiary pursuant to this subsection shall be deemed to constitute an agreement to subordinate the right of Beneficiary in fixtures or other property covered by this Deed of Trust.

(B) If at any time Grantor fails to make any payment on an obligation secured by a purchase money security interest in any fixtures, Beneficiary, at its option, may at any time pay the amount secured by such security interest and the amount so paid shall be (1) secured by this Deed of Trust and shall be a lien on the Property having the same priorities as the liens and security interests created by this Deed of Trust, and (2) payable on demand with interest at the rate specified in the Note from the time of such payment. If Grantor shall fail to make such payment to Beneficiary within ten (10) days after demand, the entire principal sum secured hereby with all unpaid interest accrued thereon shall, at the option of Beneficiary, become due and payable immediately.

(C) Beneficiary shall have the right to acquire by assignment from the holder of such security interest any and all contract rights, accounts receivable, negotiable or nonnegotiable instruments, or other evidence of Grantor's indebtedness for such Personal Property or fixtures, and, upon



acquiring such interest by assignment, shall have the right to enforce the security interest as assignee thereof, in accordance with the terms and provisions of the Washington Uniform Commercial Code then in effect, and in accordance with any other provisions of law.

(D) Whether or not Beneficiary has paid the indebtedness secured by or taken an assignment of such security interest, Grantor covenants to pay all sums and perform all obligations secured thereby, and if Grantor at any time shall be in default for a period of ten (10) days or after the expiration of all applicable cure periods, whichever is longer, under such security agreement, it shall be a material breach of Grantor's covenants under this Deed of Trust, and Beneficiary may, at its option, declare the principal sum secured hereby immediately due and payable, time being of the essence.

4.3 **Fixture Filing.** To the extent that any of the Property constitutes a fixture, this Deed of Trust shall serve as a fixture filing pursuant to the Washington Uniform Commercial Code.

## ARTICLE 5 Events of Default; Remedies

5.1 **Events of Default.** Each "Event of Default" under the Note Purchase Agreement shall constitute an "Event of Default" under this Deed of Trust.

5.2 **Remedies in Case of Default.** If an Event of Default shall occur, Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other remedies which may be available by law, in equity, or otherwise:

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(a) Acceleration.

(i) Automatic. Upon the occurrence of an Event of Default specified in subsections 6.1(h) or (i) of the Note Purchase Agreement, the principal of and the interest of the 1992 Note and the 2001 Notes at the time outstanding, and all other amounts owed to Beneficiary under this Deed of Trust, the 2001 Deed of Trust, the Note Purchase Agreement or any of the other Financing Documents, as defined in the Note Purchase Agreement, shall thereupon immediately become due and payable without presentment, demand, protest, or other notice of any kind, all of which are expressly waived, anything in this Deed of Trust, the Note Purchase Agreement or any of the Financing Documents, as defined in the Note Purchase Agreement, to the contrary notwithstanding.

(ii) Optional. If any other Event of Default shall have occurred and be continuing, in every such event, Beneficiary may, at its option, declare the principal of and interest on the 1992 Note and the 2001 Notes at this time outstanding, and all other amounts owed to Beneficiary under this Deed of Trust, the 2001 Deed of Trust, the Note Purchase Agreement or any of the Financing Documents, as defined in the Note Purchase Agreement, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Deed of Trust, the Note Purchase Agreement or the Financing Documents, as defined in the Note Purchase Agreement, to the contrary notwithstanding.

(b) Remedies Under Note Purchase Agreement. Beneficiary may elect to exercise one or more of the remedies which are set forth in Section 6.3 and 6.4 of the Note Purchase Agreement.

(c) Receiver. Beneficiary may have a receiver appointed for all or any part of the Property. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Property exceeds the amount of the indebtedness secured by this Deed of Trust. Grantor consents to the appointment of a receiver at Beneficiary's option and waives any and all defenses thereto.

(d) Possession. Beneficiary may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Property and use, operate, manage and control it as the Beneficiary shall deem appropriate in its sole discretion. Upon request after an Event of Default, Grantor shall peacefully relinquish possession and control of Property to Beneficiary or any receiver appointed under this Deed of Trust.

(e) Rents and Profits. Beneficiary may revoke Grantor's right to collect the Rents and any profits from the harvest and sale of timber, in a commercially reasonable manner and in accordance with best management practices, and may either itself or through a receiver, collect the same. Beneficiary may harvest and sell timber from the Property and collect any profits or rents therefrom. Beneficiary shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this subsection (d). If

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Rents are collected by Beneficiary under this subsection (d), Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact, with power of substitution, to endorse instruments received in payment thereof in the name of Grantor and to negotiate such instruments and collect the proceeds thereof. After payment of all obligations, any remaining amounts shall be paid to Grantor and this power shall terminate.

(f) Power of Sale. Beneficiary may direct the Trustee, and the Trustee shall be empowered, to exercise the power of sale granted herein in the manner provided by Washington law.

(g) Foreclosure. Beneficiary may judicially foreclose this Deed of Trust and obtain a judgment foreclosing Grantor's interest in all or any part of the Property and giving Beneficiary the right to collect any deficiency remaining due after disposition of the Property.

(h) Fixtures and Personal Property. With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Washington Uniform Commercial Code. To the extent any notice is required under applicable law and is not waived by Grantor, Grantor agrees that as it relates to this paragraph only if such notice is marked, postage prepaid, to the Grantor at the above address at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(i) Abandon Security. Beneficiary may abandon any security afforded by this Deed of Trust or any other collateral by notifying Grantor of Beneficiary's election to do so.

5.3 **Sale.** In any sale pursuant to any judgment, the Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect, without regard to the right of Grantor, any person claiming under Grantor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Property or the part thereof so sold free and clear of the estate of Grantor (other than statutory redemption rights, if any), the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, may purchase at any such sale.

5.4 **Cumulative Remedies – No Duty to Marshall Assets.** All remedies under this Deed of Trust are cumulative and not exclusive. Any election to pursue one remedy shall not preclude any other remedy. No delay or omission in exercising any right or remedy, or any agreement to an extension of time, shall impair that or any other right or remedy or constitute a waiver of any default. No release of any part of the Property or any person liable hereunder shall impair any other right or remedy or constitute a waiver of any default.

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5.5 **Receiver or Beneficiary-in-Possession.** Upon taking possession of all or any part of the Property, Beneficiary or a receiver may:

(a) Management. Use, operate, manage, control, and conduct business with the Property and make expenditures for such purposes and for maintenance and improvements as are reasonably necessary.

(b) Rents and Revenues. Collect all rents, revenues, income, issues, and profits from the Property, and may harvest and sell timber therefrom in a commercially reasonable manner and in accordance with best management practices, and apply such sums to the reasonable expenses of use, operation, management, maintenance, and improvements.

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

(d) Additional Indebtedness. If the revenues produced by the Property are insufficient to pay expenses, Beneficiary or the receiver may borrow or advance such sums upon such terms as it deems reasonably necessary for the purposes stated in this section. All advances shall bear interest, unless otherwise provided, at the Default Rate, as defined in the Note Purchase Agreement, and repayment of such sums shall be secured by this Deed of Trust.

5.6 **Application of Proceeds.** All proceeds realized from the exercise of the rights and remedies under this Article V shall be applied as follows:

(a) Costs and Expenses. To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Property, the costs and expenses of any receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 6.8 below.

(b) Indebtedness. To pay all the Obligations, in such order as Beneficiary shall deem appropriate in its sole discretion.

(c) Surplus. The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court.

5.7 **Deficiency.** No sale or other disposition of all or any part of the Property pursuant to this Article V shall be deemed to relieve Grantor of any of the Obligations, except to the extent the proceeds thereof are applied to the payment of such Obligations. If the proceeds of sale, collection or other realization of or upon the Property are insufficient to cover the costs and expenses of such realization and the payment in full of the obligations, Grantor shall remain liable for any deficiency.

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5.8 **Waiver of Stay, Extension, Moratorium and Valuation Laws.** To the fullest extent permitted by law, Grantor hereby waives the benefit of any existing or future stay, extension or moratorium law which may affect observance or performance of the provisions of this Deed of Trust and any existing or future law providing for the valuation or appraisal of the Property prior to any sale.

## ARTICLE 6 Appointment, Rights and Obligations of Beneficiary as Agent

6.1 **Appointment.** The Holders, as defined in the Note Purchase Agreement, by their acceptance of the benefits of this Deed of Trust, hereby irrevocably designate Beneficiary as agent to act as specified herein. Each Holder hereby irrevocably authorizes, and each subsequent holder of any of the Notes by the acceptance of such Note shall be deemed irrevocably to authorize Beneficiary to take such action on its behalf under the provisions of this Deed of Trust and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of Beneficiary by the terms hereof and such other powers as are reasonably incidental thereto. Beneficiary may perform any of its duties hereunder by or through its agents or employees.

6.2 **Nature of Duties.** Beneficiary shall have no duties or responsibilities except those expressly set forth herein. Neither Beneficiary nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted by it as agent hereunder or in connection herewith unless caused by its or their gross negligence or willful misconduct. The duties of the Beneficiary shall be mechanical and administrative in nature; Beneficiary shall not have by reason of this Deed of Trust a fiduciary relationship in respect of any Holder, and nothing in this Deed of Trust, expressed or implied, is intended to or shall be construed as to impose upon Beneficiary any obligations in respect of this Deed of Trust except as expressly set forth herein.

6.3 **Lack of Reliance.** Independently and without reliance upon the Beneficiary, each Holder, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Grantor in connection with the indebtedness evidenced by the Notes and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of Grantor, and Beneficiary shall have no duty or responsibility, either initially or on a continuing basis, to provide any Holder with any credit or other information with respect thereto,

whether coming into its possession before the purchase of any Notes, or at any time or times thereafter. Beneficiary shall not be responsible to any Holder for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Deed of Trust or the financial condition of the Grantor or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Deed of Trust, or the financial condition of the Grantor or the existence or possible existence of any Event of Default.

6.4 **Certain Rights of Beneficiary.** For purposes of this Deed of Trust, the Holders holding at least 66.67% of the aggregate principal amount of the Notes at any one time outstanding shall be referred to collectively as the "Required Holders." If Beneficiary shall request instructions from the Required Holders with respect to any act or action (including failure to act) in connection with this Deed of Trust, the Note Purchase Agreement or any other Financing Documents, Beneficiary shall be entitled to refrain from such act or taking such action unless and until it shall have received instructions from the Required Holders, and to the extent requested, appropriate indemnification in respect of actions to be taken; and Beneficiary shall not incur liability to any Person (as defined in the Note Purchase Agreement) by reason of so refraining. Without limiting the foregoing, no Holder shall have any right of action whatsoever against the Beneficiary as a result of Beneficiary acting or refraining from acting hereunder in accordance with the instructions of the Required Holders.

6.5 **Reliance.** Beneficiary shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper Person or entity on behalf of any Holders, and, with respect to all legal matters pertaining to this Deed of Trust and its duties hereunder, upon advice of counsel selected by it. Grantor shall be entitled to rely, and shall be fully protected in relying, on the fact that Beneficiary is acting as agent on behalf of the Holders and has received any consent or direction required from the Holders until such time as Grantor shall have received a written notice from Beneficiary stating the Beneficiary is no longer acting in its capacity as agent for the Holders.

## ARTICLE 7 General Provisions

7.1 **Time is of the Essence.** Time is of the essence with respect to all covenants and obligations of Grantor under this Deed of Trust.

7.2 **Reasonability and Materiality.** Whenever this Deed of Trust shall require or permit Grantor or Beneficiary to exercise judgment or discretion or otherwise make any subjective determination, including the giving of consent or approvals hereunder, both Grantor and Beneficiary shall do so reasonably and in good faith. All provisions requiring Grantor to pay costs, expenses or fees shall be construed as requiring the payment of only such costs, expenses and fees as shall be reasonable. Grantor's representations, warranties and covenants in this Deed of Trust shall be deemed to include and shall be subject to a materiality standard, in that an immaterial inaccuracy, breach or default may not be used by Beneficiary as a basis to declare the existence of an Event of Default, accelerate the indebtedness secured hereby and/or otherwise exercise remedies available to Beneficiary in the event of a default hereunder. "Material" items shall include, but shall not be limited to, a default in monetary payment, not properly maintaining the Property, violating the prohibition against placing additional liens on the Property (or any part thereof), a default in the environmentally related provisions of the Note Purchase Agreement, or material misrepresentation of fact.

7.3 **Notices.**

7.3.1 **Method; Address.** All notices and communications required or permitted to be given under this Agreement shall be in writing and shall either be mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or delivered in person to the intended addressee, or sent by telecopier, prepaid telegram or telex, or sent by reliable express mail (such as Federal Express or U.S. Express Mail), and shall be addressed,

(a) if to Beneficiary, at the address shown in Annex I to this Deed of Trust, marked for attention as there indicated, or at such other address as Beneficiary shall have furnished to Grantor in writing, or

(b) if to Grantor, at the following address:

Pope Resources  
19245 Tenth Avenue Northeast  
Poulsbo, WA 98370  
Attention: Mr. Thomas M. Ringo

With copies to:

Mr. Greg Adams  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688

or at such other address as Borrower shall have furnished in writing to the Administrative Agent.

7.3.2 **When Given.** Any notice so mailed shall be deemed to be given and become effective three (3) days after deposit in the U.S. Mail. Any notice given in any other manner shall be deemed to be given and become effective only if and when actually received (or rejected) by the addressee.

7.4 **Deed of Trust Binding on Successors and Assigns.** This Deed of Trust shall be binding upon and inure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

7.5 **Usury Laws.** Notwithstanding any provision herein or in the Notes, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Washington.

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7.6 **Administrative Fees of Beneficiary.** Grantor promises to pay and reimburse Beneficiary for administrative fees, costs, and expenses, including attorneys' fees, incurred in reviewing and processing post-closing requests of Grantor. With respect to requests which involve purely administrative functions and which do not affect any obligations under any of the Financing Documents, as defined in the Note Purchase Agreement, and/or any other instrument, agreement or undertaking now existing or hereafter executed by Grantor relative to the loans evidenced by the Notes or the Property, such fees, costs, and expenses shall be limited to Beneficiary's normal and customary fees, costs, and expenses; all other requests shall not be limited.

7.7 **Reconveyance by Trustee.** At any time upon the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Deed of Trust, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Property. Beneficiary shall have no obligation to reconvey the Property or any portion thereof or request a reconveyance thereof unless and until all outstanding obligations under the Obligations, including, without limitation the 1992 Note and the 2001 Notes have been fully paid and satisfied. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

7.8 **Substitute Trustee.** In the event of dissolution or resignation of the Trustee, or for any other reason, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

7.9 **No Partnership or Joint Venture.** Grantor acknowledges and agrees that in no event shall Beneficiary be deemed to be a partner or joint venturer with Grantor. Without limitation of the foregoing, Beneficiary shall not be deemed to be such a partner or joint venturer on account of its becoming a mortgagee in possession or exercising any rights pursuant to this Deed of Trust or pursuant to any other instrument or document securing any portion of the indebtedness secured hereby or on account of receiving any release fee for partial releases of this Deed of Trust, or otherwise.

7.10 **No Personal Liability of General Partners.** In any action brought to enforce the obligation of the maker of the Notes secured hereby to pay the indebtedness evidenced by such Notes or to enforce the obligation of Grantor to pay any indebtedness or obligation created or arising under this Deed of Trust, any judgment or decree shall be enforceable against the General Partners of Grantor only to the extent of their interests in the Property, and any such judgment or decree shall not be subject to execution on, nor be a lien on, assets of such General Partners of Grantor other than their interests in the Property. The foregoing shall in no way otherwise affect the personal liability of Grantor.

7.11 **Successors in Interest.** This Trust Deed applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, executors, administrators, successors, and assigns. The term "Beneficiary" shall mean the holder and owner, including

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pledgees, of the Notes, whether or not named as Beneficiary herein and any owner or holder of the beneficiary interest under this Trust Deed.

7.12 **Right to Release.** Without affecting the liability of any other person for the payment of any indebtedness herein mentioned (including Grantor should it convey the Property) and without affecting the lien or priority hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the Property, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or hereafter, and sell same or otherwise realize thereon either before, concurrently with, or after sale hereunder.

7.13 **Marshalling of Assets.** To the extent allowed by applicable law, Grantor on its own behalf and on behalf of its successors and assigns hereby expressly waives all rights to require a marshalling of assets by the Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to the sale of any portion of the Property which might have been retained by Grantor before foreclosing upon and selling any other portion as may be conveyed by Grantor subject to this Deed of Trust.

7.14 **Expenses and Attorney Fees.** If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit or proceeding in connection with any of the Obligations or the Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings or in connection with any state or federal tax lien), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs and expenses incurred by Beneficiary and/or its attorney in connection with the above mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports and the cost of surveyors' reports. Such amounts shall be secured by this Deed of Trust and shall bear interest at the Default Rate, as defined in the Note Purchase Agreement, from the date Beneficiary's written demand for reimbursement to Grantor therefor is forwarded to Grantor; and all such sums and the interest thereon shall be immediately due and payable and be added to and become a part of the Obligations secured hereby in such manner or order as Beneficiary may desire or determine and be secured hereby, having the benefit of the lien hereby created and of its priority.

7.15 **Applicable Law.** The laws of the State of Washington shall govern the validity, interpretation, performance, and enforcement of this Deed of Trust.

7.16 **Captions.** The captions to the sections and paragraphs of this Deed of Trust are included only for the convenience of the parties and shall not have the effect of defining,

diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Deed of Trust.

7.17 **“Person” Defined.** As used in this Deed of Trust, the word “person” shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

7.18 **Severability.** If any provision of this Deed of Trust shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed of Trust, and such other provisions shall be construed as if the invalid, illegal, or unenforceable provision had never been contained herein.

7.19 **Commercial Trust Deed.** Grantor warrants that the loan secured hereby is for commercial purposes and is not now, nor will it be, for residential, household, personal, agricultural, or consumer purposes.

7.20 **Regulation G.** No part of the proceeds from the loan secured by this Deed of Trust will be used for the purpose (whether immediate, incidental, or ultimate) of “purchasing” or “carrying” any “margin security” as such terms are defined in Regulation G (12 CFR Part 207) of the Board of Governors of the Federal Reserve Systems, or for the purpose of reducing or retiring any indebtedness which was originally incurred for any such purpose.

7.21 **Conflicts.** Any conflict between the terms and provisions of this Deed of Trust and the Note Purchase Agreement shall be governed and controlled by the Note Purchase Agreement.

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7.22 **Statutory Notice.**

GRANTOR ACKNOWLEDGES THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Executed as of the date first above written.

|                                                                                 |                                                                                                                      |
|---------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| GRANTOR:                                                                        | BENEFICIARY:                                                                                                         |
| POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, a Delaware limited partnership, | JOHN HANCOCK LIFE INSURANCE COMPANY, a corporation incorporated under the laws of the Commonwealth of Massachusetts, |
| Pope MPG, Inc., a Delaware corporation, its managing general partner,           |                                                                                                                      |
| By: <u>/s/ Thomas M. Ringo</u>                                                  | By: <u>/s/ Charles W. Hill</u>                                                                                       |
| Its: <u>Vice President and CFO</u>                                              | Its: <u>Director</u>                                                                                                 |
| Date: <u>March 29, 2001</u>                                                     | Date: <u>March 29, 2001</u>                                                                                          |

STATE OF WASHINGTON )  
 ) ss.  
County of King )

On this 28th day of March, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas M. Ringo, to me known to be the Vice President and CFO, of Pope MGP, Inc., the corporation that executed the foregoing instrument as managing general partner of Pope Resources, A Delaware Limited Partnership and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Terri Ray  
Notary Public in and far the State of Washington  
residing at Seattle  
My Commission expires: 10/29/01  
Terri Ray

State of California

County of Sacramento

On March 28, 2001, before me, Sharon a. Sturm (notary name), Notary Public, personally appeared Charles W. Hill (signer), personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which person(s) acted, executed the instrument.

WITNESS my hand and official seal

/s/ Sharon A. Sturm

\_\_\_\_\_, Notary Public

My Commission Expires

Nov. 28, 2004

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ANNEX I.

SCHEDULE OF INFORMATION FOR NOTICES

JOHN HANCOCK LIFE INSURANCE COMPANY

John Hancock Life Insurance Company  
John Hancock Place  
200 Clarendon Street  
P.O. Box 111  
Boston, MA 02117  
Attention: Bond and Corporate Finance Group T-57

with a copy to:

John Hancock Life Insurance Company  
Bond and Corporate Finance Group  
2520 Venture Oaks Way, Suite 120  
Sacramento, CA 95833  
Attn: C. Whitney Hill

and:

John Hancock Life Insurance Company  
John Hancock Place  
200 Clarendon Street  
Boston, MA 02117  
Attention: Investment Law Division, T-30

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PROMISSORY NOTE

\$16,000,000.00

Poulsbo, Washington  
April 29, 1992

1. For Value Received, POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP ("Maker") promises to pay to the order of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, ("Holder"), at its Home Office in Boston, Massachusetts, or at such other place as Holder may from time to time designate, the principal sum of SIXTEEN MILLION AND NO/100 DOLLARS, (\$16,000,000.00) with interest to be computed from the date hereof, at the rate of Nine and Sixty-five Hundredths percent (9.65%) per annum, upon all principal remaining from time to time unpaid, payable in 360 monthly installments of principal and interest in the amount of \$136,291.21 each, (provided that the interest portion of the first installment shall be adjusted accordingly if this Note is dated other than June 1, 1992) the first such installment to be paid on June 1, 1992, and a like installment to be paid on the first day of each month thereafter with the final monthly installment, if not sooner paid, being due on May 1, 2022, provided that the final payment shall include all principal, interest, and advances. Said installments shall be applied first to interest and then any remaining amount to principal. In all events, the entire unpaid balance of this Note, including principal, interest, and any advances then outstanding shall be due and payable, unless sooner accelerated, on May 1, 2022.

2. In addition to the payments hereinabove specified, should the amount of timber harvested from the timberland collateralizing this Note (herein the "Property") exceed in any calendar year the lower of:

(a) twice the assumed annual growth of 11,200 MBF (prorated for 1992) of the merchantable conifer timber on the Property or

(b) the assumed annual growth of 11,200 MBF (prorated for 1992) of the merchantable conifer timber on the Property, plus the allowable carryover as defined below a principal payment shall be then due, in addition to any other principal reductions required or prepaid, 45 days after harvest, subject to the prepayment provisions of this Note, in accordance with the following formula:

\$80.00 per MBF (net Scribner long-log scale measure) for Douglas Fir;

\$60.00 per MBF (net Scribner long-log scale measure) for Cedar;

\$60.00 per MFB (net Scribner long-log scale measure) for other species.

Should the volume of merchantable conifer timber harvested from the Property during any calendar year not exceed the assumed annual growth rate (currently 11,200 MBF) for that year (prorated for 1992) 100% of the allowed annual harvest volume not removed in that year may be carried forward to the following year. If such carryover volume is not removed in the first carryover year, the unused portion of such carryover shall expire. Timber harvested shall be first applied against any available carryover amount when computing any need for reduction of principal under this Note.

3. Upon any default in the payment of principal or interest or in the performance or observance of any of the covenants or agreements dealing with hazard insurance or real estate taxes of any instrument now or hereafter securing this Note, the principal then remaining unpaid shall bear interest at the rate of Twelve and Sixty-five Hundredths percent (12.65%) per annum while such default exists, and Holder may apply payments received on any amounts due hereunder or under the terms of any instrument now or hereafter evidencing or securing this indebtedness as Holder may determine.

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4. If this Note is placed in the hands of an attorney for collection, the undersigned promises and agrees to pay, in addition to any costs and disbursements provided by statute, all costs (including, but not limited to reasonable attorneys' fees, including such fees in any (i) trial or appellate proceeding should litigation be instituted or (ii) in any bankruptcy proceeding) incurred in connection with the collection thereof. No extension of time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change, or affect the liability under this Note of the Maker or any guarantor thereof. Notwithstanding any provision herein or in any instrument now or hereafter securing this Note, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury law of Washington.

5. This Note is given for a loan of SIXTEEN MILLION AND NO/100 DOLLARS (\$16,000,000.00) and is secured by first Timberland Deed of Trust and Security Agreement with Assignment of Rents (herein "Deed of Trust") of even date herewith which covers property in Jefferson County, Washington, and shall be construed by the laws of said state.

6. PREPAYMENT PRIVILEGE: Anything in this Note to the contrary notwithstanding, within 90 days following any 12-month fiscal year in which Maker's net income exceeds \$4,000,000, Maker may prepay, without premium, \$500,000 in principal. This payment will be applied to principal and will be termed "Good Year Reserve." Then, in any subsequent 12-month fiscal year in which Maker's net income is less than \$2,000,000, Maker may elect to waive its regularly scheduled principal payments, as a charge against the "Good Year Reserve," until such time as the "Good Year Reserve" has been depleted. No more than \$1,000,000 shall be in the "Good Year Reserve" at any one time.

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7. PREPAYMENT PREMIUM: Subject to giving Holder not less than thirty (30) nor more than ninety (90) days prior written notice, Maker may prepay the principal, in full, or in partial payments of not less than \$100,000.00, together with any and all accrued interest due hereunder and any other sums due under the Deed of Trust, and subject to the payment to Holder of a prepayment premium equal to: the net present value (if a positive number) of the payment stream determined by calculating the difference between (a) the payments Holder would have received on the prepaid principal amount at the basic rate provided in this Note (9.65% per annum) and (b) the payments Holder would receive on the prepaid principal amount at a rate equal to the rate for United States Treasury Securities (the "Treasury Rate") with a maturity equal to the average life of the remaining term of this Note at the time of prepayment, (c) discounted at

the Treasury Rate. No prepayment shall exonerate Maker from the payment of any regular monthly installment until such time as this Note is fully paid, except to the extent that Section 6 of this Note shall reduce or eliminate the principal portion of any regular monthly installment.

8. Maker and all endorsers, guarantors, sureties, accommodation parties hereof and all other persons liable or to become liable for all or any part of this indebtedness agree to and do hereby incorporate herein the due-on-sale provisions contained in the Deed of Trust, which provisions provide that any actual or purported sale, conveyance, contract for conveyance, assignment, or transfer in any manner of the property covered by the Deed of Trust, or any portion thereof, without the prior written consent of the Beneficiary under the Deed of Trust, shall be deemed a default under the Deed of Trust.

9. All payments made under this Note shall be made by wired funds, if Holder shall so specify and shall provide Maker with appropriate wiring instructions in writing at least five

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(5) days prior to the due date of the payment or payments to which such instructions apply. Any such wiring instructions may be of a continuing nature and may apply to the number of payments specified therein, subject to revocation or modification as Holder may elect by written notice to Maker.

10. Maker acknowledges that the loan evidenced by this Note was made on the basis and assumption that Holder would receive the payments of principal and interest set forth above for the full term of the Note. Therefore, whenever the maturity of this Note has been accelerated by reason of a default under this Note or any instrument securing this Note, which default includes a default in the payment of the installments of interest and/or principal set forth above prior to the date on which the full amount of the balance of principal and interest when remaining unpaid shall be due, or by reason of sale, conveyance, further encumbrance, or other event specified in the Deed of Trust in violation of the provisions of the Deed of Trust (which acceleration by reason of such default, sale, conveyance, further encumbrance, or other event shall be at Holder's sole option but subject to Holder's exercise thereof reasonably and in good faith), a tender of the amount necessary to satisfy the entire indebtedness evidenced hereby, paid at any time following such default and prior to a foreclosure or trustee's sale, shall be deemed a voluntary prepayment hereunder and at Holder's option such payment shall include a prepayment premium as calculated under the provisions of this Note.

11. Upon failure to make any payment as provided herein or to perform any of the provisions of the Deed of Trust or any other instrument securing this Note, the entire unpaid principal, interest and any other obligations due under this Note or under the Deed of Trust or other instrument securing this Note, shall at once become due and payable at the option of

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Holder, notice of such election being hereby expressly waived, provided always that Holder must exercise such option reasonably and in good faith.

12. The rights or remedies of Holder, as provided in this Note and in any instrument securing this Note, shall be cumulative and concurrent, and may be pursued singly, successively, or together against the Property described in the Deed of Trust, and any other funds, property or security held by Holder for the payment hereof, or otherwise, at the sole discretion of Holder, provided always that Holder must exercise such discretion reasonably and in good faith. The failure to exercise any such right or remedy shall in no event be construed as a waiver or release of said rights or remedies or of the right to exercise them at any later time.

13. Except as may be otherwise provided in the Deed of Trust, all makers, endorsers, guarantors, sureties, accommodation parties hereof, and all other persons liable or to become liable for all or any part of this indebtedness, without affecting their liability, waive diligence, presentment, protest and demand, and also notice of protest, of demand, of nonpayment, of dishonor, and of maturity and hereby consent to any extension or alteration of the time or terms of payment hereof, any and all renewals, extensions, or modifications of the terms hereof, any release of all or any part of the security given for the payment hereof, any acceptance of additional security of any kinds, and any release of or resort to any party liable for payment hereof; any such renewals, extensions, or modifications may be made without notice to any of said parties.

14. Any provision of this Note which is invalid, illegal, or unenforceable shall be ineffective to the extent of such invalidity, illegality, or unenforceability, without affecting in any way the remaining provisions hereof, and said remaining provisions shall be enforceable in accordance with their terms as though such ineffective provisions had not been included in this

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Note. Reference in this Note to "Holder" shall include the original holder or if all or any portion of this Note shall be transferred by the original holder, the holder or holders of this Note at the time in question.

15. Holder has agreed in Section 6.2 of the Deed of Trust securing this Note to make certain subjective determinations reasonably and in good faith. The existence of such provisions shall not be implied to apply to any determination by Holder to accelerate the balance due under this Note by reason of Maker's failure to pay when due any sum owing under this Note, but shall be deemed to apply to any other determination hereunder by Holder.

16. Section 6.11 of the Deed of Trust sets forth an exoneration of the general partners of the Maker from personal liability for the indebtedness evidenced by this Note.

17. **NOTICE TO BORROWER:** This Note provides for a pre-payment premium that will be due if payments in a specified amount are not made in advance of the time or in excess of the amounts specified in this Note, except as may be otherwise provided hereinabove.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, having a principal place of  
business at Poulsbo, Washington

By POPE MGP, INC., Managing General  
Partner



/s/ G H. Folquet

Signature

George H. Folquet  
President

ATTEST:

/s/ Thomas A.  
Griffin  
Signature

Thomas A. Griffin  
Treasurer

AMENDMENT TO PROMISSORY NOTE

Promissory Note dated April 29, 1992, executed by POPE RESOURCES, a Delaware Limited Partnership, in favor of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, in the face amount of \$16,000,000.00 is hereby amended as set forth herein.

1. Section 2 is amended so as to add thereto the following:

Anything to the contrary in this Note notwithstanding, up to an aggregate of 40,000 MBF of timber may be harvested from the Property during the two year period from January 1, 1993 to December 31, 1994 without creating any obligation of the Maker to reduce the principal balance of this Note. Any harvest in excess of said 40,000 MBF during said two-year period will require principal reduction payments as specified in (b) above. Starting in 1995, the annual harvest limitations and permissible carry-over provisions set forth in this Note as originally executed will continue to apply. Provided, that no carry-over from 1992 of unused allowable harvest volume shall be allowed and that in no event will a carry-over be permitted of any portion of the said 40,000 MBF allowance that is not harvested prior to January 1, 1995.

2. **NOTICE TO BORROWER:** THIS NOTE PROVIDES FOR A PREPAYMENT PREMIUM THAT WILL BE DUE IF PAYMENTS IN A SPECIFIED AMOUNT ARE NOT MADE IN ADVANCE OF THE TIME OR IN EXCESS OF THE AMOUNTS SPECIFIED IN THIS NOTE, EXCEPT AS MAY BE OTHERWISE PROVIDED HEREINABOVE.

3. As amended the said Note is ratified and confirmed.
4. This Amendment shall be effective as of January 1, 1993.
5. The executed original hereof shall be physically attached to the executed original of said Note.

DATED this 25 day of May, 1993.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, having a principal place of business at Poulsbo, Washington

By: POPE MGP, INC., Managing General Partner

/s/ George H. Folquet

(Signature)

George H. Folquet, President

ATTEST:

/s/ Thomas A. Griffin

(Signature)

Thomas A. Griffin, Treasurer

APPROVED AND AGREED TO this 2nd day of June, 1993.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Donald A. Morway

(Signature)

Donald A. Morway

Title: Assistant Treasurer

**SECOND AMENDMENT TO PROMISSORY NOTE**

Promissory Note dated April 29, 1992, executed by POPE RESOURCES, a Delaware Limited Partnership, in favor of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, in the face amount of \$16,000,000.00, first amended May 25, 1993, is hereby further amended as set forth herein.

1. Section 2 is amended so as to add thereto the following:

Anything to the contrary in this Note, as amended, notwithstanding:

- A. Provided, that the total timber harvested from the Property in calendar year 1995 does not exceed 16,500 MBF, no principal payment on the Note related to excess harvesting shall be due as a result of said 1995 harvest.
- B. The volume of timber harvested from the Property in calendar year 1996, without incurring any liability for a principal payment, is set at 14,000 MBF.

2. **NOTICE TO BORROWER:** THIS NOTE PROVIDES FOR A PREPAYMENT PREMIUM THAT WILL BE DUE IF PAYMENTS IN A SPECIFIED AMOUNT ARE NOT MADE IN ADVANCE OF THE TIME OR IN EXCESS OF THE AMOUNTS SPECIFIED IN THIS NOTE, EXCEPT AS MAY BE OTHERWISE PROVIDED HEREINABOVE.

3. As amended, the said Note is ratified and confirmed.
4. This Amendment shall be effective as of January 1, 1995.
5. The executed original hereof shall be physically attached to the executed original of said Note.

DATED this 19th day of December, 1995.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, having a principal place of business at Poulsbo, Washington

ATTEST:

By: POPE MGP, INC., Managing General Partner

By: /s/ Thomas Griffin  
Thomas A. Griffin, Treasurer

By: /s/ G. H. Folquet, President  
George H. Folquet, President

APPROVED AND AGREED TO this  
19th day of December, 1995.

JOHN HANCOCK MUTUAL LIFE  
INSURANCE COMPANY  
By: /s/ Ken Hines, Jr.  
Its: Ken Hines, Jr.  
Title: Senior Investment Officer

**THIRD AMENDMENT TO TIMBERLAND DEED OF TRUST  
AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS  
(STATE OF WASHINGTON)**

This amends Timberland Deed of Trust and Security Agreement with Assignment of Rents, dated and recorded April 29, 1992, in Volume 271, pages 237-332, Records of Jefferson County, Washington; first amended May 13, 1992 by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington; and amended May 25, 1993 by Second Amendment recorded June 14, 1993, in Volume , pages , records of Jefferson County, Washington.

1. Section 1.18(A) is amended so as to add the following:

Anything to the contrary in this Deed of Trust notwithstanding:

- A. Provided, that the total timber harvested from the Property in calendar year 1995 does not exceed 16,500 MBF, no principal payment on the Note related to excess harvesting shall be due as a result of said 1995 harvest.
- B. The volume of timber harvested from the Property in calendar year 1996, without incurring any liability for a principal payment, is set at 14,000 MBF.

2. As amended and supplemented hereby, the Deed of Trust and the first and second amendments thereto are ratified and confirmed.
3. The effective date of this Amendment shall be January 1, 1995.

DATED: December 19, 1995.

POPE RESOURCES, A Delaware Limited Partnership

By: POPE MGP, INC.

By: /s/ G. H. Folquet



**THIRD AMENDMENT TO PROMISSORY NOTE**

Promissory Note dated April 29, 1992, executed by POPE RESOURCES, a Delaware Limited Partnership, in favor of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, in the face amount of \$16,000,000.00, amended May 25, 1993 and December 19, 1995, is hereby further amended as set forth herein.

1. Section 2 is amended so as to add thereto the following:

Anything to the contrary in this Note notwithstanding, up to an aggregate of 130,550 MBF of timber may be harvested from the Property during the five year period from January 1, 1999 to December 31, 2003 without creating any additional obligation of the Maker to reduce the principal balance of this Note. Any harvest in excess of said 130,550 MBF during said five-year period will require principal reduction payments as specified in (b) above; provided, no more than 75,000 MBF may be harvested within calendar years 1999-2000; and provided further, if harvest volume exceeds this amount, growth estimates shall be recomputed and Holder may require that a new harvest level be set.

2. **NOTICE TO BORROWER:** THIS NOTE PROVIDES FOR A PREPAYMENT PREMIUM THAT WILL BE DUE IF PAYMENTS IN A SPECIFIED AMOUNT ARE MADE IN ADVANCE OF THE TIME OR IN EXCESS OF THE AMOUNTS SPECIFIED IN THIS NOTE, EXCEPT AS MAY BE OTHERWISE PROVIDED HEREINABOVE.

3. As amended, said Note is ratified and confirmed.
4. This Amendment shall be effective as of January 1, 1999.
5. The executed original hereof shall be physically attached to the executed original of said Note.

DATED this 20th day of December, 1999.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, having a principal place of business at  
Poulsbo, Washington

ATTEST:

By: POPE MGP, INC., Managing General Partner

By: /s/ Craig L. Jones  
Name: Craig L. Jones  
Title: Senior Vice President

By: /s/ Gary F. Tucker  
Name: Gary F. Tucker  
Title: President & CFO

APPROVED AND AGREED TO  
this 17th day of December, 1999.

JOHN HANCOCK MUTUAL LIFE  
INSURANCE COMPANY

By: /s/ C. Whitney Hill  
Name: C. Whitney Hill  
Title: Assistant Investment Officer

**AMENDMENT TO PROMISSORY NOTE**

Promissory Note dated April 29, 1992, executed by POPE RESOURCES, a Delaware Limited Partnership, in favor of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, in the face amount of \$16,000,000.00, is hereby further amended as set forth herein.

1. Section 2 is amended so as to add thereto the following:

Anything to the contrary in this Note notwithstanding, up to an aggregate of 40,000 MBF of timber may be harvested from the Property during the two year period from January 1, 1993 to December 31, 1994 without creating any obligation of the Maker to reduce the principal balance of this Note. Any harvest in excess of said 40,000 MBF during said two-year period will require principal reduction payments as specified in (b) above. Starting in 1995, the annual harvest limitations and permissible carry-over provisions set forth in this Note as originally executed will continue to apply. Provided, that no carry-over from 1992 of unused allowable harvest volume shall be allowed and that in no event will a carry-over be permitted of any portion of the said 40,000 MBF allowance that is not harvested prior to January 1, 1995.

2. **NOTICE TO BORROWER:** THIS NOTE PROVIDES FOR A PREPAYMENT PREMIUM THAT WILL BE DUE IF PAYMENTS IN A SPECIFIED AMOUNT ARE MADE IN ADVANCE OF THE TIME OR IN EXCESS OF THE AMOUNTS SPECIFIED IN THIS NOTE, EXCEPT AS MAY BE OTHERWISE PROVIDED HEREINABOVE.

3. As amended, the said Note is ratified and confirmed.
4. This Amendment shall be effective as of January 1, 1993.
5. The executed original hereof shall be physically attached to the executed original of said Note.

DATED this 25th day of May, 1993.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, having a principal place of business at  
Poulsbo, Washington

ATTEST:

By: POPE MGP, INC., Managing General Partner

By: /s/ Thomas A. Griffin  
Thomas A. Griffin, Treasurer

By: /s/ G. H. Folquet  
George H. Folquet, President

APPROVED AND AGREED TO this 2<sup>nd</sup>  
day of June, 1993.

JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY

By: /s/ Donald A. Morway  
Donald A. Morway  
Title: Assistant Treasurer

## FOURTH AMENDMENT TO PROMISSORY NOTE

WHEREAS, on April 29, 1992, POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP ("Pope"), executed that certain Promissory Note in favor of JOHN HANCOCK MUTUAL LIFE INSURANCE COMPANY, now known as John Hancock Life Insurance Company ("Hancock"), in the face amount of \$16,000,000.00, which was subsequently amended on May 25, 1993, December 19, 1995, and December 20, 1999 (such Promissory Note, as amended herein and as may be amended hereafter is referred to as the "Note").

WHEREAS, under that certain Note Purchase Agreement (said Note Purchase Agreement together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof is hereinafter referred to as the "Note Purchase Agreement.") dated of even date herewith, by and among Pope, John Hancock Life Insurance Company, and the other Holders, as defined in the Note Purchase Agreement, Pope issued to the Holders, as defined in the Note Purchase Agreement, certain Class A Fixed Rate Senior Secured Notes (said notes, together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof are hereinafter individually and collectively referred to as the "2001 Notes") all dated of even date herewith in the aggregate principal amount of \$30,000,000;

NOW, THEREFORE, the parties agree to amend the Note as follows:

1. On April 1, 2001, Pope shall pay the scheduled principal and interest payment of \$136,291.21. After such payment is made the outstanding principal balance due under the Note will be \$12,798,824.92. From and after April 1, 2001, such principal balance will be paid in accordance with the following:
    - (a) Interest Rate. Interest shall accrue on the unpaid principal balance of the Note from April 1, 2001, through and including April 1, 2011, at a rate of Nine and Sixty-five Hundredths percent (9.65%) per annum. Interest under the Note shall be calculated on the basis of a 360-day year.
    - (b) Required Interest Payments. Pope shall pay to Hancock, all accrued, unpaid interest on the Notes monthly, in arrears, beginning on May 1, 2001, and continuing on the first day of each calendar month thereafter through and including April 1, 2011.
    - (c) Required Principal Payments. The principal amount of the Note is due and payable, and shall be repaid by Pope in full, as follows: commencing on April 1, 2002, and continuing on each April 1 thereafter through and including April 1, 2011, an installment of \$540,000 shall be due and payable to Hancock.
    - (d) Maturity. Unless previously paid in full in accordance with the provisions of the Note, in all events the entire unpaid balance of the Note, including principal, interest, and any advances then outstanding shall be due and payable, unless sooner accelerated, on April 1, 2011.
  2. The timber harvest provisions contained in Section 2 of the Note with respect to the Property, as defined in the Note, are hereby replaced with the applicable provisions in the Note Purchase Agreement.
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3. Section 11 of the Note is hereby replaced with the following: "Upon an "Event of Default" under the Note Purchase Agreement, the entire unpaid principal, interest, and any other obligations under this Note or under the Deed of Trust, as defined in the Note, or other instrument securing this Note, shall at once become due and payable at the option of the Holder, as defined in the Note, notice of such election being hereby expressly waived, provided always that Holder, as defined in the Note, must exercise such option reasonably and in good faith."
  4. Section 6 is hereby deleted in its entirety.
  5. The "Prepayment Premium" applicable to the principal under the Note prepaid during any year, other than the prepayments required in subparagraphs 1(c) and 1 (d) above, shall be an amount equal to the applicable Make-Whole Premium Amount, as defined in the Note Purchase Agreement. Any payment of the indebtedness evidenced by the Note following acceleration of such indebtedness by Hancock upon an Event of Default, as defined in the Note Purchase Agreement, shall be deemed to be a voluntary prepayment of such indebtedness by Pope and shall be subject to the Prepayment Premium provided for in the Note Purchase Agreement. Notwithstanding the foregoing, if (i) Pope obtains casualty insurance on the Property, as defined in the Note, and if the proceeds of such casualty insurance are the source of any such prepayment, or (ii) if the source of any such prepayment is condemnation proceeds received with respect to a condemnation or similar taking of any portion of the Property, as defined in the Note, by any governmental authority, then no Prepayment Premium shall be payable with respect to such prepayment.
  6. **NOTICE TO BORROWER:** THIS NOTE PROVIDES FOR A PREPAYMENT PREMIUM THAT WILL BE DUE IF PAYMENTS IN A SPECIFIED AMOUNT ARE MADE IN ADVANCE OF THE TIME OR IN EXCESS OF THE AMOUNTS SPECIFIED IN THIS NOTE, EXCEPT AS MAY BE OTHERWISE PROVIDED HEREINABOVE.
  7. No other modification to the Note is made or intended to be made hereby, and as amended herein, the Note is hereby ratified and confirmed by Pope and Hancock and shall remain in full force and effect.
  8. The executed original hereof shall be physically attached to the executed original of said Note.

DATED this 29th day of March, 2001.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP,  
having a principal place of business at Poulsbo, Washington

By: POPE MGP, INC., managing general partner

/s/ Thomas M. Ringo

Name: Thomas M. Ringo

Title: Vice President & CFO

JOHN HANCOCK LIFE INSURANCE COMPANY

By: /s/ C. Whitney Hill

Name: C. Whitney Hill

Title: Director



## POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

## NOTE PURCHASE AGREEMENT

March 29, 2001

John Hancock Life Insurance Company  
 John Hancock Place  
 200 Clarendon Street  
 P.O. Box 111  
 Boston, MA 02117

John Hancock Variable Life Insurance Company  
 John Hancock Place  
 200 Clarendon Street  
 P.O. Box 111  
 Boston, MA 02117

Ladies and Gentlemen:

POPE RESOURCES, A DELAWARE LIMITED LIABILITY PARTNERSHIP, together with its successors and assigns ("**Borrower**"), hereby agrees with you to the following. Certain of the terms used herein are defined as provided for in Annex II hereto.

## SECTION 1. PURCHASE AND SALE OF NOTES.

1.1 Issuance of Notes. Borrower has authorized the issuance of three 7.63% Fixed Rate Senior Secured Notes dated of even date herewith in the aggregate original principal amount of **\$30,000,000** having a maturity date of April 1, 2011, (said Notes, together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof hereinafter collectively and severally referred to herein as the ("**Notes**").

1.2 Registration of Notes; Substitution of Notes.

(a) Registration of Notes. Borrower shall cause to be kept at its principal place of business a register for the registration and transfer of the Notes. The name and address of each Holder of the Notes, each transfer thereof and the name and address of each transferee of one or more Notes will be registered in the register, provided such transfer is not in violation of subsection 1.2(b) below. The Person in whose name any Note shall be registered will be deemed and treated as the owner and holder thereof for all purposes hereof, and Borrower will not be affected by any notice or knowledge to the contrary. Borrower shall update the register from

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time to time with respect to any Note upon the written instructions of the Person in whose name such Note is registered.

(b) Exchange of Notes. Subject to the last sentence of this subsection (b), upon surrender of any Note at the Borrower's principal place of business duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or his or its attorney duly authorized in writing, Borrower shall execute and deliver, at such holder's expense, new notes in exchange therefor in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new note shall be payable to such Person as such holder may request and shall be substantially in the form of the surrendered Note. Each such new note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. Each holder of Notes will not sell or otherwise transfer any Note to any Person other than an Institutional Accredited Investor; provided, if there is a Default or Event of Default, each holder of Notes shall have control over the disposition of all of its assets to the fullest extent required by applicable insurance law or other applicable law, and may sell to any Person. Each transfer of Notes hereunder shall consist of a pro rata share of the Notes outstanding at the time of the transfer based on the relative principal balances then outstanding under each type of Note.

(c) Replacement of Notes. Upon receipt by Borrower of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note; and

(1) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is an Institutional Investor with respect to which Borrower has no reasonable grounds to question its continued solvency, such holder's own unsecured written agreement of indemnity shall be deemed to be satisfactory), or

(2) in the case of mutilation, upon surrender and cancellation thereof;

Borrower will execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon; provided, all expenses associated with issuing such new Notes shall, including, without limitation Borrower's reasonable attorneys fees shall be paid by the Holder requesting the new Note.

1.3 The Closing.

(a) Borrower hereby agrees to sell to you and you agree to purchase from Borrower, in accordance with the provisions of this Agreement, Notes at 100% of the principal amounts thereof.

(b) The closing (the “**Closing**”) of your purchase shall be held at 11 a.m., pacific time, on such date (the “**Closing Date**”) not later than March 29, 2001, as shall have been agreed

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to by you and Borrower, at Land America, 1200 Sixth Avenue, Suite 1910, Seattle, WA 98101. At the Closing, Borrower will deliver to you the Notes duly executed by Borrower and dated the Closing Date at Seattle, Washington and payable to you, against payment of the purchase price therefor by bank wire transfer of immediately available funds to an account or accounts designated by Borrower in writing at or prior to Closing.

#### 1.4 Purchase for Investment.

(a) You represent to Borrower that you are purchasing the Notes for your own account for investment or for one or more separate accounts maintained by you or for the account of one or more funds managed by you and with no present intention of distributing or reselling the Notes or any part thereof, but subject, nevertheless, to any requirement of law that the disposition of your or their property be within your control at all times.

(b) You acknowledge that the Notes have not been registered under the Securities Act of 1933, as amended, or any state securities law, by reason of their issuance in a transaction intended to be exempt from the registration requirements of said Act and any of said securities laws which are applicable and that the Notes being acquired by you pursuant hereto accordingly may not be transferred unless the Notes are registered under said Act and any applicable state securities laws or such Notes may, at the time of transfer, lawfully be transferred without such registration. It is understood that Borrower shall have no obligation to you at any time to register the Notes under the Securities Act of 1933 or under any other state or federal securities laws, and that Borrower is relying upon your representations contained in this Agreement in connection with the issuance of the Notes.

(c) You represent that at least one of the following statements is an accurate representation as to each source of funds (a “**Source**”) to be used by you to pay the purchase price of the Notes purchased by you hereunder:

(1) if you are an insurance company, the Source is an “insurance company general account,” as such term is defined in Section V(e) of Prohibited Transaction Class Exemption 95-60 (issued July 12, 1995) (“**PTCE 95-60**”) and the purchase of the Notes is exempt under the provisions of PTCE 95-60; or

(2) the Source is either (A) an insurance company pooled separate account, within the meaning of Prohibited Transaction Class Exemption 90-1 (issued January 29, 1980) (“**PTCE 90-1**”), or (B) a bank collective investment fund, within the meaning of Prohibited Transaction Class Exemption 91-38 (issued July 12, 1991) (“**PTCE 91-38**”) and, except as you have disclosed to Borrower in writing pursuant to this paragraph (2), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(3) the Source is an “investment fund” (within the meaning of Part V or Prohibited Transaction Class Exemption 84-14 (issued March 13, 1984) (the “**QPAM Exemption**”) managed by a “qualified professional asset manager” (“**QPAM**”) (within

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the meaning of Part V of the QPAM Exemption) which has been identified pursuant to this paragraph (3), such that the purchase by or on behalf of such investment fund is exempt from the application of the prohibited transaction rules of ERISA and Section 4975 of the Code, provided that no other party to the transactions described in this Agreement and no affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such other party has at this time, and has not at any time during the immediately preceding year exercised, the authority to appoint or terminate the identified QPAM as manager of the assets of any employee benefit plan that has an interest in such investment fund (which plans have been identified pursuant to this paragraph (3)) or to negotiate the terms of said QPAM’s management agreement on behalf of any such identified plan; or

(4) the Source is a “governmental plan” as defined in Title I, Section 3(32) of ERISA; or

(5) the Source is one or more “employee benefit plans” or a separate account or trust fund comprised of one or more “employee benefit plans,” each of which has been identified to the Borrower in writing pursuant to this paragraph (5); or

(6) the Source does not include assets of any employee benefit plan, other than a plan exempt from coverage under ERISA.

As used in this subsection (c), “plan” or “plans” shall have the meaning set forth in Title I, Section 3(3) of ERISA.

1.5 Failure to Deliver; Failure of Conditions. If at the Closing, Borrower fails to tender to you the Notes, or if the conditions specified in Section 3 have not been fulfilled, you may thereupon elect to be relieved of all further obligations under this Agreement. Nothing in this Section shall operate to relieve Borrower from any of its obligations hereunder or to waive any of your rights against Borrower.

#### 1.6 Expenses; Brokers.

(a) Whether or not the Notes are sold, Borrower promptly (and in any event within thirty (30) days of receiving any statement or invoice therefor) will pay all reasonable out-of-pocket expenses relating to this Agreement, including but not limited to:

(1) the cost of reproducing this Agreement, the Notes and all other Financing Documents;

(2) the fees and disbursements of your outside counsel;

(3) the costs of the Timber Cruise required by Section 9.3(a), title examination, title insurance, environmental site assessments, recording and filing taxes and fees, abstract continuation, UCC search fees, mortgage or similar taxes, revenue or documentary stamps, intangibles tax and similar costs;

(4) the cost of delivering to your home office, insured to your satisfaction, the Notes issued to you at the Closing;

(5) all reasonable out-of-pocket expenses (including those of the types described in (1) through (4) of this subsection 1.6(a)) relating to any amendment, modification, waiver or consent requested by Borrower pursuant to the provisions hereof or of any of the other Financing Documents, whether or not the same is finalized or declared effective; and

(6) all fees for special investigations or technical audits, including, without limitation the Environmental Reports, and the fees of the Forestry Consultant and other similar fees incurred in connection with the issuance of the Notes and the transactions contemplated by this Agreement.

(b) Borrower represents and warrants to you that no broker, finder, investment banker, or other similar Person, has been retained by Borrower in connection with the issuance of the Notes and the transactions contemplated by this Agreement. You represent and warrant to Borrower that no broker, finder, investment banker, or other similar Person, has been retained by you in connection with the issuance of the Notes and the transactions contemplated by this Agreement.

(c) The obligations of Borrower under Section 1.6(a) and the representations and warranties of the parties under Section 1.6(b) shall survive the payment or prepayment of the Notes and the termination of this Agreement.

## SECTION 2. WARRANTIES AND REPRESENTATIONS

To induce you to enter into this Agreement and to purchase the Notes, Borrower warrants and represents to you that:

2.1 Ownership of Borrower. Borrower is a limited partnership, duly formed, validly existing and in good standing under the laws of the State of Delaware and is qualified to do business in all states where its business is conducted (other than states where failure to be so qualified would not have a material adverse effect on the business, properties, operations or financial condition of the Borrower), including, specifically, in the State of Washington. The managing general partner of Borrower is Pope MPG, Inc., a Delaware corporation.

2.2 Intentionally Deleted.

2.3 Intentionally Deleted.

2.4 Authority. Borrower has all requisite power and authority and all necessary licenses and permits to own and operate its Property, to carry on its business as now conducted and to carry out the transactions contemplated hereby and by the other Financing Documents, except where the failure to be so qualified would not have a material adverse effect on the business, properties, operations or financial condition of the Borrower. Borrower shall obtain all necessary licenses and permits as may be required to operate its Property in the future.

2.5 Indebtedness. The financial information, reports and other materials that Borrower has provided to you with respect to Borrower fully and correctly describe the general nature of the business of Borrower in all material respects and do not contain any untrue material fact or omit to state a material fact necessary in order to make the statements contained therein not misleading in any material respect. Borrower's audited financial statements dated as of December 31, 2000, (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of Borrower as of the date thereof and its results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of as of the date thereof, including liabilities for taxes, material commitments and Debt in accordance with GAAP consistently applied throughout the period covered thereby. Since the date of such statements there has been no material adverse change in the financial condition or operations of the Borrower. Except as described in Exhibit A and/or as reflected in Borrower's financial statements, there is no other Debt. There are no material agreements affecting the Timberlands.

2.6 Full Disclosure. Neither this Agreement nor any written certificate, written statement or other written information furnished to you by or on behalf of Borrower in connection with the negotiation of the sale of the Notes contains any untrue statement of a material fact or omits to state any material fact necessary to make the information contained therein or herein not misleading as of the date when made. Except for the Port Gamble Environmental Issue, there is no fact known to Borrower which Borrower has not disclosed to you in writing which could reasonably be expected to materially adversely affect the business, Property, profits or condition (financial or otherwise) of Borrower, or the ability of Borrower to perform its obligations set forth in this Agreement or in the other Financing Documents in all material respects.

2.7 Pending Litigation. Except for the Port Gamble Environmental Issue there are no actions, suits or legal, equitable, arbitative or administrative proceedings pending against the Timberland or Borrower, or to the knowledge of Borrower, threatened against Borrower or the Timberland before any Governmental Authority, and there are no outstanding judgments, injunctions, writs, rulings or orders by any such governmental entity affecting the Timberland or against Borrower which do or could reasonably be expected to materially and adversely affect Borrower or the Timberland, the ownership or use of any of Borrower's assets or the Timberland, Borrower's business or financial condition or prospects, or Borrower's right or ability to enter into the Financing Documents and the other transactions contemplated thereby or to perform its obligations thereunder.

2.8 Title to the Timberland. Other than as disclosed in the Title Policies or on Exhibit A hereto, Borrower has Good Title to the Timberland free and clear of all Liens or other encumbrances affecting Borrower's title thereto.

2.9 Enforceable Obligations. This Agreement is, and the Notes, and the other Financing Documents upon the execution and delivery thereof will be, valid, binding and enforceable obligations of Borrower, enforceable in accordance with their respective terms, except as the enforceability thereof may be adversely affected by applicable bankruptcy laws affecting

creditors' rights generally (other than laws described in the following sentence) and except that equitable principles may limit the availability of certain equitable remedies (such as specific performance) in certain circumstances. The enforceability of such obligations of Borrower is not currently adversely affected by, and Borrower has no reason to believe that, upon the commencement of any proceeding in bankruptcy or otherwise or upon any other circumstance, the enforceability of such obligations would be adversely affected by, any law, rule or regulation governing fraudulent conveyances or obligations or constructively fraudulent conveyances or obligations.

2.10 No Conflicts or Consents. Subject to the accuracy of your representations in Section 1.4, the execution and delivery by Borrower of this Agreement, the Notes, and the other Financing Documents the performance of its obligations thereunder and the consummation of the transactions contemplated thereby do not and will not (a) conflict with any provision of (i) any applicable domestic or foreign law, statute, rule or regulation (including without limitation the Securities Exchange Act of 1934 and state securities laws and the regulations and rules promulgated thereunder), or (ii) any agreement, judgment, license, order or permit applicable to or binding upon Borrower, (b) result in the acceleration of any Debt of Borrower, (c) result in a default, or event of default of Borrower under any other material agreement (as described in Section 2.12), or (d) result in or require the creation of any Lien upon any Property of Borrower, except those created or permitted in the Financing Documents. Except as described on Exhibit A, and except for those which have been obtained and those which if not obtained would not have a material adverse effect on the business, properties, operations or financial condition of the Borrower, and except for filing and/or recording any Financing Statement, including the Mortgages no consent, approval, authorization or order of, and notice to or filing with, any Governmental Authority or third parties is required in connection with the execution, delivery or performance by Borrower of any Financing Document or the consummation of any transaction contemplated by the Financing Documents.

2.11 Names and Places of Business. Borrower has not, during the preceding five (5) years, been known by or used any fictitious or assumed names. The principal place of business of Borrower is set out in Section 12.1.

2.12 No Defaults. No event has occurred and is continuing and no condition exists which, upon the issuance of the Notes would constitute a Default or an Event of Default under this Agreement. Borrower is not in violation of any material term contained in any material agreement or other material instrument to which it is a party or by which it or its Property may be bound. As used herein, "material term" shall mean any term which, if violated, could reasonably be expected to result in termination or cancellation of the agreement or other instrument or, except for those which have previously been disclosed in writing to you, could reasonably be expected to result in actual or liquidated damages in excess of \$250,000. For purposes of this Section 2.12 and Section 2.10, "material agreement" and "material instrument" shall mean an agreement or instrument the breach of which would have a material adverse effect on the business, profits, or condition, financial or otherwise, of Borrower.

2.13 Governmental Consent. Neither (a) the nature of any of the respective businesses or Property of Borrower nor (b) any relationship between Borrower and any other Person, nor (c)

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any circumstance in connection with the offer, issuance, sale or delivery of the Notes is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any other Person (including without limitation any Governmental Authority or any creditor of or lender to Borrower) on the part of Borrower as a condition to the execution and delivery of this Agreement or the offer, issuance, sale or delivery of the Notes, other than (i) those which have been obtained, and (ii) the filing of the Financing Documents necessary to perfect the Liens created thereunder.

2.14 Taxes and Insurance.

(a) Returns Filed; Taxes Paid. Borrower has filed all tax returns which are required to be filed in any jurisdiction, and has paid, or made provision for the payment of, all taxes with respect to the periods, property or transactions covered by said returns, or pursuant to any assessment received by Borrower, except (a) such taxes, if any, as are being Contested in Good Faith by appropriate proceedings and as to which adequate reserves have been established and maintained, and (b) immaterial taxes. Except for property tax audits, Borrower has not received any notice that any tax year or tax return of Borrower is currently being audited by the United States Internal Revenue Service or other governmental entity. Borrower's fiscal year end is December 31.

(b) Intentionally Omitted.

(c) Insurance. Borrower has obtained the policies of insurance described on Annex IV, all of such policies are in full force and effect on the Closing Date, and Borrower has previously furnished to you certificates of insurance evidencing the issuance of each such policy and will promptly upon your request after the date hereof deliver to you a true, correct and complete copy of each such policy.

2.15 Securities Laws. None of the transactions contemplated in this Agreement (including, without limitation thereof, the use of proceeds from the sale of the Notes) will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulations issued pursuant thereto, including, without limitation, Regulations U, T and X of the Board of Governors of the Federal Reserve System, 12 C.F.R., Chapter 11. Borrower does not own or intend to carry or purchase any "margin security" within the meaning of said Regulation U, including margin securities originally issued by it. None of the proceeds from the sale of the Notes will be used to purchase or carry (or refinance any borrowing the proceeds of which were used to purchase or carry) any "security" within the meaning of the Securities Exchange Act of 1934, as amended, if the purchase or continued ownership of the security would result in a violation of said Regulations U, T or X.

2.16 Private Offering. Borrower has not offered the Notes for sale to, or solicited offers to buy the Notes or otherwise approached or negotiated with respect thereto with, any prospective purchaser other than you. No Person has been authorized or employed by Borrower to act as an agent, broker, dealer or otherwise in connection with the offering or sale of the Notes. Borrower agrees that it will not offer the Notes or any part thereof or any similar Securities for issue or sale to, or solicit any offer to acquire any of the same from, anyone so as

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to bring the offer or issuance and sale of the Notes within the provisions of Section 5 of the Securities Act of 1933, as amended. Upon issuance of the Notes, the Notes are not, or will not be, of the same class as securities listed on a national securities exchange registered under Section 6 of the Securities Exchange Act of 1934, as amended, or quoted in a U.S. automated inter-dealer quotation system, within the meaning of Rule 144A under the Securities Act of 1933. Neither Borrower nor any affiliate (as that term is defined in Rule 501(b) promulgated under the Securities Act of 1933) is disqualified from using the exemptions from

the registration requirements of Section 5 of the Securities Act of 1933 provided by Rules 504, 505, and 506 promulgated under the Securities Act of 1933 by virtue of Rule 507(a) promulgated under the Securities Act of 1933.

2.17 Compliance with Law. Except for the matters expressly set forth in Exhibit A:

(a) Except as may be set forth in the Environmental Report and except for the Port Gamble Environmental Issue, Borrower and Timber Property are not in violation of or subject to any existing, pending, or, to the knowledge of Borrower, threatened investigation or inquiry by any Governmental Authority or, to the knowledge of Borrower, to any remedial obligations under Applicable Environmental Laws pertaining to the Timber Property which does or could reasonably be expected to materially and adversely affect Borrower, the ownership or use of any of its assets or Property, its business or financial condition or Borrower's right or ability to enter into the Financing Documents or to perform its obligations thereunder.

(b) Except for the Port Gamble Environmental Issue, Borrower is not required to obtain any permits, licenses or similar authorizations to construct, occupy, operate or use any buildings, improvements, fixtures and equipment forming a part of the Timber Property by reason of any Applicable Environmental Laws (other than permits, licenses and similar authorizations which have been obtained or which will be obtained promptly after the date hereof), where the failure to obtain such permits, licenses and authorizations will have a material adverse effect on the business, properties, operations or financial condition of the Borrower.

(c) Borrower has undertaken appropriate inquiry into the previous ownership and uses of the Timber Property consistent with good commercial practice and has obtained and delivered to the Holders the Environmental Reports and has no knowledge of any violation of any Applicable Environmental Laws with respect to Hazardous Materials only, except as may be disclosed in such Environmental Report and except for the Port Gamble Environmental Issue.

(d) Except for the Port Gamble Environmental Issue, Borrower has not failed to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of the Timber Property, where the failure to obtain such permits, licenses and authorizations will have a material adverse effect on the business, properties, operations or financial condition of the Borrower.

2.18 Restrictions on Borrower. Other than as described on Exhibit A, Borrower is not a party to any contract or agreement, which materially and adversely affects the Collateral.

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2.19 ERISA. Borrower represents and warrants that no employee benefit plan established or maintained by Borrower, which is subject to Part 3 of Subtitle B of Title I of ERISA, had an accumulated funding deficiency (as that term is defined in Section 302 of ERISA) as of the most recent fiscal year of such plan ended prior to the Closing Date which was or would have been material to Borrower; no liability to the Pension Benefit Guaranty Corporation has been, or is expected by Borrower to be, incurred with respect to any employee benefit plan maintained by Borrower, which is subject to Part 3 of Subtitle B of Title I of ERISA, which would be material to Borrower; and Borrower is in compliance in all material respects with all applicable provisions of ERISA and the regulations and published interpretations thereunder. Borrower further represents and warrants that the consummation of the transactions contemplated by this Agreement will neither result in a "prohibited transaction" as described in Section 406(a) of ERISA nor a tax under Section 4975 of the Code. The foregoing representation is made in reliance upon your representations in subsection 1.4(c) hereof as to the Source to be used to purchase the Notes.

2.20 Investment Company Act. Borrower is not an "investment company" or a company "controlled" by an "investment company," or an "open-end investment company," a "unit investment trust," or a "face-amount certificate company," within the meaning of the Investment Company Act of 1940, as amended.

2.21 Intentionally Omitted.

2.22 Intentionally Omitted.

SECTION 3. CLOSING CONDITIONS.

Your obligation to purchase and to pay for the Notes to be delivered to you at the Closing and on the Closing Date shall be subject to the following conditions precedent to be satisfied before or coincident with the Closing:

3.1 Timber Property. Borrower shall own the Timberlands, which shall be free and clear of all Liens and other encumbrances to title, other than those matters disclosed in the Title Policies.

3.2 Intentionally Omitted.

3.3 Financing Documents. Borrower shall have executed and delivered the Notes, the Mortgages, the Financing Statements, the Indemnification Agreement and the other Financing Documents, including without limitation the Collateral Agreement.

3.4 Title Insurance. Title Insurer shall have issued its commitment to deliver the Title Policies, and Title Reinsurers shall have issued its commitment to deliver the Title Reinsurance, in the forms approved by the Administrative Agent and its counsel.

3.5 Warranties and Representations True. At the time of the purchase of the Notes and also after giving effect thereto, the warranties and representations contained in Section 2 of this Agreement shall be true and correct in all material respects.

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3.6 No Prohibited Action. Borrower shall not have taken any action or permitted any condition to exist which would have been prohibited by the Financing Documents had the Financing Documents been binding and effective at all times during the period from the date of this Agreement through and including the Closing Date.

3.7 Compliance with Agreements. Borrower shall have performed and complied with all agreements and conditions contained herein which are required to be performed or complied with by it before or at the Closing. Borrower shall be in compliance with all of the terms, provisions and covenants of the Financing Documents as of the Closing.

3.8 Opinions of Counsel. You shall have received an opinion of counsel from (i) Borrower's counsel, and (ii) your outside counsel in form and substance satisfactory to you.

3.9 Proceedings Satisfactory. All documents and papers relating to the issuance and sale of the Notes shall be satisfactory to you and your counsel. You and your outside counsel shall have received copies of such documents and papers as you or they may reasonably request in connection therewith, all in form and substance satisfactory to you and your outside counsel.

3.10 Intentionally Omitted.

3.11 Intentionally Omitted.

3.12 Payment of Transaction Costs. Borrower shall have paid all fees, expenses and disbursements incurred by you at or prior to the time of the Closing and for which invoices have been delivered to Borrower in connection with the transactions contemplated by this Agreement and the other Financing Documents, including without limitation the fees, expenses and disbursements of your special counsel. To the extent not available at Closing, Borrower agrees that it will promptly pay upon its receipt any and all additional invoices delivered to Borrower after Closing relating to any such fees, expenses and disbursements.

3.13 Bank of America. You shall have reviewed and approved the financial covenants and reporting requirements of the Bank of America revolving line of credit facility with Borrower.

3.14 Related Agreements. Borrower shall have executed and delivered to the Administrative Agent, in form and substance reasonably acceptable to the Administrative Agent, such other documents reasonably required by the Administrative Agent to consummate the transaction contemplated hereunder, including without limitation, the Indemnification Agreement, the Collateral Agreement, an amendment to the 1992 Deed of Trust (to cross default and cross collateralize the same with the Mortgages), an amendment to the promissory note secured by the 1992 Deed of Trust, and such collateral assignments of certain agreements to which Borrower is a party. Following the Closing, the parties to this Agreement shall execute and deliver any and all other documents or instrument necessary and appropriate to complete the transaction contemplated hereunder, including, without limitation the consulting agreement with Atterbury Consultants, Inc.

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#### SECTION 4. PAYMENTS AND DISTRIBUTION THEREOF.

4.1 Direct Payment. Subject to the provisions of Section 5 hereof with respect to the Collateral Account, Borrower will pay all amounts payable with respect to the Notes (without any presentment of the Notes and without any notation of such payment being made thereon) by crediting before 12:00 noon eastern time, by bank wire transfer of immediately available funds, to such account of the Administrative Agent or the Holders as may be designated from time to time in writing by the Administrative Agent, or in such manner as may be directed or to such other address in the United States as may be designated in writing by the Administrative Agent. The address and other instructions of the Administrative Agent that are set forth in Annex I shall be deemed to constitute notice, direction or designation (as appropriate) to Borrower with respect to direct payment as aforesaid. If for any reason there is no Administrative Agent for the Holders or the Administrative Agent cannot perform its duties hereunder, the Holders may upon proper notice to Borrower receive all payments under the Notes directly. Each Holder agrees, by its acceptance of the Notes issued to it, that in the event it shall sell or transfer the Notes it will, prior to the delivery of the Notes (unless it has already done so), make a notation thereon of all principal, if any, paid on the Notes and will also note thereon the date to which interest has been paid on the Notes. If any payment to be made by Borrower shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest and fees.

4.2 Issuance Taxes. Borrower will pay all taxes, assessments and charges in connection with the issuance and sale of the Notes and the execution, delivery and recording of the Financing Documents, and in connection with any modification of the Notes and/or Financing Documents (but excluding any income taxes or other similar taxes based on the gross receipts, gross income or net income of any Holder) and will save each Holder harmless, without limitation as to time, against any and all liabilities with respect to all such taxes, assessments and charges. The obligations of Borrower under this Section 4.2 shall survive the prepayment or payment of the Notes and the termination of this Agreement.

4.3 Payment Terms Applicable to Notes.

(a) Interest Rate. Interest shall accrue on the aggregate unpaid principal amount of the Notes from the date hereof through and including April 1, 2011 at a rate of Seven and Sixty-three Hundredths percent (7.63%) per annum. Interest under the Notes shall be calculated on the basis of a 360-day year.

(b) Required Interest Payments. Borrower shall pay to the Administrative Agent, as agent for itself and the Holders, all accrued, unpaid interest on the Notes monthly, in arrears, beginning on May 1, 2001, and continuing on the first day of each calendar month thereafter through and including April 1, 2011.

(c) Required Principal Payments. The principal amount of the Notes is due and payable, and shall be repaid by Borrower in full, as follows:

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(i) On April 1, 2002, an installment in the aggregate of \$500,000; shall be due and payable to the Administrative Agent, as agent for itself and the Holders;

(ii) Commencing on April 1, 2003, and continuing on each April 1 thereafter through and including April 1, 2006, an annual installment in the aggregate of \$1,000,000 shall be due and payable to the Administrative Agent, as agent for itself and the Holders;

(iii) Commencing on April 1, 2007, and continuing on each April 1 thereafter through and including April 1, 2010, an annual installment in the aggregate of \$750,000 shall be due and payable to the Administrative Agent, as agent for itself and the Holders; and

(iv) A final installment shall be due and payable to the Administrative Agent, as agent for itself and the Holders, on April 1, 2011, in the aggregate amount of the then unpaid principal balance remaining on the Notes.

(d) **Maturity Date.** Unless previously paid in full in accordance with the provisions of this Agreement and the Notes, the entire unpaid principal balance of the Notes, together with all accrued, unpaid interest and other charges due hereunder or thereunder, or under any of the other Financing Documents shall be due and payable on April 1, 2011 (the "**Maturity Date**").

(e) **Optional and Mandatory Prepayments.** The Notes may not be paid except as required or permitted under this Section 4.3 or Section 4.7 below. Borrower may prepay the Notes as provided below:

(1) **Optional Prepayment.** Prior to the Maturity Date, up to \$3,000,000 in the aggregate in excess of the scheduled principal installment payments may be prepaid at par plus accrued interest; provided, however, Borrower may only use cash flow from its operations for this purpose. Thereafter, Borrower may, on any scheduled Payment Date (or, with respect to a prepayment in full of the entire principal balance of the Notes, on any Business Day), upon delivery of notice to Holders as provided in subsection (2) below, prepay the principal of the Notes in whole or in part, provided Borrower also pays to the Holders all accrued interest, if any, on the principal amount so prepaid accrued to the prepayment date, and the applicable Prepayment Premium (hereafter defined).

(2) **Notice.** Borrower will give notice of any optional prepayment of the Notes pursuant to this subsection to the Holders not less than fifteen (15) days nor more than sixty (60) days before the date fixed for prepayment (though if such prepayment is to occur on a date other than a Payment Date in accordance with the provisions of subsection 4.3(e)(1) above, such notice shall be delivered not less than thirty (30) days before the date fixed for prepayment), specifying (A) the date of such prepayment, (B) the principal amount of the Notes to be prepaid on such date, and (C) the estimated accrued interest applicable to the prepayment. Notice of prepayment having been so given, the aggregate principal amount of the Notes specified in such notice, together with

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the accrued interest thereon and the Prepayment Premium applicable thereto shall become due and payable on the specified prepayment date.

(3) **Mandatory Prepayment.** Other than as provided in subsection 4.3(c) above and in Section 4.7 below, no mandatory prepayments of principal under the Notes are required of Borrower.

(4) **Prepayment Premium.** The "Prepayment Premium" applicable to principal under the Notes prepaid during any Note Year shall be an amount equal to the applicable Make-Whole Premium Amount. Any payment of the indebtedness evidenced by the Notes following acceleration of such indebtedness by the Holders upon an Event of Default hereunder shall be deemed to be a voluntary prepayment of such indebtedness by Borrower and shall be subject to the Prepayment Premium provided for hereunder. Notwithstanding the foregoing, if (i) Borrower obtains casualty insurance on the Timberlands, and if the proceeds of such casualty insurance are the source of any such prepayment, or (ii) if the source of any such prepayment is condemnation proceeds received with respect to a condemnation or similar taking of any portion of the Timber Property by any governmental authority, then no Prepayment Premium shall be payable with respect to such prepayment.

(f) **Late Payments.** Any payments required to be made with respect to the Notes (whether at maturity, upon acceleration or otherwise) which are not made when due shall bear interest at the Default Rate from the date such payment was due through the date such payment is received by the Holders.

4.4 Intentionally Deleted.

4.5 Intentionally Deleted.

4.6 **Application of Payments.** All payments made with respect to the Notes in accordance with the provisions of this Section 4 shall be applied ratably to all Notes then outstanding. All regular installment payments made on the Notes shall be applied first to any interest accrued to the date of such payment with the remainder applied toward principal. However, in connection with any optional or mandatory prepayment, payments shall be applied first to the then applicable Prepayment Premium, if any, next to any interest accrued on the principal being prepaid and the remainder applied toward the principal installments due on the Notes.

4.7 **Payments from Collateral Account.** With respect to monies deposited in the Collateral Account pursuant to Section 5.5, Section 5.6, Section 9.3 and Section 9.4 hereof, such monies, excluding any interest or earnings thereon, on deposit in the Collateral Account shall be disbursed from the Collateral Account on each Quarterly Payment Date as follows:

- (1) To pay the annual principal payment on the Notes, if then due; and then
- (2) To reduce the outstanding principal balance of the Notes, subject to the applicable Prepayment Premium.

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All interest and earnings on such monies held in the Collateral Account shall belong to Borrower and may, at Borrower option, be paid to Borrower or applied as against the Notes as set forth above; provided, if an Event of Default exists, all such earnings and interest shall be disbursed and applied in the same manner as the monies otherwise deposited into the Collateral Account.

SECTION 5. CUTTING RIGHTS; RELEASE PROVISIONS; PAYMENTS TO COLLATERAL AGENT.

So long as the 1992 Note or any of the Notes or remain outstanding, Borrower covenants that it will not, without the prior written consent of the Required Holders:

5.1 Cutting and Removal of Timber. Except for pre-commercial thinnings and cull tree removals performed in accordance with standard industry practices and except as provided in this Section 5, Borrower shall not cut or remove or permit the cutting or removal of any Timber without the prior written consent of the Required Holders.

5.2 Cutting Privileges.

(a) Subject to Section 5.3 hereof, Borrower shall have the privilege to cut and remove during calendar year 2001 and during each calendar year thereafter (each such calendar year being referred to herein as a "Cutting Year") a maximum volume of Merchantable Timber (the "Annual Allowable Cut"). Subject to Section 5.3, the Annual Allowable Cut for cutting year 2001 shall be 27MMBF, Scribner; and the Annual Allowable Cut for the calendar years 2002, 2003, 2004, and 2005 shall be 32.8MMBF, Scribner. Notwithstanding the foregoing, for the fraction of calendar year 2001 after the date of this Agreement and for the fraction of the calendar year in which the final payment of principal on the Notes is due, the permitted volume of cutting in any Category shall be proportionate to the number of days in such fractional calendar year (the permitted volume of cutting for such fractional calendar year shall be multiplied by a fraction, the numerator of which is the number of days in the fractional calendar year and the denominator of which is 365). For purposes of this Section 5.2 all Merchantable Timber otherwise cut, sold and conveyed by Borrower during any Cutting Year shall be deemed to have been cut and removed by Borrower hereunder. The Annual Allowable Cut shall be reduced by the excess volume of Timber cut or removed during the preceding Cutting Years pursuant to Section 5.5 hereof, unless and until Borrower deposits into the Collateral Account the amounts required under subsection 5.5(a) below with respect to such overcutting.

(b) After five (5) years, the Administrative Unit Values will be reset to reflect the then-existing market conditions. The Administrative Unit Values will be reset by (i) mutual agreement of Borrower and the Administrative Agent, or in the event an agreement cannot be reached, then by (ii) the product of one plus the percentage change in delivered log prices as described in Exhibit C attached hereto, times the original Administrative Unit Values. Price changes will be reflected in "Loglines", or its successor, or similar publication, and other relevant information, as required and mutually agreed upon. If no such mutually acceptable publication exists, then the Forestry Consultant will be retained at Borrower's expense to determine the Administrative Unit Value reset by multiplying the then current retail unit prices by 64.75%. If after the reset, the Administrative Unit Value increases, then some portion of the

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Timber Property may be released from the Mortgage, or the Borrower will have an additional borrowing base available due to increase in values. If, after the reset, the Administrative Unit Value has declined, Borrower will be required to provide additional unsecured timberlands to the Collateral or pay down the Notes such that the Loan to Value Ratio equals that prior to the reset.

(c) Borrower may, at its election, cut less than 100% of the volumes allowed during any Cutting Year (determined on a Category-by-Category basis) pursuant to subsection 5.2(a) above (hereinafter referred to as an "Under Cut"), and in such event, Borrower shall be permitted to cut, without penalty or payment, the remainder of such permitted volume (plus 4% annual growth) in any subsequent Cutting Year included within the five (5) year projected growth report used to establish the allowable volume of cutting for such Cutting Year.

(d) Prior to commencing any harvesting activities with respect to any Timber to be included within the Annual Allowable Cut for any Cutting Year, Borrower shall prepare and submit to the Administrative Agent an annual harvesting plan for such Cutting Year indicating, by plat, the area or areas to be harvested, which plan shall include an estimate of the Administrative Unit Values of Timber to be removed based upon the utilization limits and specifications set forth in this Agreement (the "Annual Harvesting Plan"). Once submitted for use by the Administrative Agent, the submitted Annual Harvesting Plan shall govern Borrower's harvesting activities during the applicable Cutting Year. During the year the Annual Harvest Plan may be revised by Borrower in response to changing conditions, such as weather conditions and market conditions; provided, that Borrower promptly notifies the Administrative Agent thereof. All prior and anticipated changes to the Annual Harvest Plan shall be reported in the semi-annual harvesting reports pursuant to Section 9.4 hereof.

5.3 Revision of Cutting Privileges.

(a) The Annual Allowable Cut may be periodically reviewed and adjusted from time to time by the Administrative Agent in its commercially reasonable discretion: (i) upon Collateral substitution; (ii) upon receipt of new or improved inventory information, (iii) as required to maintain a management strategy that is consistent with responsible sustainable forest management principles and practices, (iv) as needed to comply with any changes in applicable government laws or regulations, (v) to accommodate partial releases made which in the aggregate exceed 10% of the total Administrative Value of the Timberlands; and/or (vi) to obtain appropriate amortization in the event timber market conditions undergo significant adverse change which, if not adjusted for, would materially affect the value of the Collateral; provided, with respect to items (ii) and (iv) above to the extent new inventory or growth information, including, without limitation increased "set asides" in response to environmental or other regulations, or changes in the applicable laws affecting forest management, suggest or mandate a reduction of the commercially available sustained yield harvest is warranted, the Annual Allowable Cut will be reduced by the implied percentage reduction of the commercially available sustained yield.

(b) Borrower may not cut or remove any Timber if any Event of Default exists and is continuing.

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5.4 Timber Deemed Cut or Removed. Any Timber which is Destroyed Timber shall be deemed to have been cut or removed for purposes of determining the Annual Allowable Cut by Borrower during the calendar year in which it became Destroyed Timber, and accounted for in the semi-annual report required by Section 9.4 hereof; provided, any Timber which becomes Destroyed Timber on twenty-five (25) or less acres per occurrence shall not be deemed to have been cut or removed for purposes of determining the Annual Allowable Cut by Borrower during the calendar year in which it became Destroyed Timber nor shall it be reported in the semi-annual report required by Section 9.4 hereof. Borrower agrees that it will immediately notify Lender in writing of any damage to the Timberlands caused by fire, windstorm, condemnation, disease, infestation or other natural disaster affecting more than 100 acres of the Timberlands.

5.5 Excess Cutting or Removal.



(a) Subject to the provisions of Section 5.3 hereof, Borrower may cut or remove volumes of Merchantable Timber in excess of the volumes permitted under Section 5.2 hereof during any calendar year, provided Borrower deposits into the Collateral Account, in the manner provided for hereunder, an amount equal to the sum of the products obtained by multiplying (i) the differences between the volumes for each Category of Merchantable Timber actually cut and removed during any calendar year and the permitted volume for each such Category established pursuant to Section 5.2 for such calendar year, by (ii) the Administrative Unit Values of each such Category set forth in the following subsection (b).

(b) For purposes of determining the amount of payment to the Collateral Account for excess cutting or removal of Merchantable Timber during any calendar year, the Administrative Unit Values for each such category for the applicable calendar year shall be as indicated on Exhibit C.

(c) If at any time during a calendar year Borrower determines that it has cut or removed volumes of Merchantable Timber in any Category in excess of the volumes permitted under Section 5.2 hereof, Borrower shall immediately deliver written notice of such excess cutting to the Holders and, thereafter, shall deposit into the Collateral Account on a monthly basis the amounts required to be paid pursuant to subsection 5.5(b) hereof. The monthly payments into the Collateral Account required under this subsection 5.5(c) shall be made on or before the thirtieth (30th) day of the calendar month following the calendar month in which the overcutting to which such payments relate occurred.

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#### 5.6 Land Sales, Condemnation and Release Procedure.

(a) Subject to compliance with all provisions of this Section 5.6, and provided (i) no Event of Default exists and is continuing hereunder, and (ii) the Loan to Value Ratio is fifty percent (50%) or less before such sale, and will continue to be fifty percent (50%) or less after such sale, Borrower may, from time to time, sell portions of the Land, and the Holders shall release in the manner hereinafter provided such portions of the Land, and any Timber thereon, from the Lien of the Financing Documents; provided, that, in each case, Borrower shall deposit into the Collateral Account an amount equal to one hundred percent (100%) of the Total Administrative Value of the Land and Timber to be conveyed and released, as determined by Borrower as of the date of such sale and release; provided such Administrative Value shall at Administrative Agent's option be subject to independent verification by the Forestry Consultant of the accuracy of the information set forth therein; and provided further, however, any such deposits into the Collateral Account shall be subject to Section 4.3(e) above; and provided further, that such Total Administrative Value shall be adjusted to take into consideration the value of the Land and Timber being released and the impact, if any, of the release upon the overall security position of the Administrative Agent in the remaining encumbered Land and Timber as well as the amount of the outstanding, unpaid balance due under the Notes as of the date of such sale and release.

(b) Borrower shall promptly give notice to the Holders of any Condemnation. Any Condemnation shall be deemed to be a sale under (a) above and be governed by the requirements thereof.

(c) Unless otherwise agreed to by the Required the Holders, all requests for partial releases of Land and Timber pursuant to subsection (a) and (b) above shall:

(1) Be presented to the Administrative Agent in writing;

(2) Be accompanied by a copy of the contract or agreement of sale or condemnation documents for which such partial release is sought, certified as being a true and accurate copy thereof by the Borrower;

(3) Be accompanied by a legal description of the tract(s) or parcel(s) of Land for which the partial release of all or a portion is sought and include evidence reasonably satisfactory to the Administrative Agent that such partial release will not adversely affect access to any other tract or parcel of Land;

(4) If less than an entire contiguous tract is to be released, be accompanied by a plat of survey of the portion of the Timber Property to be released prepared by a reputable registered engineer or land surveyor reasonably acceptable to the Administrative Agent;

(5) Be accompanied by a report in all respects reasonably satisfactory to the Administrative Agent in its sole discretion stating (i) the acreages and volumes, as the case may be, of Land, Pre-Merchantable Timber, Sub-Merchantable Timber, and Merchantable Timber contained within that portion of the Timber Property for which the

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partial release is sought, (ii) the Total Administrative Value of that portion of the Timber Property to be released, (iii) the then estimated Total Administrative Value of the entire Timber Property, determined both before and after such release, and (iv) the then estimated value of any and all Buildings and other improvements located on that portion of the Timber Property to be released, which report, if not prepared by the Forestry Consultant, shall be subject to independent verification by the Administrative Agent of the accuracy of the information set forth therein;

(6) Be accompanied by an appropriate instrument of partial release in form and substance reasonably satisfactory to the Administrative Agent; and

(7) Be accompanied by a servicing fee payable to the Administrative Agent in the amount of \$500.00 for each "group" of requests for releases submitted by Borrower.

(8) Be accompanied by copies of the proposed deed of conveyance and related documentation (easements, restrictions, releases, etc.) by which the Timber Property is to be conveyed, which deed and related documentation shall be in form and substance reasonably acceptable to the Administrative Agent; and

(9) Be accompanied by a commitment from the Title Insurer to issue an endorsement to the Title Policy in favor of Administrative Agent which (i) reflects the release of such Timber Property from the lien of the Mortgage, (ii) confirms that the release of such Timber Property does not adversely affect the priority of the lien of the Mortgage with respect to the remaining Land and Timber covered by the Mortgages, and (iii) is otherwise in form and substance reasonably acceptable to the Administrative Agent.

Upon compliance by Borrower with the foregoing, the Administrative Agent shall, within thirty (30) days after receipt of such request, notify Borrower of its acceptance or rejection of the accompanying documents and, in the case of acceptance, acknowledge their agreement to execute and deliver to the Collateral Agent the partial release instrument simultaneously with the payment to Collateral Agent of the amount required to be paid into the Collateral Account in accordance with subsection (a) above; provided, the Administrative Agent shall not unreasonably withhold its acceptance under this Section 5.6(c). Borrower shall pay any and all reasonable costs and attorneys' fees incurred by the Administrative Agent in connection with any release or proposed release pursuant to the provisions of this section, including, without limitation, the servicing fee described in subsection (7) above. Borrower agrees that it will submit no more than 12 groups (for purposes of this section, a "group" consists of one or more requests for releases made simultaneously by Borrower to the Holders) of requests for releases to the Administrative Agent during any calendar year. Any sale of Timber pursuant to subsections 5.6 (a) and (b) above shall not be considered as part of Borrower's Annual Allowable Cut.

(d) If Borrower, whether voluntarily or by operation of law, sells or otherwise transfers the Timberland or any portion thereof, exceeding 100 acres, other than in the ordinary course of business, without the prior written consent of the Administrative Agent ("Improper

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Transfer"), the Administrative Agent, at its option, shall have the right to declare the Notes immediately due and payable; provided, however, if such Improper Transfer was unintentional and in good faith and did not transfer a material portion of the Timberland, Borrower shall have five (5) business days after discovery by either the Borrower or the Administrative Agent, to cure such Improper Transfer before the Administrative Agent has a right to declare the Notes immediately due and payable as a result of such Improper Transfer.

5.7 Cutting and Release Provisions Affected by Default. Notwithstanding any provision of this Agreement to the contrary, Borrower shall not be permitted (i) to cut any Timber on the Timberlands, or (ii) to sell to any Person any Land or standing Timber (or to request a partial release of the Mortgages with respect to any such Land and/or Timber) at any time during which an Event of Default shall exist under this Agreement.

5.8 Payments to Collateral Account. All payments to the Collateral Account shall be due as follows:

(a) With respect to payments required by Section 5.5 hereof relating to cutting of Merchantable Timber by Borrower in excess of permitted volumes, such payments shall be made on or before the thirtieth (30th) day of the calendar month following the calendar month in which such overcutting occurred.

(b) With respect to payments required by Section 5.6 hereof relating to sale of certain portions of the Timberlands by Borrower, such payments shall be made simultaneously with the delivery of the partial release document by the Administrative Agent to the Borrower releasing such Land sold from the lien of the Security Documents.

(c) With respect to payments required by subsection 9.3(b) hereof relating to deposits required of Borrower, such payments shall be made within fifteen (15) days following delivery of the certificates required of Borrower under such subsection; and with respect to the transfer of other unencumbered timber property or land owned by Borrower in lieu of such payments, Borrower shall, at the time of the delivery of the certificates required of Borrower under such subsection, provide Holders with reasonable assurances that such transfer shall be completed within forty-five (45) days of the date such certificate is delivered to Administrative Agent.

5.9 Third Party Restrictions. No contracts or agreements (whether written or oral) for the lease, sale, or disposition of timber wherein third parties are granted the privilege of entry upon the Timberland for cutting and removal of timber shall be made for a term (including renewal options) of more than twenty-four (24) months.

## SECTION 6. DEFAULTS – REMEDIES.

### 6.1 Nature of Events.

An "Event of Default" shall exist if any of the following occurs and is continuing:

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(a) Principal and Other Payments. Borrower fails to make any payment or prepayment of principal, Prepayment Premium or other sum owing on the Notes or pursuant to this Agreement or any other Financing Document within three (3) business days of the date such payment or prepayment is due;

(b) Interest Payments. Borrower fails to make any payment of interest owing on the Notes within three (3) business days of the date such payment is due;

(c) Breach of Particular Covenants. Borrower fails to comply with any covenant, agreement or obligation contained in Section 5 hereof, in Section 8 hereof, in Section 9.1 hereof or in the Indemnification Agreement and such failure continues for more than fifteen (15) days after the first to occur of Borrower's actual knowledge of such failure or notice from the Administrative Agent or any Holder of such failure; provided, however, if such failure is incapable of cure within a fifteen (15) day period and if Borrower shall have commenced such cure within said fifteen (15) day period and thereafter diligently pursues such cure, the period for effecting such cure shall be extended for an additional fifteen (15) day period.

(d) Other Defaults. Borrower fails to perform or observe any covenant, agreement, condition or provision of this Agreement or any other Financing Document (other than those which constitute an Event of Default under other subsections of this Section 6.1), and such failure continues for more than thirty (30) days after the first to occur of Borrower's actual knowledge of such failure or notice to Borrower from the Administrative Agent or any Holder of such failure; provided, however, if such failure is incapable of cure within a thirty (30) day period and if Borrower shall have commenced such cure within said thirty (30) day period and thereafter diligently pursues such cure, the period for effecting such cure shall be extended for an additional thirty (30) day period.

(e) Warranties or Representations. Any warranty, representation or other statement by or on behalf of Borrower contained in this Agreement, or any of the other Financing Documents, or in any instrument or document furnished by Borrower in compliance with or in reference to this Agreement or any

other Financing Document proves to be false or misleading in any material respect as of the date made;

(f) Default on Indebtedness. Borrower fails to make any payment of principal, premium or interest due on any indebtedness (other than indebtedness owing pursuant to the Financing Documents) representing obligations in excess of \$100,000 and such failure is continuing beyond any applicable grace period and not Contested in Good Faith;

(g) Undischarged Final Judgments. Final judgment or judgments for the payment of money aggregating in excess of \$100,000 is or are outstanding against Borrower and such judgments have been outstanding for more than 30 days from the date of entry and have not been discharged in full or are not stayed and Contested in Good Faith;

(h) Involuntary Bankruptcy Proceedings. A receiver, custodian, liquidator or trustee of Borrower, the Timber Property, the Collateral Account, or any other portion of the Collateral is appointed by court order and such order is consented to by Borrower, or remains in

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effect for more than 60 days after the commencement of such action; or an order for relief under any state or federal bankruptcy law is entered with respect to Borrower, or Borrower is adjudicated a bankrupt or insolvent; or the Timber Property, the Collateral Account or any substantial part of the Property of Borrower is sequestered by court order and such order is consented to by Borrower, or remains in effect for more than 60 days after the commencement of such action; or a petition is filed against Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days after such filing;

(i) Voluntary Petitions. Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of or any order for relief under any petition against it under any such law;

(j) Assignments for Benefit of Creditors, etc. Borrower makes an assignment for the benefit of its creditors, or admits in writing its inability, or fails, to pay his debts generally as they become due, or consents to the appointment of a receiver, conservator, custodian, liquidator or trustee of Borrower;

(k) Default in Related Documents. An "event of default" (as therein defined) shall exist under any Financing Document other than this Agreement and such default or event of default is not remedied within the applicable grace period (if any) and is not waived;

(l) Attachment. Borrower suffers a writ or warrant of attachment or any similar process to be issued by any court against the Timber Property, the Collateral Account, or any part of its Property having a fair market value of \$100,000 or more and such writ or warrant of attachment or any similar process is not released within 30 days after the commencement of such action or is not fully bonded and Contested in Good Faith; or

(m) Default in 1992 Loan. An "Event of Default" shall exist under either that certain Promissory Note dated April 29, 1992, made by Borrower in favor of John Hancock Mutual Life Insurance Company in the original amount of \$16,000,000, as amended by instruments dated May 25, 1993, December 19, 1995, and December 20, 1999, and instrument dated of even date herewith (such Promissory Note, as amended previously and as may be amended hereafter, is herein referred to as the "1992 Note"), or any instrument given to secure Borrower's payment or performance obligations under the 1992 Note, including, without limitation that certain Timberland Deed of Trust and Security Agreement with Assignment of Rents by and between Borrower, as Grantor, and John Hancock Mutual Life Insurance Company, as Beneficiary, dated April 29, 1992, and recorded on April 29, 1992, in volume 371, pages 237-332, Jefferson County, Washington official records, as amended by instrument recorded August 26, 1992, in Volume 385, Pages 204-206, Jefferson County, Washington official records, as amended by instrument recorded on June 14, 1993, in Volume 417, Pages 297-299, Jefferson County, Washington official records, as amended by instrument recorded on December 29, 1995, in Volume 542, Pages 447 and 448, Jefferson County, Washington official records, as amended by instrument recorded on December 30, 1999, in Volume 666, Pages 274-

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278, Jefferson County, Washington official records, and as amended and restated by instrument dated of even date herewith (such Deed of Trust, as amended previously and as may be amended hereafter, is herein referred to as the "1992 Deed of Trust").

## 6.2 Acceleration of Notes.

(a) Automatic Acceleration. If an Event of Default exists under Subsection 6.1(h) or (i), the principal and interest accrued on the Notes, together with the applicable Prepayment Premium (subject to any limitations in Section 11.5), shall automatically become forthwith due and payable, without any notice or action required by the Holders.

(b) Optional Acceleration. If any other Event of Default exists, the Required Holders, may declare the entire principal and all interest accrued on the Notes (or any of them) to be, and the Notes shall thereupon become, forthwith due and payable together with the applicable Prepayment Premium (subject to any limitations in Section 11.5) without presentment, demand, protest or other notice of any kind (including without limitation any notice of intent to accelerate maturity or any notice of acceleration of maturity), all of which are hereby expressly waived, and Borrower will forthwith pay to the Holders the entire principal balance of and interest accrued on the Notes as of the date of such declaration, together with the applicable Prepayment Premium.

## 6.3 Default Remedies.

(a) If an Event of Default exists, the Holders acting through the Administrative Agent, as agent for itself and the other Holders, may exercise all of the rights and remedies granted to the Holders under each of the other Financing Documents, and all of the rights and remedies herein conferred, it being expressly understood that no such remedy is intended to be exclusive of any other remedy or remedies; but each and every remedy shall be cumulative and shall be in addition to every other remedy given herein or now or hereafter existing at law or in equity or by statute, and may be exercised from time to time as often as may be deemed expedient by the Administrative Agent.

(b) If an Event of Default exists, the Administrative Agent may give notice to the Collateral Agent demanding that the Collateral Agent pay to the Holders the balance then in the Collateral Account, and upon receipt of such funds the Holders may apply the amounts so received toward the amounts owing in connection with the Financing Documents in the following order: first to the then applicable Prepayment Premium (it being agreed that, subject to the

limitations in Section 11.5, a Prepayment Premium shall be due and payable in connection with such funds if and to the extent that principal under the Notes is thereby prepaid), next to any interest accrued on the principal prepaid and the remainder applied toward the principal installments due on the Notes.

(c) If an Event of Default exists, each Holder, to the extent it may lawfully do so, may also, with or without proceeding with sale or foreclosure or demanding payment of its Note without further notice, appropriate and apply to the payment of the obligations secured hereunder any and all balances, credits, deposits, accounts, reserves, or other monies due or owing to

Borrower held by such Holder (the offset rights set forth in this subsection being expressly limited to the assets of Borrower and not to the assets of Borrower's constituent partners or members).

(d) All covenants, conditions, provisions, warranties, guaranties, indemnities and other undertakings of Borrower contained in this Agreement, or in any document referred to herein or in any agreement supplementary hereto or in any other Financing Documents, shall be deemed cumulative to and not in derogation or substitution of any of the terms, covenants, conditions, or agreements of Borrower contained herein.

#### 6.4 Other Enforcement Rights.

(a) The Administrative Agent may proceed to protect and enforce this Agreement, each other Financing Document and the Notes by suit or suits or proceedings in equity, at law or in bankruptcy, and whether for the specific performance of any covenant or agreement herein granted, or for foreclosure thereunder, or for the appointment of a receiver or receivers for the foreclosure thereunder, or for the appointment of a receiver or receivers for the Collateral or any part thereof, for the recovery of judgment for the indebtedness hereby secured or for the enforcement of any other proper legal or equitable remedy available under applicable law.

(b) In the event that an Event of Default has occurred and is continuing and there shall be pending any case or proceedings for the bankruptcy or for the reorganization or arrangement of Borrower under the federal bankruptcy laws or any other applicable law or in connection with the insolvency of Borrower or in the event that a custodian, receiver or trustee shall have been appointed for Borrower or the Collateral, or in the event of any other proceedings in respect of Borrower or the Collateral irrespective of whether the principal of the Notes shall then be due and payable as therein expressed, by proceedings for the payment thereof, by declaration or otherwise, the Holders shall be entitled and empowered to file and prove a claim for the whole amount of principal and interest, if any, owing and unpaid in respect of the Notes, and any other sum or sums owing thereon or pursuant thereto or hereto, and to collect and receive any monies or other property payable or deliverable on any such claim, and to distribute the same after the deduction of its charges and expenses; and any receiver, custodian, assignee or trustee in bankruptcy, trustee or debtor in reorganization or trustee or debtor in any proceedings for the adoption of an arrangement is hereby authorized by each Holder, by the acceptance of the Notes held by it to pay to each of the Holders any amount due it for compensation and expenses, including counsel fees, incurred by it up to the date of such distribution.

#### 6.5 Effect of Sale, etc.

(a) Subject to any rights of redemption and to the maximum extent permitted by law, any sale or sales pursuant to the provisions of any Financing Documents, whether under any power of sale granted thereby or pursuant to any legal proceedings, shall operate to divest Borrower of all right, title, interest, claim and demand whatsoever, either at law or in equity, of, in and to the Collateral, or any part thereof, so sold. At any such sale the Holders may bid for

and purchase the Collateral sold and may make payment therefor as set forth below, and the Holder so purchasing the Collateral upon compliance with the terms of sale, may hold, retain and dispose of such Collateral without further accountability.

(b) The receipt by any Holder, or by any Person authorized under any judicial proceedings to make any such sale, of the proceeds of any such sale shall be a sufficient discharge to any purchaser of the Collateral, or of any part thereof, sold as aforesaid; and no such purchaser shall be bound to see to the application of such proceeds, or be bound to inquire as to the authorization, necessity or propriety of any such sale. In the event that, at any such sale, any Holder is the successful purchaser, it shall be entitled, for the purpose of making settlement or payment, to use and apply the Notes by crediting thereon the amount apportionable and applicable thereto out of the net proceeds of such sale.

6.6 Delay or Omission; No Waiver; Expenses. No course of dealing on the part of the Holders nor any delay, omission or failure on the part of the Holders to exercise any right or power shall exhaust or impair such right or power or operate as a waiver of such right or power or prevent its exercise during the continuance of a default or otherwise prejudice the Holders' rights, powers and remedies. Every right and remedy given by this Agreement, by any other Financing Document or by law to any Holder may be exercised from time to time as often as may be deemed expedient without in any manner exhausting, impairing, waiving, preventing or otherwise prejudicing the Holders' other rights, powers and remedies. If Borrower fails to pay when due the principal or interest on the Notes, or fails to comply with any other provision of this Agreement or any other Financing Document, Borrower will pay to the Holders to the extent permitted by law, such further amounts as shall be sufficient to cover such reasonable costs and expenses, including but not limited to reasonable attorneys' fees, as may be incurred by such Holders in collecting any sums due on the Notes or in otherwise enforcing any of its rights.

6.7 Restoration of Rights and Remedies. If the Holders shall have instituted any proceeding to enforce any right or remedy under this Agreement or any other Financing Document and such proceeding shall have been continued or abandoned for any reason, or shall have been determined adversely to the Holders, then and in every such event, the Holders and Borrower shall, to the maximum extent permitted by law and subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder and thereunder, and thereafter rights and remedies of the Holders shall continue as though no such proceeding had been instituted.

6.8 Cumulative Remedies. No waiver by the Holders of any such default, whether such waiver be full or partial, shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom except as may be otherwise expressly provided herein. No remedy hereunder is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing nor shall the giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the indebtedness secured under this Agreement operate to prejudice, waive or affect the security of this Agreement or any rights, powers or remedies hereunder, nor shall the Holders be required to first look to, enforce or exhaust such other or additional security, collateral or guaranties.

6.9 Suits for Principal and Interest. Nothing in any provision of this Agreement or in the Notes or other Financing Documents shall affect or impair the obligation of Borrower, which is absolute and unconditional, to pay the principal of and interest, if any, on the Notes to the Holders on the dates when due, and in the manner provided for such payments, whether upon acceleration or otherwise, or affect or impair the right of action, which is also absolute and unconditional, of the Holders to institute suit to enforce such payment by virtue the contract embodied in the Notes.

6.10 Waiver by Borrower. To the extent it lawfully may do so, Borrower hereby covenants that it will not at any time insist upon or plead, or in any manner claim or take the benefit or advantage of, any stay (except in connection with a pending appeal), valuation, appraisal, or extension law now or at any time hereafter in force which, but for this waiver, might be applicable to any sale made under any judgment, order or decree based on the Notes or this Agreement or any other Financing Document; and, to the extent it lawfully may do so, Borrower hereby expressly waives and relinquishes all benefit and advantage of any and all such laws and hereby covenants that it will not hinder, delay or impede the execution of any power herein granted and delegated to any Holder, but it will suffer and permit the execution of every such power as though no such law or laws had been made or enacted.

## SECTION 7. AFFIRMATIVE COVENANTS.

Borrower covenants that on and after the date of initial issuance of the Notes, so long as any amounts due under the 1992 Note or any of the Notes are outstanding:

7.1 Payment of Taxes, Claims and Other Obligations. Borrower will pay or discharge, before they become delinquent and where the failure to pay or discharge such amounts will have a material adverse effect on the business, properties, operations, or financial condition of Borrower:

- (a) all taxes, assessments and governmental charges or levies imposed upon it or upon its income, profits or Property; and
- (b) all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons which, if unpaid, might result in the creation of a Lien upon its Property; and
- (c) all other Debt;

provided that items of the foregoing description (other than those owing to the Holders) need not be paid while they are being Contested in Good Faith.

7.2 Maintenance of Properties, Etc. Borrower will:

(a) Property. Maintain, preserve, protect and keep all of the Collateral in good condition and repair and in compliance in all material respects with all applicable laws, rules and regulations, and from time to time make all repairs, renewals and replacements needed to enable the business and operations carried on in connection therewith to be promptly and

advantageously conducted at all times; provided, however, that Borrower shall be permitted to dispose of equipment and other personal property in the ordinary course of Borrower's business of which Borrower has no further need;

- (b) Insurance. Maintain in full force and effect the policies of insurance described on Annex IV;
- (c) Financial Records. Keep true books of records and accounts in which full, true and correct entries will be made of all its business transactions, all in accordance with GAAP;

(d) Compliance with Law. Not be in violation of any law, ordinance or governmental rule and regulation to which the Collateral is subject, including specifically, without limitation, any Applicable Environmental Law, and will not fail to obtain any license, permit, franchise or other governmental authorization necessary to the ownership of the Collateral or to the conduct of his business in connection therewith, which violation or failure to obtain could reasonably be expected to materially and adversely affect the Collateral.

(e) Intentionally Omitted.

(f) Company Existence. Conduct continuously and actively its business, will keep in full force and effect its existence as a partnership in good standing under the laws of the state of its formation, and qualified to do business in the State of Washington and any other states in which it conducts business (except where failure to qualify would be immaterial), and make all such reports and pay all such franchise and license and similar taxes and fees and do all other such acts and things as may be necessary to maintain its rights, licenses, powers and franchises under the laws of the United States and the states and jurisdictions in which it does business, other than such matters which, if not done, would be immaterial.

7.3 Payment of Notes and Maintenance of Office. Borrower will punctually pay or cause to be paid the principal, interest and premium, if any, to become due in respect of the Notes according to the terms thereof. Borrower will maintain an office where notices, presentations and demands in respect of this Agreement or the Notes may be made upon it. Such office shall be maintained at the address specified for Borrower in or pursuant to Section 12 until 30 days after such time as Borrower shall notify the Holders of any change of location of such office. In the event Borrower shall fail to maintain any such office or agency (and this sentence shall not be deemed to waive such failure), such presentations may be made at the address specified for Borrower in or pursuant to Section 12.

7.4 Financial and Business Information. Borrower will deliver to the Administrative Agent:

(a) Financial Statements. Borrower shall furnish to the Administrative Agent as soon as practical after the end of each fiscal year, and in any event within ninety (90) days thereafter, financial statements for such year, including without limitation balance sheets, income statements and cashflow statements prepared in accordance with GAAP, which have been audited, at Borrower's expense, by an independent certified public accountant reasonably

acceptable to the Administrative Agent who is a member of the American Institute of Certified Public Accountants. Such audited financial statements shall be accompanied by a certificate of an officer of Borrower stating that he is familiar with the financial requirements of this Agreement, the Notes, the Mortgages and all other Financing Documents and that, after diligent inquiry, he is unaware of the existence of any Default or any Event of Default, or, alternatively, specifying the nature and period of any Default or any Event of Default of which he is aware. Borrower shall also furnish to the Administrative Agent as soon as practical after the end of each fiscal quarter of Borrower, and in any event within forty-five (45) days thereafter, quarterly, unaudited financial statements, including without limitation balance sheets, income statements and cashflow statements, prepared in accordance with GAAP, set forth in reasonable detail, using the same format and categories as the last audited financial statements and accompanied by a certificate of the chief financial officer of Borrower to the effect that such statements are true and correct in all material respects and reflect such matters as would be reflected in audited financial statements.

(b) Officer Certificate. Simultaneously with the delivery of the annual and quarterly financial statements required by subsection 7.4(a) above, the chief financial officer of Borrower shall execute and deliver to the Administrative Agent a certificate (supported by schedules showing all calculations necessary to determine Borrower's compliance with the provisions of the Financing Documents) stating that he is familiar with the financial requirements of this Agreement, the Notes, the Mortgages and all other Financing Documents and that, after diligent inquiry, he is unaware of the existence of any Default or Event of Default, or, alternatively, specifying the nature and period of any Default or any Event of Default of which he is aware.

(c) Other Data. With reasonable promptness, Borrower shall furnish to the Administrative Agent such additional financial or other data as the Administrative Agent may reasonably request.

7.5 Inspection. Borrower will permit the Administrative Agent and/or other representatives of the Required Holders to visit and inspect the Collateral, to examine all of its books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss Borrower's business affairs, finances and accounts with its officers and to cause all of their books of account, records, reports and other papers to be audited by independent public accountants selected by the Administrative Agent, all at such reasonable times and as often as may be reasonably requested; provided, however, absent an Event of Default, such audits shall be limited to once per year. The party or parties exercising the inspection and audit rights provided above will pay the fees and expenses of any officers, partners, employees, independent public accountants, attorneys or other advisers employed by such party or parties in connection with such inspection and/or audit; provided, however, that Borrower shall be required to pay any and all such fees and expenses relating to such inspection or audit performed by or on behalf of the Administrative Agent or any other representative of the Required Holders following a Default or Event of Default hereunder.

7.6 Agreement to Deliver Security Documents. Borrower agrees to deliver, to further secure the Notes whenever requested by the Administrative Agent in its reasonable discretion,

deeds of trust, mortgages, deeds to secure debt, chattel mortgages, security agreements, financing statements and other security documents in form and substance reasonably satisfactory to the Administrative Agent for the purpose of granting to, confirming, and perfecting in favor of the Holders, liens or security interests in any real or personal property which is at such time Collateral or which was intended to be Collateral pursuant to any security document previously executed.

7.7 Outstanding Environmental Issues. The Environmental Report is described in Exhibit B and except for the Port Gamble Environmental Issue, attached hereto as Exhibit B-1 is a schedule of certain environmental issues reflected in the Environmental Report, the legal requirements or actions to be taken with respect to each such issue, and the time within which such action must be completed (or the frequency with which such actions are to be taken). Borrower shall comply with the requirements and take the actions described in Exhibit B-1 within the time periods (or with the frequencies) therein described.

7.8 Intentionally Deleted.

7.9 Intentionally Omitted.

## SECTION 8. NEGATIVE COVENANTS.

So long as the 1992 Note or any of the Notes remain outstanding, Borrower covenants that it will not, without the prior written consent of the Required Holders:

8.1 Additional Liens. Place, incur, assume or suffer to exist, any Lien upon any of its Property, assets or revenues, whether now owned or hereafter acquired, except: (i) Liens pursuant to any Financing Document; (ii) Liens on the Property that secure the Debt under the Bank of America revolving line of credit; (iii) Liens existing on the date hereof and any renewals or extensions thereof, provided that the Property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 8.2 hereof; (iv) Ordinary Course Liens; and (v) Other Liens securing Debt in an aggregate principal amount not exceeding \$500,000 at any time. Notwithstanding anything herein to the contrary, under no circumstances shall Borrower place, incur, assume or suffer to exist, any Lien on the Timber Property, other than Ordinary Course Liens. Notwithstanding the foregoing, it is anticipated that there will be a need for additional financing as Borrower grows through acquisition. It is further anticipated that Borrower will utilize the security for this loan as equity in new acquisitions such that additional loans from John Hancock may be funded based on the Timberlands, up to a Loan to Administrative Value of 50%. To the extent Borrower has unencumbered timberlands, those lands may be used to secure additional loans, at a Loan to Administrative Value of not more than 50%, on terms similar to this financing, but taking into account then-current market conditions. Moreover, each such additional loan by John Hancock will be subject to approval of its investment committees at such later date as its principal terms are known.

8.2 Additional Debt. Create, incur, assume or suffer to exist any Debt, except: (i) Debt under the Financing Documents; (ii) Debt under the Bank of America revolving line of credit

and all other Debt outstanding on the date hereof and any refinancings, refundings, renewals or extensions thereof, provided that the amount of such Debt is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to the premium or other amount paid, and fees and

expenses incurred, in connection with such refinancing and by an amount equal to any utilized commitments thereunder; (iii) Ordinary Course Indebtedness; and (iv) Unsecured Debt in an aggregate principal amount not exceeding \$500,000 at any time.

8.3 Intentionally Omitted.

8.4 Cash Flow Coverage. Permit Borrower's Cash Flow Coverage Ratio to be less than 1.10 to 1.00 during: (i) the six months ending June 30, 2001, (ii) the three calendar quarter periods ending September 30, 2001, (iii) the four calendar quarter periods December 31, 2001, or (iv) any period of four (4) consecutive calendar quarters ending on or after March 31, 2002.

8.5 Distributions to Partners. Make any distributions of cash or other Property to any of its partners, or redeem any outstanding equity interest in Borrower, except in accordance with the provisions of this Section 8.5, as follows: So long as no Default or Event of Default shall exist hereunder either before or after such distribution, Borrower shall be permitted to distribute, on a cumulative, calendar year basis, to each of its partners, no more frequently than once per calendar quarter, fifty percent (50%) of Net Income, excluding distributions to pay the estimated federal and state income tax payable by each partner (or its constituent partners or members) on such partner's share of the taxable income of Borrower (as calculated for federal income tax purposes); provided, however, in no event shall such quarterly, cumulative distributions exceed seventy-five percent (75%) of Net Income on a calendar year basis; and provided further, that Borrower may not purchase, redeem or retire any outstanding partnership units if after giving effect to any such purchase, redemption, or retirement, Borrower would be in violation of any of the terms or covenants of this Agreement or the other Financing Statements. Prior to any such distribution, Borrower's chief financial officer shall prepare and deliver to the Administrative Agent a sworn certificate of distribution and a brief summary of the Borrower's methodology in establishing the amount of the dividends paid.

8.6 Intentionally Omitted.

8.7 No Transfers. Except as may be specifically permitted or provided for in this Agreement and except for the disposition of equipment and other personal property in the ordinary course of Borrower's business of which Borrower has no further need, Borrower shall not transfer, sell, lease, encumber, assign or convey or place restrictive covenants upon, or grant or create any legal, equitable or beneficial interest in, the Timber Property or any of the other Collateral, or any interest therein or any part thereof, whether as security, through the use of any kind of trust or otherwise.

8.8 Transactions with Affiliates. Borrower shall not conduct any transactions with an affiliate or related entity of Borrower unless such transaction is conducted on an "arms length" basis at terms no less favorable than what could be received in the market; provided, however, that the Borrower may provide or receive reasonable services to or from an affiliate or related entity in exchange for smaller compensation (including no compensation) than the Borrower or

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such affiliate or related entity would receive were it to perform comparable services in an arm's-length transaction for a person not affiliated with Borrower.

8.9 Purchase of Notes. Directly or indirectly, purchase or otherwise acquire, or offer to purchase or otherwise acquire or permit any Affiliate of Borrower to, directly or indirectly, purchase or otherwise acquire, or offer to purchase or otherwise acquire, any of the outstanding Notes except (i) by way of payment or prepayment in accordance with the provisions of the Notes and this Agreement, or (ii) pursuant to any identical offer made by the Borrower pro rata and on the same terms to each Holder of the Notes at the time outstanding.

8.10 Assignment. Assign its rights under this Agreement or any of the other Financing Documents to any other Person.

8.11 No Mergers. Enter into any merger, consolidation or other reorganization with any other Person, unless Borrower survives in substantially the same line of business with similar credit characteristics.

8.12 Subsidiaries; Collateral Ownership. Create, acquire or otherwise invest in any Affiliate or Subsidiary, or otherwise move, transfer or change the ownership of any of the Timber Property into an Affiliate or Subsidiary.

8.13 Intentionally Omitted.

8.14 Debt to Total Capitalization. Debt to Total Capitalization shall not exceed fifty percent (50%) on a market value basis, based on Borrower's Closing Unit Price at the end of each quarter, so long as Borrower is publicly traded.

8.15 Lease Obligations. Enter into any lease agreements of any type as lessee other than Permitted Leases.

SECTION 9. TIMBER COVENANTS AND PROVISIONS.

Borrower covenants that on and after the date of initial issuance of the Notes, so long as any amounts due under the 1992 Note or the Notes (or any of them) are outstanding:

9.1 Intentionally Omitted.

9.2 Timber Management. Borrower will operate the Timber Property for its highest and best use as such, having due regard to soil conditions, stand arrangements and other factors relevant to the conduct of sound silvicultural and harvesting practices. Borrower further covenants and agrees:

(a) Harvesting Operations and Thinning. All cutting, logging, and removal shall be completed in accordance with good forestry practices and shall be conducted in such a manner as to realize the greatest return from the individual tree and from the Collateral, to effect suitable utilization of the Timberland, and to foster the regeneration of the Timberland, if clearcut, or that all desirable trees which are not at the time being harvested, including young

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trees, shall be protected against unnecessary injury from felling, skidding, and hauling, and that all measures reasonably practicable shall be used to prevent soil erosion including the proper location of skidways and roads. In addition, Borrower shall comply in all material respects with all then current and applicable federal, state, and local laws, regulations, ordinances, and guidelines and policies concerning the harvesting of timber.

(b) Intentionally Omitted.

(c) Salvage. To the extent economically feasible, all trees which are dead, diseased, fallen or otherwise damaged by casualty or as a result of insect infestation, shall be salvaged and harvested in accordance with sound silvicultural practices and shall be reported in the semi-annual reports prepared in accordance with the provisions of Section 9.4 hereof.

(d) Fire Protection. All measures shall be taken which are reasonably necessary to protect the Land and the Timber thereon from loss by fire, which measures shall be at least equal to fire-control practices generally followed on timber-producing property in the same general area including the adoption of suitable prevention and control measures, proper disposal of slash and slabs, and full cooperation with local, state and federal agencies on matters of fire prevention control.

(e) Maintenance of Roads. Borrower shall maintain an adequate system of roads and roadways in such a manner as to permit access of mobile fire fighting equipment to all parts of the Timber Property in accordance with either recognized industry standards or in accordance with all state approved road maintenance plans.

(f) Regeneration. All reasonable measures shall be taken to ensure proper regeneration of Timber on the Timber Property, including the following: (i) all reforestation requirements imposed by state, local or federal laws, regulations or ordinances shall be complied with in all material respects, (ii) each clearcut area without adequate seed source for regeneration by natural means shall be site-prepared and replanted in accordance with industry standards. To the extent weather permits, all such clear-cut areas shall be site-prepared and replanted within twenty-four (24) months of such clear-cutting.

(g) Control of Disease and Insects. Borrower shall utilize sound silvicultural practices and take all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the timberland, including, but not limited to, the shifting of logging operations. to the extent economically feasible, to remove diseased or insect-infested trees and other trees threatened with disease or insect infestation, and all other such accepted forest sanitation and control measures as are necessary to prevent the development and spread of disease and insect infestation.

(h) Trespass. Prior to the commencement by Borrower of any harvesting, mining, or similar activities near any boundary line of the Timber Property, Borrower shall have said boundaries marked in order to prevent unauthorized harvesting from occurring. Borrower shall cause the Timber Property to be inspected periodically for the purpose of preventing the unauthorized cutting of Timber.

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(i) Contracts. No contracts or agreements (whether written or oral) for the lease, sale or disposition of Timber wherein third parties are granted the privilege of entry upon the Timber Property for cutting and removal of Timber or sale of all or part of the Timber Property for a term of more than twenty-four (24) months have been or shall be made without the prior written approval of the Administrative Agent.

### 9.3 Timber Cruises and Growth Studies; Escrow Deposits.

(a) Borrower shall cause to be prepared by the Forestry Consultant, and delivered to the Holders by March 31, 2006, a detailed report showing the results of a new Timber Cruise of all of the Land, the remaining Timber inventory (including the ages of Pre-Merchantable Timber and Sub-Merchantable Timber broken down into the number of acres by age class) and a Timber growth projection showing the projected annual Timber growth on the Land for each of the five (5) years immediately following the date of each such report. The report of the results of the Timber Cruise shall be in form reasonably satisfactory to the Administrative Agent and shall show shall show the volumes of each Category of Merchantable Timber and acreage of Pre-Merchantable Timber and Sub-Merchantable Timber on the Timberlands and the Total Administrative Value of the Timberlands, using the format and unit values set forth in Exhibit C. Any undercutting during the previous five-year period shall be included within the inventory for purposes of establishing the Annual Allowable Cut for the next five years.

(b) Upon completion of each such Timber Cruise required by subsection (a) above, Borrower shall prepare and deliver to the Holders, within ten (10) days following delivery by the Forestry Consultant of the report of such Timber Cruise, a certificate of Borrower's chief financial officer setting forth a calculation of the Loan to Value Ratio using the revised Total Administrative Value of the Timberlands set forth in the Forestry Consultant's report. If the Loan to Value Ratio thus established is in excess of fifty percent (50%), Borrower shall, within fifteen (15) days following the delivery of such certificate to the Holders, (i) deposit into the Collateral Account an amount which, if applied against the then outstanding principal balance of the Notes, would reduce the Loan to Value Ratio to fifty percent (50%) or less or (ii) transfer other unencumbered timber property or land owned by Borrower the Total Administrative Value of which, if applied against the then outstanding principal balance of the Notes, would reduce the Loan to Value Ratio to fifty percent (50%) or less;

9.4 Semi-Annual Cutting Reports; Escrow Deposits. Borrower shall furnish to the Administrative Agent, on or before (i) July 31 and of each calendar year with respect to the 6-month period ending on June 30 of the immediately preceding calendar year, and (ii) January 31 of each calendar year with respect to the 6-month period ending on December 31 of such calendar year, commencing with July 31, 2001, a report showing the following information for the immediately preceding semi-annual period: (i) the volumes of all Merchantable Timber, by Category, cut or removed from the Timberlands (including Timber deemed cut or removed under Section 5.4 hereof) with such volumes being calculated in accordance with the provisions of Section 9.6 hereof; (ii) the number of acres of the Land on which cutting in the form of final harvest and intermediate thinnings or cut to be held for sale was conducted, with the number of acres for each such form of cutting being separately stated and the location of the acreage for each such form of cutting being identified according to the

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description of parcels used in the Mortgages or by "Stand Numbers" corresponding to stand maps used to maintain the Timber Property; (iii) subject to the 25-acre de minimus exception contained in Section 5.4, a description of Destroyed Timber on the Timberlands (and, in the case of Destroyed Timber which is Pre-Merchantable Timber and Sub-Merchantable Timber, the acreage thereof for each Category of Pre-Merchantable Timber and Sub-Merchantable Timber) with the number of acres lost or destroyed by each cause being separately stated, the location of the acreage lost or destroyed by each cause being identified according to descriptions contained in the mortgages or by "Tract Numbers" corresponding to tract maps used to maintain the Timber Property, and the approximate date of destruction; (iv) the number of acres of the Land which were site-prepared and replanted, with their location being identified according to such descriptions; (v) a description of all improvements made on the Land (including, but not limited to, all buildings, forest roads and clearings or thinnings for sale other than for forestry purposes) and the acres affected by each such improvement, with the location of such improvements and acres being identified according to descriptions contained in the Mortgages or by "Tract Numbers" corresponding to tract maps used to maintain the Timber Property; and (vi) such other information as the



Administrative Agent may reasonably request from time to time with respect to the management of and activities on the Timber Property, and including a calculation of the Total Administrative Value of the Timberlands as of the end of such semi-annual period in the form attached hereto as Exhibit C. Borrower shall also furnish with each such report maps reasonably satisfactory to the Administrative Agent showing the location of the parcels on which the cutting, loss or destruction, site preparing and replanting and improvements reported on by Borrower occurred or were made. Reports may be prepared by Borrower's own foresters, but, in such case, the Administrative Agent shall have the option to have such reports verified by the Forestry Consultant at Borrower's expense, which verification may include investigation and observation of on-site conditions in a manner as complete as that required for an original report. Acreages reported in such reports may be estimated from aerial photographs, cruise maps or by other reasonable means, and need not be verified by survey. In the event of an over cut situation, the reporting requirements under this section 9.4(a) shall become a monthly requirement for the remaining calendar year.

9.5 Retaining Forestry Consultant. Borrower will, at the request of the Administrative Agent and at Borrower's sole cost and expense, employ the Forestry Consultant for the purposes of (i) developing, determining, and/or confirming the Annual Allowable Cut for each Cutting Year, and the growth assumptions in accordance with Exhibit C attached hereto, and analyzing and advising the Administrative Agent with respect to each Annual Harvest Plan submitted by Borrower pursuant to Section 5.2 above, (ii) monitoring general forest management activities required by this Agreement, (iii) making semi-annual inspections to verify the information set forth in the Semi-Annual Cutting Reports prepared by Borrower pursuant to Section 9.4 above, (iv) performing the Timber Cruise or auditing a Timber Cruise performed by another party as required by subsection 9.3(a), and (v) auditing inventory procedures and data, and performing ample field sampling to verify the reasonability of the timber volumes, age classes, and stand typing on the Timberlands, and/or (vi) performing such other services from time to time as the Administrative Agent may deem reasonably necessary or appropriate.

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9.6 Timber Categories and Calculations. For all purposes of this Agreement, "**Merchantable Timber**" means, and shall be classified by species, product and size in the following categories:

(a) Softwood Timber. "Softwood Timber" means Douglas fir, hemlock, cedar, pine and other species commonly utilized in the production of 'softwood' timber products. Merchantable Softwood Timber shall follow the Log Scaling and Grading Bureau guidelines, and shall be classified as:

- (i) HI-EX: High quality export logs, 16" or larger in small-end diameter, inside bark, with 8 growth rings or more per inch, containing at least 60 board feet.
- (ii) EX: Export logs, 8 inches or larger in small-end diameter, inside bark, scattered knots, defect of 10% or less, containing 50 board feet minimum.
- (iii) 2S: Domestic grade logs, 12 inches or larger in small-end diameter, inside bark, not suitable for above sorts, meeting Scaling Bureau requirements for number 2 saw logs, containing 50 board feet minimum.
- (iv) 3S: Domestic grade logs, 6 inches or larger in small-end diameter, inside bark, not suitable for above sorts, meeting Scaling Bureau requirements for number 3 saw logs, 50 board feet minimum.
- (v) CNS: Chip-n-Saw logs, 5 to 7 inches in small-end diameter, inside bark, scattered knots, not suitable for above sorts, 10 board feet minimum.
- (vi) PU: Pulpwood logs, 4 inches or larger in small-end diameter, inside bark, not suitable for above sorts. Must have at least 50% gross volume suitable for chipping, 10 board feet minimum.

(b) Hardwood Timber. "Hardwood Timber" means Red Alder, Maple and other species commonly utilized in the production of 'hardwood' timber products. Merchantable Hardwood Timber shall follow the Log Scaling and Grading Bureau guidelines, and shall be classified as:

- (i) SL: Domestic grade logs, 6 inches or larger in small-end diameter, inside bark, meeting Scaling Bureau requirements for number 3 saw logs, 50 board foot minimum.
- (ii) PU: Pulpwood logs, 4 to 6 inches in small-end diameter, inside bark, not suitable for SL. Must have at least 50% gross volume suitable for chipping, 10 board foot minimum.

9.7 Inspections. Each of the Forestry Consultant, the Administrative Agent, and other representatives of the Required Holders shall have the right at all reasonable times to enter upon

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and inspect the Timber Property, or any part thereof, and to inspect and review scaling slips and summaries to confirm Borrower's compliance with the terms and provisions of this Agreement.

9.8 Reasonableness. Borrower acknowledges the importance of the Collateral as security for payment of the Notes, and acknowledges that the protections afforded to the Holders pursuant to the Financing Documents are reasonable.

## SECTION 10. HAZARDOUS MATERIALS.

10.1 Definitions: Borrower and Holders agree that, for purposes of this Agreement, the following terms shall have the meaning herein specified:

(a) "Governmental Authority" shall mean the United States, the states, the counties, the cities, or any other political subdivision in which the Timber Property or any portion thereof is located, and any other political subdivision, agency, or instrumentality exercising jurisdiction over Borrower or the Timber Property.

(b) "Environmental Laws" shall mean all laws, ordinances, orders, interpretations, rules and regulations of any Governmental Authority applicable to Borrower or the Timber Property relating to the protection of human health or the environment from Hazardous Materials and pollution, including,

without limitation, RCRA and CERCLA (as hereinafter defined), the Toxic Substances Control Act, 15 U.S.C. Section 2601, *et seq.*, the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, *et seq.*, all as now or hereafter amended, as well as any comparable state law provisions.

(c) “Hazardous Materials” shall mean any of the following: (i) any “hazardous waste” as defined by the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Section 6901, *et seq.*), as amended from time to time, and regulations promulgated thereunder (“RCRA”); (ii) any “hazardous substance,” “pollutant” or “contaminant,” as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. Section 9601, *et seq.*), as amended from time to time, and regulations promulgated thereunder (“CERCLA”); (iii) asbestos (whether or not friable) and asbestos-containing materials; (iv) any volatile organic compounds, including oil and petroleum products; (v) any substances which because of their quantitative concentration, chemical, radioactive, flammable, explosive, infectious or other characteristics, constitute or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, including, without limitation, any polychlorinated biphenyls (PCBs), toxic metals, etchants, pickling and plating wastes, explosives, reactive metals and compounds, pesticides, herbicides, radon gas, urea formaldehyde foam insulation and chemical, biological and radioactive wastes; (vi) any other substance the presence of which on the Timber Property is prohibited by any Environmental Laws; and (vii) any other substance which by any Environmental Laws requires special handling or notification of any federal, state or local governmental entity in its collection, storage, treatment, or disposal.

(d) “Hazardous Materials Contamination” shall mean the contamination (whether presently existing or hereafter occurring) of the buildings, facilities, soil, groundwater, air or

other elements on or of the Timber Property by Hazardous Materials, or the contamination (whether presently existing or hereafter occurring) of any buildings, facilities, soil, groundwater, air or other elements on or of any other property as a result of Hazardous Materials at any time (whether before or after the effective date hereof) emanating from the Timber Property.

10.2 Borrower’s Warranties. Borrower hereby represents and warrants that:

(a) Borrower has obtained and delivered to Holders the Environmental Reports, and, except as may be disclosed in the Environmental Reports and except for the Port Gamble Environmental Issue, Borrower has no knowledge of any violations of any Environmental Laws applicable to the Timber Property.

(b) Except as disclosed in the Environmental Reports and except for the Port Gamble Environmental Issue, to the best knowledge of Borrower’s officers and key management personnel (“Borrower’s best knowledge”), after due inquiry, there have been no releases of Hazardous Materials either at, upon, under or within the Timber Property, and no Hazardous Materials have migrated to the Timber Property from neighboring properties.

(c) Except as disclosed in the Environmental Reports and except for the Port Gamble Environmental Issue, to Borrower’s best knowledge, no Hazardous Materials are located on or have been stored (except in such amounts and in such manner as permitted in accordance with all applicable laws), processed or disposed of on, or released or discharged from (including discharges to groundwater), the Timber Property or any other adjoining property in violation of any Environmental Laws, and, except as disclosed in the Environmental Reports, to Borrower’s best knowledge, no above or underground storage tanks exist on the Timber Property.

(d) Except as disclosed in the Environmental Reports and except for the Port Gamble Environmental Issue, to Borrower’s best knowledge, no notice has been issued by any Governmental Authority with respect to any release of Hazardous Materials at, upon, under or within the Timber Property, and to Borrower’s best knowledge, no investigation, administrative order, consent order and agreement, litigation or settlement with respect to Hazardous Materials or Hazardous Materials Contamination is proposed, threatened, anticipated or in existence with respect to the Timber Property. To Borrower’s best knowledge, no portion of the Timber Property is currently on, and has ever been on, any federal or state “Superfund” or “Superlien” list.

(e) Except as disclosed in the Environmental Report and except for the Port Gamble Environmental Issue, to Borrower’s best knowledge, there is no asbestos or asbestos-containing materials, PCBs, radon gas, or urea formaldehyde foam insulation at or within the Timber Property or the improvements located thereon.

(f) Borrower possesses all permits, licenses, registrations, and similar authorizations required to operate the Timber Property under Environmental Laws, which, if not obtained, could, either individually or in the aggregate, reasonably be expected to have a material and adverse effect on the business, prospects, profits or condition (financial or otherwise) of Borrower or the value of the Timber Property, and except as disclosed in the Environmental

Report and except for the Port Gamble Environmental Issue, to Borrower’s best knowledge, the Timber Property and all operations conducted thereon are currently in compliance with all Environmental Laws.

10.3 Borrower’s Covenants: Borrower hereby covenants and agrees as follows:

(a) Borrower shall not undertake, or authorize or permit any other person to undertake, any activity on the Timber Property which would cause (i) the Timber Property to be considered a hazardous waste treatment, storage or disposal facility as defined under any Environmental Laws; (ii) a release or threatened release of Hazardous Materials on or from the Timber Property in violation of any Environmental Laws; or (iii) the discharge of Hazardous Materials into any watercourse, surface or subsurface water or wetland, or the discharge into the atmosphere of any Hazardous Materials in each case requiring a permit under any Environmental Laws and for which no such permit has been issued.

(b) Borrower will strictly comply with all Environmental Laws, and except for the Port Gamble Environmental Issue, Borrower shall immediately notify the Holders in writing should Borrower’s officers or key management personnel become aware of (i) any release or threatened release of any petroleum products or other Hazardous Materials or the occurrence of any other environmental problem or liability on or with respect to the Timber Property in violation of any Environmental Laws which could subject Borrower, the Holders or the Timber Property to a claim under any Environmental Laws or to any restriction on ownership, occupancy, transferability or use of any portion of the Timber Property, (ii) any lien filed, action taken or notice given with respect to any such release, threatened release, environmental problem or liability, (iii) any notice given to Borrower from any tenant or other occupant of the Timber Property or from any other person with respect to any release or threatened release of Hazardous Materials, or (iv) the commencement of any litigation or threat

of litigation relating to any alleged release of any petroleum products or other Hazardous Materials or other environmental contamination, liability or problem with respect to or arising out of or in connection with any portion of the Timber Property. Borrower will deliver to the Administrative Agent any documentation or records the Administrative Agent may request and which are susceptible of being obtained by Borrower without undue cost or expense and without the necessity for initiating legal proceedings to obtain the same in connection with all such notices, inquiries, and communications, and shall advise the Administrative Agent of any subsequent developments.

(c) Except for the Port Gamble Environmental Issue, if at any time required by any Governmental Authorities, or if otherwise required to comply with the provisions of any applicable Environmental Laws, Borrower shall, at its own cost and expense, take all actions as shall be necessary or advisable for the clean-up of the Timber Property, including all removal, containment and remedial action in accordance with all applicable Environmental Laws, and shall further pay or cause to be paid at no expense to the Holders all clean-up, administrative, and enforcement costs of all Governmental Authorities or the parties protected by Environmental Laws which may be asserted against the Timber Property or any other property previously or subsequently owned or operated by Borrower or any affiliate of Borrower, the owner or operator thereof or a lienholder secured thereby. All costs (including, without limitation, those costs described above), damages, liabilities, losses, claims, expenses (including, without limitation,

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attorneys' fees and disbursements) which are incurred by the Holders with respect to the matters addressed in this section, without the requirement that the Holders wait for the ultimate outcome of any litigation, claim or other proceeding, shall be paid by Borrower to the Holders within ten (10) days after delivery of notice to Borrower from the Holders itemizing the amounts incurred to the effective date of such notice, with interest thereon from the date of payment by the Holders at the Default Rate. Until such amounts shall be paid by Borrower, they shall be added to and become a part of the Indebtedness secured hereby.

10.4 **Site Assessments:** Except for the Port Gamble Environmental Issue, in the event that the Administrative Agent at any time and from time to time, either prior to or after the occurrence of an Event of Default, reasonably believes that conditions may exist with respect to the Timber Property, or any part thereof, which could constitute a violation of any Environmental Laws and could reasonably be expected to threaten potential liability in excess of \$250,000, the Administrative Agent may contract for the services of persons (the "**Site Reviewers**") to perform environmental site assessments ("**Site Assessments**") on the Timber Property for the purpose of determining whether there in fact exists on the Timber Property any environmental condition which could reasonably be expected to result in any liability, cost or expense to the owner, occupier or operator of such Timber Property arising under any Environmental Laws. To the extent reasonably possible, the Administrative Agent shall limit the scope of any such Site Assessment to those portions of the Timber Property which the Administrative Agent believes are affected by an adverse environmental condition. The Site Reviewers are hereby authorized to enter upon the Timber Property for such purposes. The Site Reviewers are further authorized to perform both above and below ground testing for environmental damage or the presence of Hazardous Materials on the Timber Property and such other tests on the Timber Property as may be necessary to conduct the Site Assessments in the reasonable opinion of the Site Reviewers. Borrower will supply to the Site Reviewers such historical and operational information regarding the Timber Property as may be reasonably requested by the Site Reviewers to facilitate the Site Assessments and will make available for meetings with the Site Reviewers appropriate personnel having knowledge of such matters. So long as the Site Assessment establishes a material violation of an Environmental Law that could reasonably be expected to result in a potential liability in excess of \$250,000, the cost of performing such Site Assessment shall be paid by Borrower to the Administrative Agent within ten (10) days after notice to Borrower from the Administrative Agent itemizing the amounts incurred to the effective date of such notice, with interest thereon from the date of payment by the Administrative Agent at the Default Rate. Until such amounts shall be paid by Borrower, they will be added to and become a part of the indebtedness secured by the Mortgages.

10.5 **INDEMNIFICATION:** BORROWER HEREBY AGREES TO UNCONDITIONALLY AND ABSOLUTELY INDEMNIFY, DEFEND AND HOLD HARMLESS EACH OF THE INDEMNIFIED PARTIES (AS HEREINAFTER DEFINED) FROM AND AGAINST ANY AND ALL DAMAGES, LOSSES, LIABILITIES (INCLUDING STRICT LIABILITY), OBLIGATIONS, PENALTIES, CLAIMS, LITIGATION, DEMANDS, DEFENSES, JUDGMENTS, SUITS, PROCEEDINGS, FINES, COSTS, DISBURSEMENTS AND EXPENSES (INCLUDING, WITHOUT LIMITATION, ATTORNEYS' AND EXPERTS' FEES AND EXPENSES, CLEAN-UP COSTS, WASTE DISPOSAL COSTS AND OTHER SUCH SIMILAR COSTS), OF ANY KIND OR NATURE WHATSOEVER (HEREINAFTER

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COLLECTIVELY CALLED THE "**LOSSES**") WHICH MAY AT ANY TIME BE IMPOSED UPON, INCURRED BY OR ASSERTED OR AWARDED AGAINST ANY OF THE INDEMNIFIED PARTIES AND ARISING FROM ANY ENVIRONMENTAL MATTER DESCRIBED HEREIN OR IN THE INDEMNIFICATION AGREEMENT, INCLUDING, WITHOUT LIMITATION, MATTERS ARISING OUT OF ANY BREACH OF THE COVENANTS, REPRESENTATIONS AND WARRANTIES SET FORTH HEREIN AND IN THE INDEMNIFICATION AGREEMENT, WHETHER ANY SUCH MATTERS ARISE BEFORE, DURING OR AFTER ANY FORECLOSURE OF THE MORTGAGES OR OTHER TAKING OF TITLE TO ALL OR ANY PORTION OF THE TIMBER PROPERTY OR THE ENFORCEMENT OF ANY OTHER REMEDIES UNDER THE FINANCING DOCUMENTS, NOTWITHSTANDING THE CONCURRENT OR COMPARATIVE NEGLIGENCE OF ANY OF THE INDEMNIFIED PARTIES, BUT ONLY WITH RESPECT TO EVENTS OCCURRING PRIOR TO THE CUTOFF DATE. THE FOREGOING INDEMNIFICATION SHALL INCLUDE, BUT NOT BE LIMITED TO, INDEMNIFICATION FOR LOSSES ARISING OR RESULTING FROM (A) THE PRESENCE ON OR UNDER, OR THE ESCAPE, SEEPAGE, LEAKAGE, SPILLAGE, DISCHARGE, EMISSION OR RELEASE FROM THE TIMBER PROPERTY OF ANY HAZARDOUS MATERIALS (WHETHER OCCURRING BEFORE OR AFTER THE EFFECTIVE DATE HEREOF BUT PRIOR TO THE CUTOFF DATE), (B) ANY HAZARDOUS MATERIALS CONTAMINATION (WHETHER OCCURRING BEFORE OR AFTER THE EFFECTIVE DATE HEREOF BUT PRIOR TO THE CUTOFF DATE), (C) THE ENVIRONMENTAL CONDITION OF THE TIMBER PROPERTY AND ANY VIOLATION OF ANY ENVIRONMENTAL LAW WITH RESPECT TO THE TIMBER PROPERTY (WHETHER OCCURRING BEFORE OR AFTER THE EFFECTIVE DATE HEREOF BUT PRIOR TO THE CUTOFF DATE), AND/OR (D) THE APPLICABILITY OF ANY ENVIRONMENTAL LAWS RELATING TO HAZARDOUS MATERIALS (INCLUDING, WITHOUT LIMITATION, CERCLA OR ANY FEDERAL, STATE OR LOCAL SO-CALLED "SUPERFUND" OR "SUPERLIEN" LAWS, STATUTE, LAW, ORDINANCE, CODE, RULE, REGULATION, ORDER OR DECREE), REGARDLESS OF WHETHER OR NOT CAUSED BY OR WITHIN THE CONTROL OF BORROWER, AND NOTWITHSTANDING THE CONCURRENT OR COMPARATIVE NEGLIGENCE OF THE HOLDERS. The Indemnification Obligations and other covenants, warranties and representations contained in this Section 10 are in addition to, and not in lieu of, the Indemnification Obligations and other covenants, warranties and representations contained in the Indemnification Agreement. The representations, covenants, warranties and indemnifications contained in this Section 10 shall survive the foreclosure or release of the Mortgages as follows: (a) indefinitely after a foreclosure or the acceptance of a deed in lieu of foreclosure, the exercise by the Holders of any other remedies under the Financing Documents, the discharge of Indemnitor's obligations under any of the other Financing Documents, or any transfer of the Timber Property, even if, as a part of such foreclosure, deed in lieu of foreclosure or other enforcement action, the indebtedness evidenced by the Notes and secured by the Mortgages is satisfied in full, and (b) for a period of five (5) years after the voluntary release of the Mortgages in connection with the full satisfaction of such indebtedness which is not related to a foreclosure, deed in

lieu of foreclosure or other enforcement action. For purposes of this paragraph, the term “Indemnified Parties” shall refer collectively and severally to (a) any subsequent owner or holder of the Notes or the Mortgages, and (b) any officers, directors, shareholders, partners,

policyholders, employees, agents and attorneys of any of the persons or entities described in clauses (a) and (b) of this sentence. As used herein, the term “Cutoff Date” with respect to the Timber Property shall mean either (A) the date on which (i) the liens created by the Mortgages relating to the Timber Property are foreclosed (which for purposes of this Agreement shall include the acceptance of a deed in lieu of foreclosure with respect to the Timber Property) and (ii) Borrower shall have delivered possession of the Timber Property to the Holders or to the purchaser at any such foreclosure sale and shall have vacated the Timber Property, or (B) the date on which the Holders voluntarily release the liens created by the Mortgages with respect to the Timber Property. The limitations contained herein relating to the Cutoff Date are intended to relate solely to the occurrence of the event which gives rise to the indemnification obligation, not the date on which the Indemnified Parties discover that such event has occurred or the date on which the Indemnified Parties have a right to enforce the indemnification obligations of the Borrower. Notwithstanding the indemnification provisions of this Section 10.5, Borrower shall not be liable for losses caused solely by the actions of the Holders or others after the Cutoff Date.

10.6 Cure Violations of Environmental Laws: If Borrower fails to comply with the requirements of any Environmental Laws, the Administrative Agent shall have the right (but not the obligation) prior or subsequent to an Event of Default, to give such notices or cause such work to be performed at, upon, under or within the Timber Property, or to take any and all other actions as the Administrative Agent deems necessary, to cure said failure of compliance. All amounts paid or incurred by the Administrative Agent in the exercise of any such rights shall be paid by Borrower to the Administrative Agent within ten (10) days after notice to Borrower from the Administrative Agent itemizing the amounts incurred to the effective date of such notice, with interest thereon from the date of payment by the Administrative Agent at the Default Rate. Until such amounts shall be paid by Borrower, they shall be added to and become a part of the indebtedness evidenced and secured hereby and by the other Financing Documents.

## SECTION 11. INTERPRETATION OF THIS AGREEMENT.

11.1 Disclosure. Whenever the phrase “except as previously disclosed in writing” or any similar phrase is used herein, such phrase shall refer to matters expressly described or disclosed in a writing delivered to you, and shall not refer to matters described or disclosed in a document incorporated by a reference contained in any such writing unless a copy of such incorporated document is also delivered to you.

11.2 Governing Law. THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON AND APPLICABLE FEDERAL LAW.

11.3 Section Headings, Table of Contents and Construction. The titles of the Sections and the Table of Contents appear as a matter of convenience only, do not constitute a part of this Agreement and shall not affect the construction hereof. Each warranty, representation, condition or other provision contained in this Agreement shall be construed (absent an express contrary provision herein) as being independent of each other warranty, representation, condition or other provision contained herein, and compliance with any one warranty, representation, condition or

other provision shall not (absent such an express contrary provision) be deemed to excuse compliance with one or more other warranties, representations, conditions or other provisions.

11.4 Partial Invalidity. The unenforceability or invalidity of any provision or provisions of this Agreement shall not render any other provision or provisions herein contained unenforceable or invalid.

11.5 Limitation on Interest. It is expressly stipulated and agreed to be the intent of Borrower and the Holders at all times to comply with applicable Washington law governing the maximum rate or amount of interest payable on or in connection with the Financing Documents and the extension of credit evidenced by the Notes (the “Credit Extension”). If the applicable law is ever judicially interpreted so as to render usurious any amounts called for under any Financing Document, or contracted for, charged, taken, reserved or received with respect to the Credit Extension, or if acceleration of maturity of the Notes or if any prepayment by Borrower results in Borrower having paid any interest in excess of that permitted by applicable law, then it is Borrower’s and the Holders’ express intent that all excess amounts theretofore collected by the Holders be credited on the principal balances of the Notes (or, if the Notes have been or would thereby be paid in full, refunded to Borrower), and the provisions of the Financing Documents immediately be deemed reformed and the amounts thereafter collectible thereunder reduced, without the necessity of the execution of any new document, so as to comply with the applicable law, but so as to permit the recovery of the fullest amount otherwise called for under the Financing Documents. The right to accelerate maturity of the Notes does not include the right to accelerate any interest which is not otherwise accrued on the date of such acceleration, and the Holders do not intend to collect any unearned interest in the event of acceleration. If the Prepayment Premium payable upon acceleration of maturity of the Notes constitutes interest under applicable law, the amount of such Prepayment Premium, together with all other amounts which constitute interest under applicable law, will not exceed the maximum amount of interest which may be lawfully charged or received with respect to the Credit Extension for the actual period such Credit Extension is outstanding. All sums paid or agreed to be paid to the Holders for the use, forbearance or detention of the Credit Extension shall, to the extent permitted by applicable law, be amortized, prorated, allocated and spread throughout the full term of the Credit Extension until payment in full so that the rate or amount of interest on account of such Credit Extension does not exceed the applicable usury ceiling.

11.6 Exhibits.

All references herein to Exhibits or Annexes shall be to the Exhibits and Annexes attached to this Agreement unless the context otherwise requires reference to an exhibit or annex to another document. All Exhibits and Annexes attached to this Agreement are made a part hereof for all purposes.

## SECTION 12. MISCELLANEOUS.

12.1 Notices.

(a) Method; Address. All notices and communications required or permitted to be given under this Agreement shall be in writing and shall either be mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or delivered in person to the intended addressee, or sent by telecopier, prepaid telegram or telex, or sent by reliable express mail (such as Federal Express or U.S. Express Mail), and shall be addressed,

(1) if to you, at your address shown in Annex I to this Agreement, marked for attention as there indicated, or at such other address as you shall have furnished to Borrower in writing, or

(2) if to Borrower, at the following address:

Pope Resources  
19245 Tenth Avenue Northeast  
Poulsbo, WA 98370  
Attention: Mr. Thomas M. Ringo

With copies to:

Mr. Greg Adams  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688

or at such other address as Borrower shall have furnished in writing to the Administrative Agent.

(b) When Given. Any notice so mailed shall be deemed to be given and become effective three (3) days after deposit in the U.S. Mail. Any notice given in any other manner shall be deemed to be given and become effective only if and when actually received (or rejected) by the addressee.

#### 12.2 Reproduction of Documents.

This Agreement and all documents relating hereto, including, without limitation, (a) consents, waivers and modifications which may hereafter be executed, (b) documents received by you at the Closing of your purchase of the Notes (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to you, may be reproduced by you by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and you may destroy any original document so reproduced. Borrower agrees and stipulates that any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the

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original is in existence and whether or not such reproduction was made by you in the regular course of business) and that any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence.

12.3 Survival. All warranties, representations, certifications and covenants made by Borrower herein or in any written certificate or other written instrument delivered to you or a representative thereof by Borrower or on behalf of Borrower under this Agreement shall be considered to have been relied upon by you and shall survive the delivery to you of the Notes regardless of any investigation made by you or on your behalf. All statements in any such certificate or other instrument shall constitute warranties and representations hereunder.

12.4 Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties to this Agreement. The provisions of this Agreement are intended to be for the benefit of all the Holders, from time to time, of the Notes, and shall be enforceable by the Administrative Agent on behalf of any or all the Holders who acquire an interest in any one or more of the Notes in a transaction which does not violate the provisions of subsection 1.2(b) above.

#### 12.5 Amendments and Waiver.

(a) Requirements. This Agreement may be amended, and the observance of any term of this Agreement may be waived with (and only with) the written consent of Borrower and the Holders, as more particularly described in Section 13.7 below.

(b) Binding Effect. Any such amendment or waiver shall be binding upon the Holders and upon Borrower whether or not the Notes shall have been marked to indicate such amendment or waiver. No such amendment or waiver shall extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or any right consequent thereon.

12.6 Duplicate Originals; Execution in Counterpart. Two or more duplicate originals of this Agreement may be signed by the parties, each of which shall be an original but all of which together shall constitute one and the same instrument. This Agreement may be executed in one or more counterparts and will be effective when at least one counterpart has been executed by each party hereto, and each set of counterparts which, collectively, show execution by each party hereto shall constitute one duplicate original.

#### 12.7 Intentionally Deleted.

12.8 Entire Agreement. The Financing Documents constitute the entire agreement between Borrower and the Holders, and supersede all prior negotiations and agreements relating to the subject matter thereof.

12.9 Conflicts. If and to the extent the provisions of this Agreement conflict with or are inconsistent with any of the provisions of any other Financing Documents, the provisions of this Agreement shall control; provided that the parties agree that this Agreement and the other Financing Documents shall be interpreted and construed, to the fullest extent possible, so as not

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to be in conflict with each other, it being the intent of the parties that all provisions of this Agreement and the other Financing Documents shall be enforceable to the fullest extent possible.

12.10 No Personal Liability of General Partners. In any action brought to enforce the obligation of the maker of the Notes to pay the indebtedness evidenced by such Notes or to enforce the obligation of Borrower to pay any indebtedness or obligation created or arising under this Agreement, the Deed of Trust, or any Financing Statement any judgment or decree shall be enforceable against the General Partners of Borrower only to the extent of their interests in the Collateral, and any such judgment or decree shall not be subject to execution on, nor be a lien on, assets of such General Partners of Borrower other than their interests in the Collateral. The foregoing shall in no way otherwise affect the personal liability of Borrower.

### SECTION 13. APPOINTMENT, RIGHTS AND OBLIGATIONS OF THE ADMINISTRATIVE AGENT.

13.1 Appointment. The Holders, by their acceptance of the benefits of this Agreement, hereby irrevocably designate John Hancock as the initial Administrative Agent to act as specified herein. Each Holder hereby irrevocably authorizes, and each subsequent holder of any of the Notes by the acceptance of any such note shall be deemed irrevocably to authorize, the initial Administrative Agent to take such action on its behalf under the provisions of this Agreement and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of the Holders by the terms hereof and such other powers as are reasonably incidental thereto. The Administrative Agent may perform any of its duties hereunder by or through its agents or employees.

13.2 Nature of Duties. The Administrative Agent shall have no duties or responsibilities except those expressly set forth in this section. Neither the Administrative Agent nor any of its officers, directors, employees or agents shall be liable to the Holders for any action taken or omitted by it as agent hereunder or in connection herewith unless caused by its or their gross negligence or willful misconduct. The duties of the Administrative Agent shall be mechanical and administrative in nature; the Administrative Agent shall not have by reason of this Agreement a fiduciary relationship in respect of any Holder, and nothing in this Agreement, expressed or implied, is intended to or shall be so construed as to impose upon the Administrative Agent any obligations in respect of this Agreement except as expressly set forth in this section.

13.3 Lack of Reliance. Independently and without reliance upon the Administrative Agent, each Holder, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Borrower in connection with the indebtedness evidenced by the Notes and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of Borrower, and the Administrative Agent shall have no duty or responsibility, either initially or on a continuing basis, to provide any Holder with any credit or other information with respect thereto, whether coming into its possession before the purchase of any Notes, or at any time or times thereafter. The Administrative Agent shall not be responsible to any Holder for any recitals, statements, information, representations or warranties herein or in any document, certificate or

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other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Agreement or any of the other Financing Documents or the financial condition of the Borrower or be required to make any inquiry concerning either the performance or observance of any of the terms, provisions or conditions of this Agreement, or the financial condition of the Borrower or the existence or possible existence of any Event of Default.

13.4 Certain Rights of John Hancock. For purposes of this Agreement, the Holders holding at least sixty-six and two-thirds percent (66.67%) of the aggregate principal amount of the Notes at any one time shall be referred to collectively as the "**Required Holders**". If the Administrative Agent shall request instructions from the Required Holders with respect to any act or action (including failure to act) in connection with this Agreement, the Mortgages or any other Financing Document, the Administrative Agent shall be entitled to refrain from such act or taking such action unless and until it shall have received instructions from the Required Holders, and to the extent requested, appropriate indemnification in respect of actions to be taken; and the Administrative Agent shall not incur liability to any Person by reason of so refraining. Without limiting the foregoing, no Holder shall have any right of action whatsoever against the Administrative Agent as a result of the Administrative Agent acting or refraining from acting hereunder in accordance with the instructions of the Required Holders.

13.5 Reliance. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper Person or entity on behalf of any Holders, and, with respect to all legal matters pertaining to this Agreement and its duties hereunder, upon advice of counsel selected by it. Borrower shall be entitled to rely, and shall be fully protected in relying, on the fact that John Hancock is acting as Administrative Agent on behalf of the Holders until such time as Borrower shall have received a written notice from John Hancock stating that John Hancock is no longer acting in its capacity as Administrative Agent for the Holders and on the assumption that as Administrative Agent, John Hancock has received the requisite consent of the Required Holders for any acts it purports to take on their behalf.

#### 13.6 Note Assignment; Participation Interests.

(a) Each holder of Notes will not sell or otherwise transfer any Note to any Person other than an Institutional Accredited Investor; provided, if there is a Default or Event of Default, each holder of Notes shall have control over the disposition of all of its assets to the fullest extent required by applicable insurance law or other applicable law, and may sell to any Person. Upon any such sale such purchaser or assignee shall, upon compliance with the registration requirements of Section 1.2 above, become a Holder hereunder.

(b) Each Holder may, without the consent of the Borrower, sell participations to one or more banks or Institutional Investors in all or a portion of its rights and obligations under this Agreement and the other Financing Documents; provided, however, that (i) such Holder's obligations under this Agreement and the other Financing Documents shall remain unchanged, (ii) such Holder shall, *vis a vis* such participant, remain solely responsible to the other parties

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## ANNEX I.

SCHEDULE OF INFORMATION FOR PAYMENT AND NOTICES

JOHN HANCOCK LIFE INSURANCE COMPANY

JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY

1. All payments on account of Notes or other obligations in accordance with the provisions thereof shall be made by bank wire transfer in immediately available funds for credit, not later than 12 noon, Boston time, to:

Wire money to: Bank One, Illinois  
 ABA # 071100269  
 For credit to: John Hancock Champaign Service  
 Center- Mtg/Bond  
 Account # 617423603  
 Reference: Loan # 163908

2. Contemporaneously with the above wire transfer, advice setting forth:

- (1) the full name, interest rate and maturity date of the Notes or other obligations;  
 (2) allocation of payment between principal and interest and any special payment; and  
 (3) name and address of Bank from which wire transfer was sent shall be delivered or mailed to:

John Hancock Financial Services  
 Bond and Corporate Service Center  
 201 Knollwood Dr., Suite A  
 Champaign, IL 61820-7594  
 Attn: Accounting  
 Phone No. 217-356-6464  
 Facsimile No. 217-356-1031

with a copy to:

John Hancock Life Insurance Company  
 Bond and Corporate Finance Group  
 2520 Venture Oaks Way, Suite 120  
 Sacramento, CA 95833  
 Attn: C. Whitney Hill

3. All notices with respect to prepayments, both scheduled and unscheduled, whether partial or in full, and notice of maturity shall be delivered or mailed to:

John Hancock Financial Services  
 Bond and Corporate Service Center  
 201 Knollwood Dr., Suite A  
 Champaign, IL 61820-7594

Phone No. 217-356-6464  
 Facsimile No. 217-356-1031

with a copy to:

John Hancock Life Insurance Company  
 Bond and Corporate Finance Group  
 2520 Venture Oaks Way, Suite 120  
 Sacramento, CA 95833  
 Attn: C. Whitney Hill

and:

John Hancock Life Insurance Company  
 John Hancock Place  
 200 Clarendon Street  
 Boston, MA 02117  
 Attention: Investment Law Division, T-30



4. All other communications which shall include, but not be limited to, financial statements and certificates of compliance with financial covenants, shall be delivered or mailed to:

John Hancock Life Insurance Company  
John Hancock Place  
200 Clarendon Street  
P.O. Box 111  
Boston, MA 02117  
Attention: Bond and Corporate Finance Group T-57

with a copy to:

John Hancock Life Insurance Company  
Bond and Corporate Finance Group  
2520 Venture Oaks Way, Suite 120  
Sacramento, CA 95833  
Attention: C. Whitney Hill

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5. All Securities shall be registered in the name of John Hancock Life Insurance Company with respect to Notes F-1 and F-2 referenced on Annex VI and John Hancock Variable Life Insurance Company with respect to Note F-3 referenced on Annex VI.
6. Borrower's Tax I.D. No.: 91-1313292.

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## ANNEX II.

### DEFINED TERMS

As used in this Agreement, the following terms have the respective meanings set forth below or set forth in the Section of the Note Purchase Agreement following such term (all such definitions to be equally applicable to both the singular and plural forms of the terms defined):

Administrative Agent — initially John Hancock, and thereafter such Person as may be designated from time to time by the Holders to act as “Administrative Agent” hereunder.

Administrative Values — for each Category of the Land, the Pre-Merchantable Timber, Sub-Merchantable Timber and the Merchantable Timber, the value per unit (either acre or ton) as set forth in Exhibit C.

Affiliate — a Person which directly or indirectly through one or more intermediaries controls, or is controlled by, or is under common control with Borrower. The term “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

Agreement — this Note Purchase Agreement, as the same may be amended, supplemented, restated or assigned from time to time (subject to the consent required under Section 12.5 hereof).

Applicable Environmental Laws — any applicable laws pertaining to human health and/or the environment, including, without limitation, CERCLA, RCRA and the applicable provisions of any other laws of the United States of America and/or the State Washington dealing with similar matters, including specifically, without limitation, the “Environmental Laws” as defined in subsection 10.1(b) above.

Assets — anything owned or controlled by Borrower and any right or interest therein.

Borrower — POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, a Delaware limited partnership, and its permitted successors and assigns.

Business Day — a day other than a Saturday, a Sunday or a day on which national banks in Washington are closed for business.

Cash Flow Coverage Ratio —” means, as of any date of determination, the ratio of (a) EBITDA for the period of calculation *minus* internally financed capital expenditures made by Borrower and its subsidiaries during such period, to (b) the sum of (i) Interest Charges during such period *plus* (ii) all scheduled payments of principal with respect to Required Debt Service required to be made by Borrower and its subsidiaries during such period.

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Category — each of the categories of Land, Merchantable Timber, Pre-Merchantable Timber, and Sub-Merchantable Timber set forth on Exhibit C to this Agreement.

CERCLA — subsection 10.1(a).

Closing — Section 1.3(b).

Closing Date — Section 1.3(b).

Code — the Internal Revenue Code of 1986, as amended.

Collateral — the Timber Property, the Collateral Account, all other Property of Borrower described in the Financing Documents from time to time securing payment of the Notes, and all permits, governmental approvals, data, files, and computer software and hardware relating to the Timber Property.

Collateral Account — collectively, (i) the Collateral Account and all substitutions held by the Collateral Agent pursuant to the Collateral Agreement, (ii) any and all sums paid to or deposited with Collateral Agent pursuant to the provisions of the Collateral Agreement (the “Escrowed Funds”), (iii) any and all interest, dividends and other earnings on the Escrowed Funds, (iv) any and all instruments evidencing the Escrowed Funds, and (v) any and all substitutions therefor, increases thereto and proceeds thereof.

Collateral Agent — John Hancock or any successor approved by Borrower and the Administrative Agent.

Collateral Agreement — the Cash Pledge and Security Agreement dated of even date herewith between Borrower and the Holder, as same may be amended, restated, modified or assigned from time to time.

Condemnation — any taking of the Land or Timber on the Land or any interest therein under the exercise of the power of eminent domain, or any transfer of the Land or Timber, or any interest therein, by sale in lieu of the exercise of such power.

Contested in Good Faith — any claim, demand, levy, assessment or other matter shall for purposes of this Agreement be deemed to be “Contested in Good Faith” if: (i) no Event of Default exists hereunder at the time such contest is commenced or at any time during the pendency of such contest, (ii) such claim, demand, levy, assessment or matter is actively contested in good faith by appropriate proceedings in a manner not prejudicial to the Holders or the rights of the Holders hereunder or under the other Financing Documents, (iii) such contest (as opposed to the outcome of any such contest) could not reasonably be expected to have a material adverse effect on the Timberland or Borrower or its businesses, profits, or condition (financial or otherwise), (iv) where the amount being contested, if determined adversely to Borrower, would have a material adverse effect on Borrower, the Timberland, or Borrower’s business, Borrower, at its option, shall have either (A) established adequate book reserves with respect to the

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amounts contested, determined in accordance with GAAP, or (B) within five (5) days after written demand of the Holders either deposited funds with the Holders or obtained a bond in form and substance and with an issuing company acceptable to the Holders in an amount sufficient to cover any amount which may be owing in the event the contest is unsuccessful (the decision of whether to deposit funds or to deliver a bond being expressly reserved to the Borrower), and (v) such contest does not continue beyond the date on which the Timberlands or any of the other Collateral could be sold due to the nonpayment of the amount contested. In the case of any contest in respect of which a negative outcome could reasonably be expected to have a material adverse effect on the Timberland or Borrower or its businesses, profits, or condition (financial or otherwise), the appropriateness of the proceedings shall be supported by an opinion of the independent counsel responsible for such proceedings (which opinions need not predict the outcome of any such proceeding), which opinion shall be supplemented from time to time at the request of the Holders.

Credit Extension — Section 11.5.

Cutting Year — Section 5.2(a).

DBH — with respect to Timber, the Diameter Breast Height or the diameter of any tree as measured at a point four and one-half feet above the ground.

Debt — means, as to any Person at a particular time, all of the following: (a) all obligations of such Person for borrowed money; (b) any direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, surety bonds and similar instruments; (c) net obligations under any Swap Contract in an amount equal to (i) if such Swap Contract has been closed out, the termination value thereof, or (ii) if such Swap Contract has not been closed out, the mark-to-market value thereof determined on the basis of readily available quotations provided by any recognized dealer in such Swap Contract; (d) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse; (e) lease payment obligations under capital leases or synthetic lease obligations; (f) all Guaranty Obligations of such Person in respect of any of the foregoing; and (g) purchase money

indebtedness incurred solely to finance the payment of all or part of the purchase price of any equipment, software licenses, or other fixed assets acquired in the ordinary course of Borrower's business. For all purposes of this Agreement, the Debt of any Person shall include the Debt of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Debt is expressly made non-recourse to such Person except for customary exceptions acceptable to Required Holders.

Default — an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

Default Rate — an interest rate per annum equal to the lesser of (a) two percent (2%) over the interest rate applicable to the Notes from time to time, and (b) the highest rate per annum permitted to be charged in accordance with applicable law.

Destroyed Timber — Timber which is (i) cut or removed by any Person other than a Person authorized by Borrower, or (ii) which is lost, damaged or destroyed by fire, windstorm, disease, infestation, act of any Governmental Authority, war or third parties.

Disposal or Disposed — shall have the meaning specified in RCRA, provided in the event that RCRA is amended to broaden the meaning of this term such broader meaning shall apply subsequent to the effective date of such amendment and provided further to the extent that the laws of the State of Washington establish a meaning for "disposal" which is broader than that specified in RCRA, such broader meaning shall apply.

Environmental Reports — the environmental site assessment or assessments more particularly identified and described on Exhibit B attached hereto and incorporated herein by this reference.

EBITDA - - means, for any period, for Borrower and its subsidiaries on a consolidated basis, an amount equal to the sum of (a) Net Income, (b) Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Net Income, (d) the amount of depreciation, amortization, and depletion expense deducted in determining such Net Income, and (e) the cost basis of land sold.

ERISA — the Employee Retirement Income and Security Act of 1974, as amended.

Event of Default — Section 6.1.

Financing Documents — this Agreement, the Notes, the 1992 Note, the Mortgages, the Indemnification Agreement, the Collateral Agreement, the Financing Statements and all other documents or instruments executed and delivered in connection with this Agreement or the indebtedness evidenced by the Notes and secured by the Mortgages, as from time to time modified, amended, restated or supplemented, and all other documents and instruments executed and delivered in connection therewith.

Financing Statements — collectively, the UCC-1 Financing Statements required by the Administrative Agent to be executed by Borrower and filed in the appropriate state and county offices to perfect the Holders' security interest in those portions of the Collateral consisting of personal property.

Fiscal Year — means a twelve-month period ending on December 31 of any year.

Forestry Consultant — initially Atterbury Consultants, Inc., or such other forestry consultants selected by the Administrative Agent and approved by Borrower, which approval will not be unreasonably withheld.

GAAP — such accounting principles as conform at the time to the generally accepted accounting principles announced by the Financial Accounting Standards Board or its equivalent, consistently applied and maintained throughout the period indicated.

Good Title — good, marketable and insurable title to real property (in fee simple unless a different estate is expressly called for), and good and marketable title to personal property.

Governmental Authority — subsection 10.1(a).

Guaranty Obligation — means, as to any Person, any (a) guaranty by such Person of Debt of, or other obligation payable or performable by, any other Person or (b) assurance, agreement, letter of responsibility, letter of awareness, undertaking or arrangement given by such Person to an obligee of any other Person with respect to the payment or performance of an obligation by, or the financial condition of, such other Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any "keep-well" or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Guaranty Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, covered by such Guaranty Obligation or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith.

Hardwood Timber — Section 9.6.

Hazardous Materials — subsection 10.1(c).

Holder — initially, John Hancock and the initial Holders listed on Annex VI hereof, and thereafter, collectively, any and all owners and holders of the Notes at the applicable time, including their successors and assigns.

Indemnification Agreement — the Indemnification Agreement of even date herewith executed by Borrower in favor of the Holders, as same may be amended, modified, restated and assigned from time to time.

Institutional Accredited Investor — is an Institutional Investor that is an accredited

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investor within the meaning of Rule 501(a)(7) under the Securities Act of 1933, as amended.

Institutional Investor — any insurance company, pension fund, mutual fund, investment company, bank, savings bank, savings and loan association, investment banking company, trust company or any finance or credit company, any portfolio or any investment fund managed by any of the foregoing, or any other similar institutional investor, and any nominee of any of the foregoing.

Interest Charges - means, for any period, for Borrower and its subsidiaries on a consolidated basis, the sum of (a) all interest, premium payments, fees, charges and related expenses of Borrower and its subsidiaries in connection with Required Debt Service (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of Borrower and its subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

John Hancock — John Hancock Life Insurance Company, a Massachusetts corporation.

Land — the tracts of land covered by the Mortgages at the applicable time.

Lien — with respect to Property, any right or interest therein of a creditor to secure Debt owed to him or any other arrangement with such creditor (i) which provides for the payment of such Debt out of such Property or (ii) which allows him to have such Debt satisfied out of such Property, in either case prior to the general creditors of any owner thereof, including without limitation any lien, mortgage, deed to secure debt, deed of trust, assignment of production, security interest, pledge, deposit, production payment, rights of a vendor under any title retention or conditional sale agreement or lease substantially equivalent thereto, or any other charge or encumbrance for security purposes, whether arising by law or agreement or otherwise, but excluding any right of offset which arises in the ordinary course of business.

Loan to Value Ratio — at any time, the fraction, expressed as a percentage, determined by (i) subtracting the then current balance in the Collateral Account from the aggregate outstanding principal balances of the Notes, and then (ii) dividing the amount determined in accordance with clause (i) hereof by the Total Administrative Value of the Timberlands.

Make-Whole Premium Amount — as defined in Annex V.

Maturity Date — subsection 4.3(d).

Merchantable Timber — as defined in Section 9.6.

Mortgages — collectively and severally, the mortgages, deeds of trust and/or deeds to secure debt of even date herewith from Borrower to John Hancock, as agent for the

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Holder, and the mortgages, deeds of trust and/or deeds to secure the 1992 Note, including, without limitation the 1992 Deed of Trust, which are more particularly described on Exhibit F attached hereto and incorporated herein by this reference covering, among other things, Borrower's interest in the Timber Property, as same may from time to time be modified, amended, renewed, restated or assigned pursuant to the terms hereof and thereof.

Net Income — the net income (or net loss) of Borrower for the period in question determined in accordance with GAAP.

Notes — Section 1.1.

Note Year — the periods of 12 calendar months commencing on January 1 of each calendar year, except that the first Note Year shall commence on the date of issuance of the Notes and end on December 31, 2001.

Ordinary Course Indebtedness — means (a) intercompany Guaranty Obligations of Borrower or any subsidiaries guarantying Debt otherwise permitted hereunder of Borrower or any subsidiary; (b) Debt arising from the honoring of a check, draft or similar instrument against insufficient funds; (c) obligations in respect of Swap Contracts; (d) trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for a period of more than 60 days; and (e) deferred taxes.

Ordinary Course Liens - means: (a) Liens for taxes not yet due or which are being Contested in Good Faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP; (b) carriers', warehousemen's, mechanics', loggers', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being Contested in Good Faith and by appropriate proceedings, if

adequate reserves with respect thereto are maintained on the books of the applicable Person; (c) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation; (d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business; (e) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and (f) attachment, judgment or other similar Liens arising in connection with litigation or other legal proceedings (and not otherwise a Default hereunder) in the ordinary course of business that is currently being Contested in Good Faith by appropriate proceedings and adequate reserves have been set aside and no material property is subject to a material risk of loss or forfeiture.

Partnership Agreement - that certain Partnership Agreement of Borrower dated November 7, 1985, as the same may be amended, restated or modified from time to time.

Payment Date — any scheduled date upon which an installment of principal, interest, or both, is due and payable by Borrower to the Holders under the Notes pursuant to the provisions of this Agreement.

Permitted Leases — collectively and severally, leases entered into by Borrower for equipment, software licenses or other fixed assets in the ordinary course of Borrower's business, but only to the extent that the annual lease payments due under such leases, do not exceed \$2,000,000 in the aggregate.

Person — an individual, general partnership, limited partnership, limited liability company, corporation, trust, unincorporated organization, government, governmental agency or governmental subdivision, including, without limitation Borrower.

Port Gamble Environmental Issue — means the contamination of Borrower's property at Port Gamble, Washington, which is the subject of ongoing inquiry and oversight by the State of Washington Department of Ecology and remediation activity of Borrower and Pope & Talbot, Inc., and for which (1) based on information obtained to date, the cost of remediation of the Port Gamble site is estimated by outside consultants to be \$10-12 million; (2) Borrower is continuing to negotiate liability issues with Pope & Talbot, Inc., with a current best estimate of net cost to Borrower of \$2-3 million; and (3) a total of \$2 million has been reserved in the 2000 financial statements of Borrower.

Pre-Merchantable Timber — at any time, softwood timber stands less than 30 years old, at such time.

Prepayment Premium — Section 4.3(e).

Property — any interest of Borrower in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible, including without limitation the Timber Property.

Quarterly Payment Date — in each case, the first (1st) day of January, April, July and October during each calendar year

RCRA — Resource Conservation and Recovery Act of 1976, as amended by the Used Oil Recycling Act of 1980, the Solid Waste Disposal Act Amendments of 1980, and the Hazardous and Solid Waste Amendments of 1984, as amended.

Release or Released — shall have the meaning specified in CERCLA, provided in the event that CERCLA is amended to broaden the meaning of this term such broader meaning shall apply subsequent to the effective date of such amendment and provided further to the extent that the laws of the State of Washington establish a meaning for "release" which is broader than that specified in CERCLA, such broader meaning shall apply.

Required Debt Service — means, as of any date of determination, for Borrower and its subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations and liabilities, whether current or long-term, for borrowed money (including obligations hereunder), (b) that portion of obligations with respect to capital leases that are capitalized in the consolidated balance sheet of Borrower and its subsidiaries, and (c) without duplication, all Guaranty Obligations with respect to Debt of the type specified in subsections (a) and (b) above of Persons other than Borrower or any subsidiary.

Required Holders — Section 13.4.

Security — shall have the same meaning as in Section 2(1) of the Securities Act of 1933, as amended.

Softwood Timber — Section 9.6.

Solid Waste — shall have the meaning specified in RCRA, provided in the event that RCRA is amended to broaden the meaning of this term such broader meaning shall apply subsequent to the effective date of such amendment and provided further to the extent that the laws of the State of Washington establish such a meaning for "solid waste" which is broader than that specified in RCRA, such broader meaning shall apply.

Sub-Merchantable Timber — Timber stands which are more than 30 but less than 45 years old.

Subsidiary — any corporation or other legal entity in which a majority of the securities (stock, partnership interests, etc.) which have voting power are controlled by Borrower. For the purpose of this Agreement, a corporation or other legal entity in which a majority of the securities which have voting power are owned by a Subsidiary, as defined in the preceding sentence, shall also be deemed to be a Subsidiary.

Swap Contract — means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a

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“Master Agreement”), including any such obligations or liabilities under any Master Agreement.

Timber — all timber and trees now or hereafter standing or lying or planted or growing on or in the Timber Property, and all timber and trees which may be severed from the Timber Property in which Borrower maintains an ownership or other legal or equitable interest, including, without limitation, all Sub-Merchantable Timber and Pre-Merchantable Timber.

Timber Cruise — an estimation of Pre-Merchantable Timber, Sub-Merchantable Timber, and Merchantable Timber quantities and conditions performed in accordance with the specifications set forth on Exhibit E attached hereto.

Timber Property or Timberlands — approximately 70,000 acres of timberland located in Mason, Kitsap, Clallam, and Jefferson Counties, Washington, more particularly described in Exhibit D attached hereto and incorporated herein by this reference and the property presently encumbered by the 1992 Deed of Trust, and commonly known as the Hood Canal Tree Farm. The Timber Property is further described in the map attached hereto as Exhibit G. Following any sale or release pursuant to the provisions of Section 5 hereof, the term Timberlands or Timber Property shall thereafter exclude the Land and Timber so released.

Title Insurer — initially Lawyer’s Title Insurance Company of Virginia and thereafter such title company as may be selected by Borrower and reasonably acceptable to the Administrative Agent, or in the absence of an Administrative Agent, the Required Holders.

Title Policies — The Mortgagee Policy of Title Insurance in the amount of \$30,000,000 issued by Title Insurer insuring that liens on the Timber Property are first and prior liens and containing exceptions approved by the Administrative Agent.

Title Reinsurance — collectively, facultative Reinsurance Agreements between Title Insurer and Title Reinsurers to which secondary liability under the Title Policy is ceded to and assumed by the Title Reinsurers.

Title Reinsurers — those title insurance companies more particularly described on Exhibit G attached hereto and incorporated herein by this reference.

Total Administrative Value — at any time and with respect to that portion of the Timberlands for which such value is being calculated, the sum of: (i) for each Category of Land set forth on Exhibit C hereto, the number of acres of Land in such Category multiplied by the specified Administrative Value per acre for such Category; (ii) for each Category of Pre-Merchantable Timber set forth on Exhibit C hereto, the number of acres in such Category multiplied by the specified Administrative Value per acre for such Category; (iii) for each Category of Sub-Merchantable Timber set forth on Exhibit C hereto, the number of acres in such Category multiplied by the specified Administrative Value per acre for such Category; plus (iv) for each Category of Merchantable Timber set

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forth on Exhibit C hereto, the volumes of Timber in such Category multiplied by the specified Administrative Value per ton for such Category.

Total Capitalization — means Debt, plus Borrower’s Unit Price at the end of each quarter in question, multiplied by the number of units outstanding.

Under Cut — subsection 5.2(c).

Unit Price — means a dollar amount equal to the average (rounded to the nearest penny) of the close bid and ask prices (per partnership unit) of Borrower’s partnership units on the NASDAQ national market system during such quarter, as reported in the Wall Street Journal.

## ANNEX III.

FORM OF NOTES**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP****POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

Class A Fixed Rate Senior Secured Note,

due April 1, 2011

\$ \_\_\_\_\_

Poulsbo, Washington  
March 29, 2001

1. **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**, a Delaware limited partnership (herein, together with successors and assigns, called "Maker"), for value received, hereby promises to pay to **JOHN HANCOCK LIFE INSURANCE COMPANY**, a Massachusetts corporation (herein, together with each subsequent owner and holder of this Note, called "**Payee**"), the principal sum of \_\_\_\_\_ and NO/100 DOLLARS (\$ \_\_\_\_\_), together with interest on the unpaid principal balance from time to time outstanding hereunder from the date hereof to maturity (except as hereinafter provided) at the rate of 7.63 % per annum and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) at the "Default Rate" provided for under the Agreement (as hereinafter defined).

2. This Class A Fixed Rate Senior Secured Note (this Note, as it may be amended, restated, or modified hereafter is herein referred to as this "Note") is issued under that certain Note Purchase Agreement (as amended, modified, supplemented or restated from time to time, the "**Agreement**") dated of even date herewith made by and between Maker, Payee, and the other Holders, as defined in the Agreement, and is entitled to the benefits thereof. The Agreement also provides for the issuance by Maker to Payee of Class A Fixed Rate Senior Secured Notes (including this Note) of even date herewith in the aggregate principal amount of \$30,000,000 (said Notes, including this Note, as may be amended, restated, or modified hereafter are collectively referred to herein as the "Fixed Rate Notes"). As provided in the Agreement, this Note is subject to regular monthly payments of interest beginning May 1, 2001, annual payments of principal beginning April 1, 2002, and optional and mandatory prepayments, as specified in the Agreement. Maker agrees to make required payments on account of this Note in accordance with the provisions of the Agreement, including, without limitation Section 4 thereof. The Fixed Rate Notes, including this Note, are secured as set forth in the Agreement. In connection with principal prepayments the Agreement requires the Maker to pay a prepayment premium under certain circumstances.

3. Each "Event of Default" under the Agreement shall be deemed an event of default under this Note.

4. Under certain circumstances, as specified in the Agreement, the principal and accrued interest of this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

5. Limitations on the rate and amount of interest payable pursuant to this Note are contained in Section 11.5 of the Agreement.

6. Maker is liable for the payment of attorneys fees and collection costs to the Payee in accordance with Section 6.6 of the Agreement.

7. Maker hereby waives notice (including without limitation notice of intention to accelerate maturity, notice of acceleration of maturity, notice of nonpayment and notice of protest), demand, presentment for payment, protest, bringing of suit and diligence in taking any action to collect amounts owing hereunder or in proceeding against any of the rights and properties securing payment hereof, and is directly and primarily liable for the amount of all sums owing or to be owing hereon. Maker agrees that the time for payments hereunder may be extended from time to time without notice, and consents to the acceptance of further security or the release of any existing security for this Note without in any manner affecting Maker's liability with respect to this Note. Maker agrees that its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note.

8. Section 12.10 of the Agreement sets forth an exoneration of the general partners of the Maker from personal liability for the indebtedness evidenced by this Note.

9. THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

By: Pope MPG, Inc., a Delaware corporation,  
its managing partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**ANNEX IV.**

**INSURANCE REQUIREMENTS**

Commercial General Liability Insurance with Borrower as the named insured and the Holders as additional insureds on a primary and noncontributory basis in commercially reasonable amounts and terms and issued by an insurer or insurers reasonably satisfactory to the Holders. A portion of such insurance coverage may be maintained in the form of an excess liability (umbrella) policy. Certificates of insurance and, if the Holders so request, certified copies of the insurance policies, shall be delivered to the Holders no less than 15 days prior to the expiration of the then current policies.

**ANNEX V.**

**MAKE-WHOLE PREMIUM AMOUNT**

In the event of any optional prepayment of the Notes, or acceleration of maturity of the Notes while an Event of Default exists, the Make-Whole Premium Amount shall be calculated as follows:

First, determine the amount of principal being prepaid ("**Prepaid Principal**") and the proposed date of such prepayment ("**Prepayment Date**"). In connection with acceleration of maturity, the Prepaid Principal shall be the entire principal balance on the date of acceleration and the Prepayment Date shall be the date of acceleration.

Second, use the Treasury Constant Maturity Series from Bloomberg, or if not available, the U.S. Federal Reserve Statistical Release H-15 Report (or its successor publication) published most recently as of the date which is three days prior to the Prepayment Date for U.S. Treasury obligations to determine the "**Reinvestment Yield**", with the interpolated constant maturity period matching the remaining average life of the Notes as of the Prepayment Date (assuming no additional prepayments other than the Prepaid Principal) determined through the Maturity Date. If necessary, interpolation shall be used to determine the Reinvestment Yield, if the remaining average life does not match the maturities in the series listed above.

The "**Make-Whole Premium Amount**" shall mean the following: with respect to the Prepaid Principal on each Prepayment Date, "Make-Whole Premium Amount" shall mean the excess (but in no event less than zero) of (i) the net present value of all scheduled payments of principal and/or interest pursuant to Section 4.3 of the Note Purchase Agreement on the Prepaid Principal which would have been made following the Prepayment Date if the Prepaid Principal had not been prepaid on the Prepayment Date, determined by discounting (on a semi-annual basis) the amount of each such scheduled payment of principal and/or interest from the date such payments would have been required to be made to the Prepayment Date at a rate which is equal to the sum of the Reinvestment Yield, plus either (A) 50 basis points (.5%) if the funds for prepayment are generated solely from operations of the Borrower on the Timberlands and the sale of Land and/or Timber pledged as Security, or (B) zero basis points (0.00%) if the funds from prepayment are from any other source, over (ii) 100% of the Prepaid Principal, in each case first applying the Prepaid Principal to the principal installments due on the Notes in reverse order of maturity.

**ANNEX VI.**

**LIST OF NOTES TO BE ISSUED AT CLOSING**

NOTES

| <u>Holder</u>                       | <u>Designation</u> | <u>Amount</u> |
|-------------------------------------|--------------------|---------------|
| John Hancock Life Insurance Company | Note F-1           | \$4,500,000   |



|                                              |          |                        |
|----------------------------------------------|----------|------------------------|
| John Hancock Life Insurance Company          | Note F-2 | \$23,500,000           |
| John Hancock Variable Life Insurance Company | Note F-3 | \$2,000,000            |
| <b>TOTAL</b>                                 |          | <b>\$30,000,000.00</b> |

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**EXHIBIT A**  
**TO NOTE PURCHASE AGREEMENT**  
**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Disclosures**

**INDEBTEDNESS**

| <u><b>DEBTHOLDER</b></u>                                         | <u><b>Principal Amt Owed<br/>@ March 27, 2001</b></u> |
|------------------------------------------------------------------|-------------------------------------------------------|
| JOHN HANCOCK LIFE INSURANCE CO.                                  | \$ 12,864,764                                         |
| JOHN HANCOCK LIFE INSURANCE CO. (anticipated to fund by 3/30/01) | \$ 30,000,000                                         |
| <b>LOCAL IMPROVEMENT DISTRICT (LID) OBLIGATIONS:</b>             |                                                       |
| GIG HARBOR                                                       | 114,280                                               |
| EVERETT                                                          | 44,970                                                |
| SEABECK                                                          | 35,176                                                |

**LETTERS OF CREDIT**

| <u><b>ISSUED BY</b></u> | <u><b>BENEFICIARY</b></u>                        | <u><b>AMOUNT</b></u> |
|-------------------------|--------------------------------------------------|----------------------|
| BANK OF AMERICA         | CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA) | C\$ 136,250          |

**LEASE AND SURFACE MINING BONDS**

| <u><b>TYPE OF BOND</b></u> | <u><b>PURPOSE</b></u> | <u><b>NAME</b></u>       | <u><b>Prem. Renewal Date</b></u> | <u><b>BOND \$</b></u> |
|----------------------------|-----------------------|--------------------------|----------------------------------|-----------------------|
| SURFACE MINING             |                       | CHAMBERS<br>CONSTRUCTION | 6/28/01                          | 5,000                 |
| SURFACE MINING             |                       | BEAVER VALLEY            | 1/11/02                          | 8,000                 |
| SURFACE MINING             |                       | BEAVER VALLEY            | 2/27/02                          | 36,000                |
| LEASE BOND                 | FOR TIDE LANDS        | LUDLOW MARINA            | 2/1/02                           | 16,000                |
| <b>SUB TOTAL</b>           |                       |                          |                                  | <b>65,000</b>         |

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**CONSTRUCTION BONDS**

| <u><b>TYPE OF BOND</b></u> | <u><b>PURPOSE</b></u>       | <u><b>NAME</b></u> | <u><b>Prem. Renewal Date</b></u> | <u><b>BOND \$</b></u> |
|----------------------------|-----------------------------|--------------------|----------------------------------|-----------------------|
| PERFORMANCE                | CONTRACTOR SURETY           | STATE OF WA        | 6/1/01                           | 6,000                 |
| PERFORMANCE                | SUBDIVISION<br>IMPROVEMENTS | SEABECK HEIGHTS    | 6/13/01                          | 37,746                |
| LICENSE/PERMIT             |                             | SEABECK HEIGHTS    | 9/17/01                          | 2,500                 |
|                            |                             |                    |                                  | Cxld<br>03/05/01      |
| PERFORMANCE                | MURRELET SURVEYS            | CITY OF MONTESANO  | 3/7/01                           | 1,000                 |

|                                        |                                  |                             |                  |                |
|----------------------------------------|----------------------------------|-----------------------------|------------------|----------------|
| PERFORMANCE                            | DNR CONTRACT                     | WA ST DNR                   | 8/8/01           | 5,094          |
| Permit Bond — Aberdeen                 | Road Construction                | WA St DOT                   | 10/5/00          | 2,500          |
| Performance Bond                       | Sewer Line Borgen Blvd.          | City of Gig Harbor          | 7/26/00          | 39,306         |
| Performance Bond                       | Street, Storm, Swr, Wtr, & Signs | Timberton Village Phase III | 1/23/02          | 90,800         |
| Maintenance Bond                       | Completed Work                   | City of Gig Harbor          | 2/22/02          | 5,783          |
| Cashiers Ck in Leu of Performance Bond | Sewer work performance           | City of Gig Harbor          | N/A Issued 02/28 | 750            |
| <b>SUB TOTAL</b>                       |                                  |                             |                  | <u>191,479</u> |
| <b>TOTAL BONDS</b>                     |                                  |                             |                  | <u>256,479</u> |

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**NOTARY BONDS**

As of 02/28/01

| <u>BOND#</u>        | <u>ASSIGNEE</u>    | <u>EXPIRATION DATE</u> | <u>BOND \$</u> |
|---------------------|--------------------|------------------------|----------------|
| 5851095             | Mary Corbett       | 2/27/04                | 10,000         |
| 5863199             | Cynde Mayson       | 4/1/04                 | 10,000         |
| 5863209             | Michelle Wilcox    | 4/4/04                 | 10,000         |
| 5904342             | Pam Grove          | 5/7/01                 | 10,000         |
| 5930195             | Fay Schultz        | 1/23/02                | 10,000         |
| 5930280             | Wendy Battaglino   | 4/9/02                 | 10,000         |
| 5930281             | Craig Jones        | 4/10/02                | 10,000         |
| 5939523             | Michael Morgan     | 6/4/02                 | 10,000         |
| 5939542             | Dani Aldana        | 6/23/02                | 10,000         |
| 5939590             | Miriam Villiard    | 8/21/02                | 10,000         |
| 593596              | Jacqueline McClurg | 9/14/02                | 10,000         |
| 5812134             | Penny Henderson    | 2/5/03                 | 10,000         |
| 6055822             | D. Susan Schroader | 8/1/04                 | 10,000         |
| 6103299             | Ember Krumwied     | 1/24/05                | 10,000         |
| <b>SUB TOTAL</b>    |                    |                        | <u>140,000</u> |
| <b>NON EMPLOYEE</b> |                    |                        |                |
| *5897967            | Gwynne Bennett     | 3/1/01                 | 10,000         |
| *5904342            | Pam Grove          | 5/7/01                 | 10,000         |
| *5915444            | Noreen James       | 10/1/01                | 10,000         |
| <b>SUB TOTAL</b>    |                    |                        | <u>30,000</u>  |
| <b>TOTAL ORM</b>    |                    |                        | <u>140,000</u> |
| <b>TOTAL ALL</b>    |                    |                        | <u>170,000</u> |

\* Per PS&F these people are no longer our employees, therefore there is no liability to us.

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**Letters of Credit**

As of 02/28/01

| <u>Letter #</u> | <u>Issued By</u> | <u>Expiration Date</u> | <u>Amount</u> | <u>Project</u> | <u>Purpose</u>                                    |
|-----------------|------------------|------------------------|---------------|----------------|---------------------------------------------------|
| 3020784         | Bank of          | December 2, 2002       | \$113,760.00  | CIDA           | Canadian Government — Contract <b>Canadian \$</b> |

**EXHIBIT B**  
**TO NOTE PURCHASE AGREEMENT**  
**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Environmental Report**

Set forth on the following pages to this Exhibit B is that certain Phase I Environmental Site Assessment, Hood Canal Tree Farm, Northwestern Washington, prepared by URS Corporation for Olympic Resource Management, URS Job No. 53-02000130.02, and dated March 23, 2001, as supplemented by Report Addendum dated March 27, 2001.

**EXHIBIT B-1**  
**TO NOTE PURCHASE AGREEMENT**  
**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Certain Environmental Issues**

On or before June 1, 2001, Borrower and URS shall investigate the status of the aboveground storage tanks and chemical containers mentioned in the "Field Reconnaissance" portion URS's Report Addendum dated March 27, 2001, in connection with the "Duck Club." Borrower shall complete whatever action is recommended by URS with respect to such tanks and containers within six months of such recommendation.

**EXHIBIT C**  
**TO NOTE PURCHASE AGREEMENT**  
**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Categories and Administrative Values**

**Applicable to the Timberlands**

**Hood Canal Tree Farm**

**Projected Inventory as of YE '00**

|                                 |                          |            | <u>Acres</u>  | <u>Administrative Unit Value</u> | <u>Administrative Value</u> |
|---------------------------------|--------------------------|------------|---------------|----------------------------------|-----------------------------|
| <b>Timberland:</b>              |                          |            | 59,713        | \$ 161.88                        | \$ 9,666,042                |
| <b>Non-Forest Land</b>          |                          |            | 9,836         | \$ 32.38                         | \$ 318,441                  |
|                                 |                          |            | <u>69,549</u> |                                  | <u>\$ 9,984,482</u>         |
| <b>Pre-Merch Plantations</b>    | <u>Retail Unit Value</u> | <u>Age</u> |               |                                  |                             |
|                                 | \$ 0                     | Clearcut   | 0             | \$ 0.00                          | \$ 0                        |
|                                 | \$ 202                   | 0-4        | 9,215         | \$ 130.80                        | \$ 1,205,276                |
|                                 | \$ 280                   | 5-9        | 8,226         | \$ 181.30                        | \$ 1,491,374                |
|                                 | \$ 389                   | 10-14      | 4,089         | \$ 251.88                        | \$ 1,029,927                |
|                                 | \$ 541                   | 15-19      | 7,520         | \$ 350.30                        | \$ 2,634,237                |
|                                 | \$ 752                   | 20-24      | 10,020        | \$ 486.92                        | \$ 4,878,938                |
|                                 | \$ 807                   | 25-29      | 5,956         | \$ 522.53                        | \$ 3,112,204                |
|                                 |                          |            | <u>45,026</u> |                                  | <u>\$ 14,351,956</u>        |
| <b>Sub-Merch Timber (30-44)</b> | <u>Total Pre-merch</u>   |            |               |                                  |                             |
|                                 | \$ 1,451                 | 30-34      | 1,725         | \$ 939.52                        | \$ 1,620,676                |
|                                 | \$ 2,016                 | 35-39      | 925           | \$ 1,305.36                      | \$ 1,207,458                |
|                                 | \$ 2,801                 | 40-44      | 1,285         | \$ 1,813.65                      | \$ 2,330,537                |

|                           |             | Total Sub-merch |             | 3,935                     |               |                      | \$ | 5,158,671                         |
|---------------------------|-------------|-----------------|-------------|---------------------------|---------------|----------------------|----|-----------------------------------|
| Merchantable Timber (45+) |             |                 |             |                           |               |                      |    |                                   |
|                           | Deliv. Logs | Retail Stumpage | Volume, MBF | Administrative Unit Value |               | Administrative Value |    |                                   |
| <b>Douglas fir</b>        |             |                 |             |                           |               |                      |    |                                   |
| PU                        | \$ 157      | \$ 18           | 46,812      | \$ 11.66                  | \$ 545,594    |                      |    |                                   |
| 2S                        | \$ 524      | \$ 385          | 41,611      | \$ 249.29                 | \$ 10,373,102 |                      |    |                                   |
| 3S                        | \$ 478      | \$ 339          | 49,413      | \$ 219.50                 | \$ 10,846,277 |                      |    |                                   |
| CNS                       | \$ 403      | \$ 264          | 49,413      | \$ 170.94                 | \$ 8,446,658  |                      |    |                                   |
| Export                    | \$ 744      | \$ 605          | 72,819      | \$ 391.74                 | \$ 28,525,933 |                      |    |                                   |
|                           |             |                 | 260,068     |                           |               |                      |    |                                   |
| <b>Hemlock/fir</b>        |             |                 |             |                           |               |                      |    |                                   |
| PU                        | \$ 133      | \$ 0            | 16,094      | \$ 0.00                   | \$ 0          |                      |    |                                   |
| 2S                        | \$ 351      | \$ 212          | 3,313       | \$ 137.27                 | \$ 454,776    |                      |    |                                   |
| 3S                        | \$ 299      | \$ 160          | 4,260       | \$ 103.60                 | \$ 441,336    |                      |    |                                   |
| CNS                       | \$ 270      | \$ 131          | 19,880      | \$ 84.82                  | \$ 1,686,271  |                      |    |                                   |
| Export                    | \$ 399      | \$ 260          | 3,787       | \$ 168.35                 | \$ 637,541    |                      |    |                                   |
|                           |             |                 | 47,334      |                           |               |                      |    |                                   |
| <b>Hardwood</b>           |             |                 |             |                           |               |                      |    |                                   |
| PU                        | \$ 140      | \$ 1            | 25,401      | \$ 0.65                   | \$ 16,447     |                      |    |                                   |
| SL                        | \$ 513      | \$ 374          | 8,022       | \$ 242.17                 | \$ 1,942,648  |                      |    |                                   |
|                           |             |                 | 33,423      |                           |               |                      |    |                                   |
|                           |             |                 |             |                           |               |                      | \$ | <b>63,916,583</b>                 |
|                           |             |                 |             |                           |               |                      |    | Large Volume% of Retail: 64.75 %  |
|                           |             |                 |             |                           |               |                      | \$ | <b>93,411,693</b>                 |
|                           |             |                 |             |                           |               |                      |    | Grand Total Administrative Value: |

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**EXHIBIT D**

**TO NOTE PURCHASE AGREEMENT**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Timberlands**

The real property presently encumbered by the 1992 Deed of Trust and the property described in the attached legal descriptions covering other property in Jefferson, Kitsap, Mason, and Clallam Counties, Washington.

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**PARCEL 1:**

Government Lot 3, EXCEPT the West 1/2 of the North 660 feet thereof and All of Government Lot 4 and the South 1/2 of the Northwest 1/4 in Section 3; Government Lot 1 through 4, South 1/2 of the North 1/2 and the North 1/2 of the South 1/2, and the Southwest 1/4 of the Southwest 1/4 of Section 4; Government Lots 1 and 5 and the West 3/4 of Section 5; The Northeast 1/4 and the North 1/2 of the Northwest 1/4 and the Southeast 1/4 of the Northwest 1/4 of Section 16; Government Lot 3 in Section 20; South 1/2 of the Northwest 1/4 and the North 1/2 of the Southwest 1/4 of Section 29, EXCEPT the East 30 feet of the Northeast 1/4 of the Southwest 1/4; ALSO EXCEPT the following described tract:

- a) Beginning at the Southeast corner of the Southeast 1/4 of the Northwest 1/4 of said Section 29;
  - thence North 80 rods;
  - thence West 40 rods;
  - thence South to the Creek;
  - thence following along said Creek back to the place of beginning;
  - said tract being designated on the County Assessor's Plat and Description Book as Tax No. 4 in said Section 29;

All in Township 25 North, Range 2 West, W.M., Situate in Jefferson County, Washington.

**PARCEL 2:**

Government Lots 3 and 4 and the West 1/2 of the Northwest 1/4, Section 1, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting thereon; Government Lots 1, 3, the East 1/2 of the Northeast 1/4 of Government Lot 4, the West 1/2 of the Southwest 1/4 of the Northeast 1/4; the Northwest 1/4 of the Southwest 1/4 of the Northwest 1/4; the South 1/2 of the Northeast 1/4 of the Southwest 1/4; the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, and the Northwest 1/4 of the Southeast 1/4 of the Southeast 1/4, Section 2, EXCEPT Coyle County Road right of way as disclosed by Jefferson County Engineers Resolution recorded under Auditor's File No. 286585;

the Northwest 1/4 of the Northwest 1/4, EXCEPT the Southwest 1/4 thereof in Section 11, EXCEPT Old Coyle County Road right of way and New Coyle County Road right of way as disclosed by Jefferson County Engineer Resolution recorded under Auditor's File No. 286585;

Government Lot 3, the Northeast 1/4 of the Northeast 1/4 and the Northwest 1/4 of the Northwest 1/4, Section 22, EXCEPT Coyle County Road right of way as disclosed by Jefferson County Engineers Resolution recorded under Auditor's File No. 286585, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting upon said Government Lot 3;  
Government Lot 1, Section 23, TOGETHER WITH tidelands of the second class, as conveyed by the State of Washington, situate in front of, adjacent to and abutting thereon;  
the Northwest 1/4, Section 27;

ALSO EXCEPT the following described Tract in Section 23;

That portion of Government Lot 1 of said Section 23, described as follows:

Commencing at the Northeast corner of Section 22, Township 26 North, Range 1 West, W.M.;  
thence South 80 rods;  
thence East to the meander line of Government Lot 1;  
thence in a Northeasterly direction along the meander line to the meander corner between Sections 14 and 23;  
thence West to the point of beginning, said tract being designated on the County Assessor's Plat and Description Book as Tax No. 1 of said Section 23;

EXCEPT Coyle County road right of way as conveyed by deeds recorded under Auditor's File Nos. 188592 and 212026;

All in Township 26 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 3:

Government Lots 6 and 7, the Southwest 1/4, and the West 1/2 of the Southeast 1/4, Section 1;  
Government Lots 3 and 4, Section 28, and those portions of the Northwest 1/4 and Northeast 1/4 of the Southwest 1/4 and the Southeast 1/4 of the Southwest 1/4 and the Southwest 1/4 of the Southeast 1/4 of Section 28, Township 26 North, Range 2 West, W.M., lying Southerly and Westerly of the Dosewallips River;  
and the South 1/2 of the Southwest 1/4 of the Northeast 1/4 and South 1/2 of Section 29; Government Lot 2, the South 1/2 of the Southeast 1/4 of the Northwest 1/4 and the South 1/2 of Section 30;  
Government Lot 4, the North 1/2; the Southeast 1/4 and the South 1/2 of the Southwest 1/4, Section 32;  
Government Lot 3, the Northwest 1/4 of the Northwest 1/4, the South 1/2 of the Northwest 1/4, and the South 1/2, Section 33;  
Those portions of Government Lots 1 and 2, and the South 1/2 of the Northeast 1/4 of Section 33, Township 26 North, Range 2 West, W.M., lying Southerly and Westerly of the Dosewallips River;  
the Southwest 1/4 of the Southwest 1/4, and the Southwest 1/4 of the Southeast 1/4,  
EXCEPT portion East of river, Section 34;  
ALL in Township 26 North. Range 2 West;

EXCEPT the Dosewallips County Road as conveyed by Auditor's File No. 212027.

PARCEL 4:

The West 1,335 feet of that portion of H.E. Survey No. 253 in the Olympic National Forest in Section 3, unsurveyed, Township 26 North, Range 2 West, W.M., in Jefferson County, Washington, lying South of the present Olympic Highway, also known as Primary State Highway No. 9, the whole of said H.E. Survey No. 253 being described as follows:

Beginning at corner No. 1, identical with the quarter corner to Section 2 and 3, Township 26 North, Range 2 West, W.M.;  
thence North 45° 06' West 16.52 chains to corner No. 2;  
thence North 89° 04' West 22.77 chains to corner No. 3;  
thence South 1° 32' West 23.89 chains to corner No. 4;  
thence North 64° 01' East 9.45 chains to corner No. 5;  
thence South 89° 56' East 26.40 chains to corner No. 6;  
thence North 38° East 7.67 chains to corner No. 1, the place of beginning;

EXCEPTING from the above described tract those portions thereof included in the Olympic Highway or deeded to the State of Washington for the Olympic Highway, by deed dated December 21, 1937, recorded in Volume 108 of Deeds, page 144, records of Jefferson County; said tract is designated on the Assessor's Plat and Description Book as Tax No. 2 in said Section 3, Township 26 North, Range 2 West, W.M.

PARCEL 5:

The Southeast 1/4 of the Southwest 1/4 of Section 2, Township 26 North, Range 2 West, W.M., in Jefferson County, Washington;

EXCEPTING THEREFROM the following described tract:

Commencing at the Southwest corner of the South 1/2 of the Northeast 1/4 of the Southwest 1/4 of said Section 2;  
thence South along the West line of the Southeast 1/4 of the Southwest 1/4 of said Section 2, 348 feet;  
thence Eastward 60° East of North 771 feet to the South line of said South 1/2 of the Northeast 1/4 of the Southwest 1/4;  
thence to the place of beginning;  
said tract being designated on the County Assessor's Plat and Description Book as Tax No. 1 of said Section 2;

ALSO EXCEPTING THEREFROM the right of way of State Road No. 9.

PARCEL 6:

Government Lot 1 and the Southeast 1/4 of the Northeast 1/4, Section 5, lying Westerly of Secondary State Highway No. 9—E right of way (Port Ludlow to South Point Road);

ALSO all of Government Lot 2 the Southwest 1/4 of the Northeast 1/4, and the Southeast 1/4 of Section 5;  
the West 1/2 of Section 5;  
All of Sections 6, 7 and 8;

The Northwest 1/4;  
the Southwest 1/4, EXCEPT that portion of Government Lot 3 and the Northeast 1/4 of the Southwest 1/4 lying Southeasterly of Jefferson County Road right of way as conveyed to Jefferson County by instrument recorded under Auditor's file Nos. 177018, 178775 and 179292, in Section 17;  
All of Section 18, EXCEPT the West 8 feet of the Northeast 1/4 of the Southeast 1/4 of the Southwest 1/4 thereof;  
EXCEPT that portion of the Southeast 1/4 of the Southeast 1/4 of said Section 8, being more particularly described as beginning at the Southwest corner of Lot 15, Division 8, Plat of Bridgehaven, as per plat recorded in Volume 6 of Plats, pages 53 and 54, records of Jefferson County, Washington;  
thence South 0° 26' 20" West along the Section line between said Section 8 and Section 9, 128.0 feet to the True Point of Beginning;  
thence continuing along said Section line South 0° 26' 20" West 240.0 feet;  
thence North 89° 33' 40" West 100.00 feet;  
thence North 0° 26' 20" East 240.00 feet;  
thence South 89° 33' 40" East 100.00 feet to the True Point of Beginning;

All in Township 27 North, Range 1 East, W.M., in Jefferson County, Washington.

PARCEL 7:

The Northeast 1/4, EXCEPT the North 1/2 of the Southwest 1/4 of the Northeast 1/4;  
the Northwest 1/4, EXCEPT the Northwest 1/4 of the Northwest 1/4 of the Northwest 1/4;  
EXCEPT Plat of Cedarholm Villa, as per plat recorded in Volume 2 of Plats, page 119, records of Jefferson County, Washington;

ALSO EXCEPT the East 8 feet of the Northwest Quarter of the Southwest Quarter of the Northwest Quarter;

ALSO EXCEPT right of way of Thorndyke Road (County Road No. 9) as conveyed to Jefferson County by instruments recorded under Auditor's File No. 195647, 195649 and 195650, All in Section 19, Township 27 North, Range 1 East, W.M., in Jefferson County, Washington.

PARCEL 8:

Lots 1 and 2, Lots 55, 56 and 57, EXCEPT the East 10 feet thereof;  
Lot 79, EXCEPT the West 10 feet thereof; and Lots 80 through 98 inclusive, Cedarholm Villa Tracts, as per plat recorded in Volume 2 of Plats, page 119, records of Jefferson County, Washington.

PARCEL 9:

All of Section 1;  
All of Section 2;  
Government Lots 1, 2, the South 1/2 of the Northeast 1/4, the South 1/2, EXCEPT Dabob—Coyle County Road right of way, Section 3;  
the North 1/2 of the Northwest 1/4 (also known as Government Lots 3 and 4);

the South 1/2 of the Northwest 1/4, EXCEPT Dabob–Post Office County Road right of way and Dabob County Road right of way and Carl Johnson County Road right of way as conveyed by instrument recorded in Volume 1 of Road Waivers and Auditor’s File No. 112297, ALSO EXCEPT that portion of the South 50 feet (as measured along the East line of the Northwest 1/4) lying Easterly of Dabob Post Office Road, Section 4;  
Government Lots 2 and 3, EXCEPT Quilcene Center County Road right of way, the East 1/2 of the Southwest 1/4, and the Southwest 1/4 of the Southeast 1/4, Section 5;  
the South 3/4 of the Southeast 1/4, Section 7;  
the West 1/2 of the Southwest 1/4, Section 10;  
All of Section 11;  
All of Section 12;  
the North 1/2, the Southwest 1/4, EXCEPT the East 20 feet of the North 3/4 of the East 1/2 of the Southwest 1/4, Section 13;  
the East 3/4;  
the Northwest 1/4 of the Northwest 1/4, the South 1/2 of the Southwest 1/4 of the Southwest 1/4, Section 14;  
the West 1/2 of the Northeast 1/4, Section 15;  
the North 1/2 of the Northeast 1/4, Section 18;  
the Southwest 1/4 of the Northeast 1/4, the North 1/2 of the Southeast 1/4, the Southeast 1/4 of the Southeast 1/4, Section 22;  
All of Section 23, EXCEPT Dabob–Coyle County Road right of way;  
the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the Northeast 1/4 of the Southeast 1/4, Section 26;  
the Northeast 1/4, the Southwest 1/4, the North 1/4 of the Southeast 1/4, the South 1/4 of the Southeast 1/4; EXCEPT that portion of the West 1/2 of the Southwest 1/4 of the Northwest 1/4 of the Southwest 1/4 lying Westerly of County Road, Section 29;  
Government Lots 1, 2 and 3, EXCEPT that portion of the North 800 feet of said Government Lot 1 lying Westerly of County Road, Section 31;  
the Northwest 1/4 of the Northeast 1/4, the Northwest 1/4, the North 1/2 of the Southwest 1/4, Section 32;

EXCEPT East Quilcene County Road, Lindsay Hill County Road right of way in Sections 20, 29, 32, Camp Discovery County Road right of way in Sections 22 and 23, and Wahl Lake County Road right of way in Sections 1 and 2 as disclosed by Jefferson County Engineers Resolution recorded under Auditor’s File No. 286585;

ALSO EXCEPT that portion of Section 31 which is delineated on Survey recorded in Volume 9 of Surveys, pages 42 and 43 and re-recorded in Volume 9 of Surveys, pages 47 and 48;

ALSO EXCEPT the following described tract:

Beginning at the Southwest corner of the Northwest 1/4 of the Southwest 1/4 of said Section 32;  
thence East 2,070 feet;  
thence North 300 feet;  
thence West 360 feet;  
thence South 270 feet;  
thence West 1,710 feet to the West line of said Section 32;  
thence continuing West 30 feet;  
thence South 30 feet;  
thence East 30 feet to said Southwest corner and point of beginning;

All in Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 10:

The Southeast 1/4 of Government Lot 5 (the Southeast 1/4 of the Southwest 1/4 of the Northwest 1/4) and the Southeast 1/4 of the Northwest 1/4 in Section 6, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 11:

The West 1/2 of the East 1/2 in Section 20, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington;

EXCEPT Broad Spit County Road right of way;

ALSO EXCEPT the North 135’ of the East 510’ of the Northwest 1/4 of the Southeast 1/4; ALSO EXCEPT that portion of the East 450’ of the Southwest 1/4 of the Northeast 1/4 of said Section 20, lying South and Easterly of the County Road known as Broad Spit Road;  
ALSO EXCEPT that portion of the East 1/2 of the Southwest 1/4 of the Northwest 1/4 lying North and East of Broad Spit Road and described as follows:

Beginning at a point 1,002.48 feet North and 1,247.31 feet East of the Southwest corner of the Southwest 1/4 of the Northeast 1/4 of Section 20, Township 27 North, Range 1 West, W.M., which point is Station 21+67.9 on the survey of C.R.P.#70 (Broad Spit Road);  
thence along the center line of said road South 25° West a distance of 107.5 feet;

thence South 40° 17' West a distance of 198.2 feet;  
thence South 55° 48' East a distance of 57.4 feet;  
thence South 32° 13' West a distance of 141.9 feet;  
thence South 30° 03' West a distance of 70.2 feet;  
thence South 53° 02' East a distance of 109.1 feet;  
thence South 8° 51' West a distance of 51.0 feet;  
thence South 21° 35' West a distance of 62.9 feet;  
thence South 44° 11' West a distance of 205.4 feet;  
thence South 81° 20' East a distance of 74.1 feet;  
thence North 50° 12' East a distance of 461.9 feet;  
thence North 77° 57' East a distance of 10 feet, more or less, to the East line of the said Southwest 1/4 of the Northeast 1/4;  
thence Northerly along said East line a distance of 523.58 feet;  
thence Westerly a distance of 72.7 feet, more or less, to the point of beginning.

PARCEL 12:

A strip of land 100 feet in width on either side of the North Fork of that unnamed creek which crosses Broad Spit Roat at approximate survey station 38400 lying within the Southwest 1/4 of the Northeast 1/4, Section 20, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 13:

Tract 28 of Seahome Addition, as per plat recorded in Volume 2 of Plats, on page 124, records of Jefferson County, EXCEPT the West 30 feet thereof conveyed to Jefferson County for county road by deed dated August 15, 1960 and recorded under Auditor's File No. 167973, records of said county;

TOGETHER WITH tidelands of the second class, as conveyed by the State of Washington, situate in front of, adjacent to and abutting upon said Tract 28 and extending to extreme low tide.

PARCEL 14:

All of Section 24, the North 900 feet of Government Lot 1, the North 1,056 feet of Government Lot 3, as measured along the West line thereof, All of Government Lot. 2, and the West 1/4 of Section 25;

TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to, and abutting thereon;

EXCEPT Thorndyke County Road right of way No. 9, all in Township 27 North, Range 1 West, in Jefferson County, Washington.

PARCEL 15:

Government Lots 3 and 4 and the South 1/2 of the Northwest 1/4 and the Southwest 1/4 of Section 3;  
Government Lots 1, 2 and the Southeast 1/4 of the Northeast 1/4, Section 4;  
the Northeast 1/4 of the Northeast 1/4 and the West 1/2 of the Northeast 1/4, Section 9;  
the North 1/2 of the Northwest 1/4, Section 10;  
the Southwest 1/4 of the Northwest 1/4, Section 14;  
the Southeast 1/4 of the Northeast 1/4, Section 28;

All in Township 27 North, Range 2 West, W.M., in Jefferson County, Washington.

PARCEL 16:

Government Lots 1, 2, 3 and 4, Section 19;  
the South 1/2 of the Southwest 1/4 of the Northwest 1/4;  
the North 1/2 of the Northwest 1/4, EXCEPT right of way, if any, of Teal Lake County Road;  
the Northwest 1/4 of the Northeast 1/4, Section 27;  
the East 1/2 of the Northwest 1/4 of the Northeast 1/4;  
the Southwest 1/4 of the Northeast 1/4;  
the South 1/4 of the Southeast 1/4 of the Northeast 1/4, EXCEPT right of Teal Lake County Road;  
the Southeast 1/4, EXCEPT right of way of Teal Lake County Road, Section 28;  
the Northwest 1/4, the South 1/2 of the Southwest 1/4;  
the Northeast 1/4 of the Southwest 1/4;  
the Southwest 1/4 of the Northeast 1/4;  
the East 1/2 of the Northwest 1/4 of the Southwest 1/4;  
the West 1/2 of the Southeast 1/4, Section 29;  
Government Lots 1, 2, 3 and 4;  
the East 1/2 of the West 1/2;  
the Northeast 1/4;  
the South 1/2 of the Southeast 1/4;  
the Northwest 1/4 of the Southeast 1/4;  
the West 1/2 of the Northeast 1/4 of the Southeast 1/4, Section 30;  
the West 1/2;



the Northeast 1/4;  
the West 1/2 of the Southeast 1/4;  
the Northeast 1/4 of the Southeast 1/4 of Section 31;  
the East 1/2 of the Northeast 1/4 and the Northwest 1/4 of the Northeast 1/4;  
and that portion of the Northeast 1/4 of the Southeast 1/4 lying Northerly of the Northerly right of way margin of State Highway 104 as conveyed to the State of Washington by instrument recorded under Auditor's File No. 161495;  
the Northwest 1/4 and the Northwest 1/4 of the Southwest 1/4 of Section 32;

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EXCEPT right of way of State Highway No. 104, as conveyed to the State of Washington by instruments recorded under Auditor's File Nos. 175315 and 190277;

ALSO EXCEPT County Road right of way as conveyed in Auditor's File No. 108201;

EXCEPT that portion thereof described as follows:

Beginning at the Northeast Section corner of said Section 27;  
thence South 89° 51' 30" West, 1,269.11 feet to the True Point of Beginning;  
thence South 0° 08' 30" East, 405.00 feet;  
thence South 89° 51' 30" West 160.00 feet;  
thence North 0° 08' 30" West, 110.00 feet;  
thence North 89° 51' 30" East, 150.00 feet;  
thence North 0° 08' 30" West 295.00 feet;  
thence North 89° 51' 30" East 10.00 feet to the True Point of Beginning;

EXCEPT that portion thereof described as follows:

Beginning at Mile Post 8.87 on SR 104 at the intersection of the Beaver Valley County Road;  
thence North 18° 43' 40" East a distance of 375 feet;  
thence North 71° 16' 20" West a distance of 35 feet to the True Point of Beginning;  
thence continuing North 71° 16' 20" West a distance of 190 feet;  
thence North 18° 43' 40" East a distance of 280 feet;  
thence South 71° 16' 20" East a distance of 190 feet;  
thence South 18° 43' 40" West a distance of 280 feet along the existing county right of way line to the Point of Beginning;

EXCEPT right of way for State Highway 104 as conveyed to the State of Washington by instrument recorded under Auditor's File No. 175315;

ALSO EXCEPT right of way of Beaver Valley Road as conveyed to Jefferson County by instrument recorded under Auditor's File No. 255052;

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ALSO EXCEPT that portion of Government Lot 2 said Section 30, lying southeasterly of a line beginning at a point opposite Highway Engineer's Station (hereinafter referred to as HES) 493+35 on the SR 104 survey line of SR 104, Browns Lake to South Point Road and 75 feet Northeasterly therefrom;  
thence Northeasterly to a point opposite HE5 493+79.06 and 151.63 feet Northeasterly therefrom and the end of this line description;

All in Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.

PARCEL 17:

Government Lot 1, Government Lot 2, Government Lot 5, Government Lot 6, the West 30 acres of Government Lot 4; the Southeast 1/4 of the Northwest 1/4, and the West 1/2 of the Southwest 1/4, Section 15; Government Lots 1 and 2, the West 1/2, and the Northwest 1/4 of the Southeast 1/4, Section 22; EXCEPT Ludlow Beach Tracts No. 2, as per plat recorded in Volume 3 of Plats, page 28, TOGETHER WITH tidelands of the second class as conveyed by the State of Washington, situate in front of, adjacent to and abutting said Government Lot 1, Section 15;

ALSO EXCEPT Tala Shores No. 1, 2 and 3 as per plats recorded in Volume 4 of Plats, pages 28 and 29; Volume 4 of Plats, page 49, and Volume 5 of Plats, pages 5 and 6, respectively;

ALSO EXCEPT that portion of said Northwest 1/4 of the Southeast 1/4, Section 22, lying Northeasterly of County Road No. 6, also known as Magnolia Boulevard, as conveyed by deed recorded under Auditor's File No. 173385;

ALSO EXCEPT the South 520 feet of the South 1/2 of the Northwest 1/4 of the Southeast 1/4 of said Section 22;

ALSO EXCEPT the South 520 feet of the East 1/2 of the Southeast 1/4 of the Northeast 1/4 of the Southwest 1/4 of said Section 22;

ALSO EXCEPT Watson County Road right of way;

ALSO EXCEPT Ludlow–Paradise County Road No. 6 right of way;

ALSO EXCEPT the following described Parcels A, B, C and D;

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A. That portion of Government Lot 1 and that portion of Government Lot 2 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Sections North 0° 09' 06" West 824.19 feet to the meander corner between said Sections;  
thence South 4° 22' 37" East 109.82 feet;  
thence North 30° 04' 43" East 575.63 feet;  
thence North 25° 53' 53" East 205.25 feet to the Southwest corner of the tract herein described and the True Point of Beginning;  
thence South 63° 39' 02" East 592.00 feet;  
thence North 26° 21' 45" East 400.00 feet;  
thence North 63° 39' 02" West 572.08 feet;  
thence South 37° 42' 23" West 113.19 feet;  
thence South 25° 53' 53" West 289.03 feet to the True Point of Beginning; including intervening land, if any, between the above described tract and the Government Meander line and bounded by the extended side lines thereof;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to and abutting thereon.

B. That portion of Government Lot 1 and that portion of Government Lot 2 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Sections, North 0° 09' 06" West 824.19 feet to the meander corner between said Sections;  
thence South 4° 22' 37" East 109.82 feet;  
thence North 30° 04' 43" East 280.44 feet to the Southwest corner of the Tract herein described and the True Point of Beginning;  
thence South 63° 39' 02" East 609.47 feet;  
thence North 26° 21' 45" East 499.81 feet;  
thence North 63° 39' 02" West 592.00 feet;  
thence South 25° 53' 53" West 205.25 feet;  
thence South 30° 04' 43" West 295.19 feet to the True Point of Beginning; including intervening land, if any, between the above described tract and the Government Meander line;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to and abutting thereon.

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C. That portion of Government Lot 1 said Section 15, described as follows:

Beginning at the 1/4 corner common to Sections 15 and 16, Township 28 North, Range 1 East, W.M., and running thence along the Section line between said Section, North 0° 09' 06" West 824.19 feet to the Meander corner between said Sections;  
thence South 4° 22' 37" East 109.82 feet;  
thence North 30° 04' 43" East 180.23 feet to the True Point of Beginning;  
thence South 63° 39' 02" East 615.97 feet;  
thence North 26° 21' 45" East 100.00 feet;  
thence North 63° 39' 02" West 609.47 feet;  
thence South 30° 04' 43" West 100.21 feet to the True Point of Beginning;  
including intervening land, if any, between the above described tract and the Government Meander line;

TOGETHER WITH tidelands of the second class, situate in front of, adjacent to, and abutting thereon.

D. Beginning at a point 617.61 feet East and 637 feet South of the Northwest 1/4 of the Northeast 1/4 of the Northwest 1/4 of said Section 22;  
thence East for a distance of 208.71 feet;  
thence South, for a distance of 208.71 feet;  
thence West for a distance of 208.71 feet; thence North for a distance of 208.71 feet to the Point of Beginning;

All in Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.

## PARCEL 18:

The Southeast 1/4 of the Southwest 1/4;  
 the Southwest 1/4 of the Southeast 1/4;  
 Government Lot 1 and that portion of the Northeast 1/4 of the Southeast 1/4 lying Southerly of the Southerly right of way line of State Highway No. 9–E, also known as State Route 104, as conveyed by deeds recorded under Auditor’s File Nos. 161495 and 175315, All in Section 32, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;

TOGETHER WITH tidelands of the Second Class as conveyed by the State of Washington, situate in front of, adjacent to and abutting said Government Lot 1;

EXCEPT Secondary State Highway No. 9–E right of way (Port Ludlow to South Point);

ALSO EXCEPT that portion of County road right of way as conveyed by deed recorded under Auditor’s File No. 108201;

ALSO EXCEPT State Highway No. 9–E (SR 104) right of way as conveyed by deed recorded under Auditor’s File No. 190277;

ALSO EXCEPT the following described Tract:

The South 1,200 feet of the Southeast 1/4 of the Southeast 1/4 of Section 32, Township 28 North, Range 1 East, W.M., lying Easterly of Secondary State Highway No. 9–E, Port Ludlow to South Point, as conveyed by Deed filed July 21, 1948 under Auditor’s File No. 114515;

TOGETHER WITH adjoining tidelands as conveyed by Deed filed March 27, 1893 in Volume 40 of Deeds, pages 307 to 313 and by Deed filed September 24, 1912 in Volume 79 of Deeds, pages 383 and 384, records of Jefferson County, Washington.

## PARCEL 19:

The South 1/2 of the Northeast 1/4, the North 1/2 of the Southeast 1/4, Section 2;  
 Government Lots 5 and 6, Section 6 and that portion of Government Lot 7 and the West 3/4 of the Southeast 1/4 of the Southwest 1/4 lying Southerly of S.R. 104 in Section 6;  
 Government Lots 1, 2, 3 and 4, the East 1/2 of the Northwest Quarter, the Northeast Quarter, the Northeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the North 1/2 of the Southwest 1/4 of the Southeast 1/4, and the Southeast 1/4 of the Southeast 1/4 in Section 7;

EXCEPT that portion of the Northeast 1/4 of Section 7, lying Northerly of SR 104 right of way as conveyed by deeds recorded under Auditor’s File No. 175315 and 185446;

All that portion of Section 8, lying Southerly of SR 104 right of way as conveyed by deeds recorded under Auditor’s File No. 175315 and 185446;

the East 1/2 of the Northeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the West 1/2 of the Southwest 1/4, that portion of the Southwest 1/4 of the Northeast 1/4 East of road in Section 10;

the Southeast 1/4 of the Northeast 1/4, the Northwest 1/4 of the Southwest 1/4, the South 1/2 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, Section 11;

the South 1/2 of the Northwest 1/4, the Southwest 1/4 and the South 25 acres of the Northwest 1/4 of the Southeast 1/4; EXCEPT that portion, if any, lying within the North 15 acres of said Northwest 1/4 of the Southeast 1/4, All in Section 12;

the North 1/2 of the Northwest 1/4, the Southeast 1/4 of the Northwest 1/4,

the South 1/2, Section 13;

All of Section 14;

the East 1/4 of the Northeast 1/4, the Southeast 1/4, Section 15;

the Southwest 1/4 of the Northwest 1/4, the Northwest 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4, Section 17;

Government Lots 1, 2, 3 and 4 and the East 3/4, Section 18;

the Northeast 1/4; the East 1/2 of the Southwest 1/4; and the Southeast 1/4;

the South 1/2 of Government Lot 4, Section 19;

the West 1/2; the West 1/2 of the Northeast 1/4, the Northwest 1/4 of the Southeast 1/4, Section 20;

the North 1/2 of the Southeast 1/4, the Southeast 1/4 of the Southeast 1/4, the East 1/2 of the Southwest 1/4 of the Southeast 1/4, Section 21; the Northeast 1/4, the Southwest 1/4, the Southeast 1/4, Section 22;

All of Section 23;

All of Section 24;

All of Section 25;

All of Section 26;

the North 1/2, the West 1/2 of the Southwest 1/4, the Southeast 1/4 of the Southwest 1/4;

the South 1/2 of the Southeast 1/4 and the South 1/2 of the Northeast 1/4 of the Southeast 1/4, Section 27;

the East 1/2, the Northwest 1/4 of the Northwest 1/4, EXCEPT the West 542’ thereof, the Southeast 1/4 of the Northwest 1/4, the Northeast 1/4 of the Southwest 1/4, Section 28;

the West 1/2, Section 29;

the Northeast 1/4; the East 1/2 of the Northwest 1/4 and the Southeast 1/4 of the Southeast 1/4 of Section 30, Township 28 North, Range 1 West, W.M.;  
 Government Lots 1 and 2, the Northwest 1/4 of the Northeast 1/4;  
 the East 1/2 of the Northeast 1/4;  
 the East 1/2 of the Northwest 1/4, Section 31;  
 the East 1/2 of the Southwest 1/4, Section 32;  
 All of Section 35;  
 All of Section 36;  
 All in Township 28 North, Range 1 West, W.M., in Jefferson County, Washington;

EXCEPT State Highway No. 104 right of way as conveyed by deeds recorded under Auditor's File Nos. 175315; 185446 and 339073;  
 ALSO EXCEPT Tarboo Lake County road right of way as conveyed by deeds recorded under Auditor's File Nos. 115537 and 191519;  
 ALSO EXCEPT Sandy Shore Lake County road right of way No. 14;  
 ALSO EXCEPT Lords Lake Loop County road right of way;  
 ALSO EXCEPT Quilcene – Chimacum County road right of way;  
 ALSO EXCEPT from Section 5 Eaglemount Road right of way as conveyed by instrument recorded under Auditor's File No. 73802;  
 ALSO EXCEPT county road right of way within the Southeast 1/4 of the Northwest 1/4, Section 10 as conveyed in deed recorded in Volume 1 of Road Waivers, page 114;  
 ALSO EXCEPT Larson Lake County Road right of way in Sections 11, 12, 13, 14, and 15;

ALSO EXCEPTING THEREFROM said Northeast 1/4, Section 15, as follows:

Beginning at the Northeast corner of said Section 15 and running thence Southerly along the East line of said Section 15 a distance of 30 feet, more or less, to the Southerly right of way line of Secondary State Highway No. 9–E;  
 said point being the initial point of beginning;  
 thence Southerly along said East line of said Section 100 feet;  
 thence South 88° 42' West 200 feet;  
 thence North 100 feet, more or less, to said Southerly right of way line;  
 thence Easterly along said Southerly right of way line 200 feet, more or less, to the initial point of beginning;

ALSO EXCEPT the North 700 feet of the West 1/2 of the Northeast 1/4 lying Easterly of County right-of-way, commonly known as the Quilcene–Chimacum Road, said Section 20;

PARCEL 20:

That portion of the East 1/2 of the Southeast 1/4 of Section 9, in Township 28 North, Range 1 West, W.M., which lies East of the Port Townsend – Quilcene County Road as originally traveled, being more particularly bounded and described as follows:

Beginning at a point 660 feet West of the corner common to Sections 9, 10, 15 and 16 of said Township and Range, running thence along the County Road, North 8° 30' West, 404 feet;  
 thence North 702 feet;  
 thence North 15° 30' East, 473 feet;  
 thence North 20° 45' East 384 feet;  
 thence North 6° 15' East 693 feet;  
 thence North 22° 15' East 75 feet to the North boundary line of the East 1/2 of the Southeast 1/4 of said Section 9;  
 thence East, 330 feet to the quarter section corner;  
 thence South to the Southeast corner of said Section 9;  
 thence West 660 feet to the place of beginning;  
 said tract being designated on the County Assessor's Plat and Description Book as Tax No. 3 in said Section 9;

All situate in the County of Jefferson, State of Washington.

PARCEL 21:

The East 3/4 of the South 1/2 of Section 10;

EXCEPT right of way of Snow Creek Road as conveyed to Jefferson County by instrument recorded under Auditor's File No. 217789;

ALSO EXCEPT that portion thereof, if any, lying within the City of Port Townsend Water Works Pipe Line as conveyed to the City of Port Townsend, by instrument recorded in Volume 54 of Deeds, pages 579 and 580;

The Southwest 1/4;  
 those portions of the South 1/2 of the North 1/2 and the Southeast 1/4, lying Westerly of State Highway No. 101 as conveyed to the State of Washington by instrument recorded in Volume 94 of Deeds, page 599 and under Auditor's File No. 153102;

EXCEPT that portion thereof, if any, lying within the City of Port Townsend Water Works Pipe Line as conveyed to the City of Port Townsend, by instrument recorded in Volume 54 of Deeds, pages 579 and 580;

The Southwest 1/4 of the Northwest 1/4 and the Northwest 1/4 of the Southwest 1/4, Section 13;  
the Southwest 1/4, Section 14;  
the Northeast 1/4;  
the Northwest 1/4 of the Southwest 1/4;  
the East 1/2 of the Southeast 1/4;  
the East 1/2 of the Southwest 1/4 of the Southeast 1/4;  
the North 1/2 of the Northwest 1/4;  
the Southwest 1/4 of the Northwest 1/4;  
Section 15, EXCEPT that portion thereof conveyed to Jefferson County for Snow Creek Road by instrument recorded under Auditor's File No. 217790;  
the Northeast 1/4 of the Southwest 1/4;  
AND the West 1/2 of the Southeast 1/4 of the Southwest 1/4, Section 23;

EXCEPT Snow Creek County Road right-of-way;

The Southeast 1/4 of the Southeast 1/4 and that portion of the West 1/2 of the Northwest 1/4, as described in Parcel 21 of instrument recorded January 24, 1966, in Volume 169 of Deeds, page 634, records of Jefferson County, Washington, Section 24;  
the Northwest 1/4, the North 1/2 of the Southwest 1/4, the Southeast 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4, Section 26;  
All in Township 28 North, Range 2 West, W.M., in Jefferson County, Washington;

PARCEL 22:

The Southeast 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4, the Southeast 1/4 of the Southeast 1/4, the East 760 feet of the Southwest 1/4 of the Southwest 1/4 of Section 22, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington;

TOGETHER WITH an easement as described in instrument recorded April 20, 1962, in Volume 158 of Deeds, page 11, records of Jefferson County, Washington.

EXCEPT Snow Creek County usage road right of way, as disclosed by County Resolution recorded under Auditor's File No. 286585.

PARCEL 23:

The West 1/2 of Government Lot 1, the Northeast 1/4 of Government Lot 1, the East 1/2 of the Northeast 1/4, the North 1/2 of the Southwest 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, Section 23, Township 28 North, Range 2 West, W.M.;

EXCEPT that portion conveyed by Quit Claim Deed from Crown Zellerbach Corporation to Jefferson County in instrument dated October 23, 1968, and recorded under Auditor's File No. 198129;

ALSO EXCEPT that portion described in instrument recorded November 20, 1981, in Volume 157 of Official Records, page 135, under Auditor's File No. 275616, records of Jefferson County, Washington;

ALSO EXCEPT Lords Lake Leland County usage road right of way and Snow Creek County usage road right of way, as disclosed by County Resolution recorded under Auditor's File No. 286585.

PARCEL 24:

The North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4, the Northeast 1/4 of the Southwest 1/4, that portion of the Southeast 1/4 of the Southwest 1/4 as described in instrument recorded January 24, 1966, in Volume 169 of Deeds, page 634, records of Jefferson County, Washington, All in Section 25, Township 28 North, Range 2 West, W.M.;

EXCEPT that portion of the Northeast 1/4 of the Southwest 1/4 and the North ten acres of the Southeast 1/4 of the Southwest 1/4, Section 25, Township 28 North, Range 2 West, W.M., which lies South of the county road known as Lake Leland Cut-off Road and West of State Highway No. 9.

PARCEL 25:

The Southwest 1/4 of the Northwest 1/4, the Southwest 1/4, the Northeast 1/4 of the Northeast 1/4, the East 760 feet of the North 1/2 of the Northwest 1/4 of the Northwest 1/4, the East 920 feet of the South 1/2 of the Northwest 1/4 of the Northwest 1/4 in Section 27, Township 28 North, Range 2 West, W.M.

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PARCEL 26:

The West 1/2 of the Southwest 1/4, Section 33, Township 28 North, Range 2 West, W.M.;

EXCEPT the West 396 feet thereof, which lies in Clallam County;

EXCEPT U.S. Forest Service usage road commonly known as Bon Jon Road.

PARCEL 27:

The South 1/2 of the Northeast 1/4;  
the East 1/2 of the Southeast 1/4 of the Northwest 1/4;  
the Northeast 1/4 of the Southwest 1/4;  
the North 1/2 of the Southeast 1/4;  
and the Southeast 1/4 of the Southeast 1/4, in Section 13;  
the Northeast 1/4; and the Northeast 1/4 of the Southeast 1/4, in Section 24;

All in Township 29 North, Range 1 West, W.M., in Jefferson County, Washington.

PARCEL 28:

The East 1/2 of Section 21;  
the West 1/2 of the Northwest 1/4;  
the Southwest 1/4;  
the Northwest 1/4 of the Southeast 1/4 of Section 22;  
the Northwest 1/4 of the Northwest 1/4;  
the South 1/2 of the Southwest 1/4 of Section 26;  
the North 1/2 of the North 1/2;  
the South 1/2 of Section 27;  
the East 1/2;  
the Southeast 1/4 of the Southwest 1/4;  
the East 924 feet of the Southwest 1/4 of the Southwest 1/4;  
Section 28;  
the East 1/2 of Section 33;  
All of Section 34;  
All of Section 35; EXCEPT the South 1/2 of the Southeast 1/4 of the Southeast 1/4 of the Northeast 1/4;  
ALSO EXCEPT the East 1/4 of the Southeast 1/4;

All in Township 29 North, Range 2 West, W.M.

All Situate in the County of Jefferson, State of Washington.

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**EXHIBIT A  
JEFFERSON COUNTY, WASHINGTON  
LEGAL DESCRIPTIONS**

Parcels 1-55 are all located in Jefferson County, Washington:

**PARCEL 1:**

**Those portions of Government Lot 1, Section 4, Township 27 North, Range 1 East, W.M., Jefferson County, Washington, lying Westerly of Secondary State Highway No. 9-E, right of way (Port Ludlow to South Point Road).  
Situate in the County of Jefferson, State of Washington.**

**PARCEL 2:**

**The North 1/2 of the Northeast 1/4 and the North 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;  
TOGETHER WITH that portion of the West 1/2 of the Northwest 1/4 of Section 17, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington, lying North of Oak Bay Road.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 3:**

That portion of the Southeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., Jefferson County, Washington, lying Northerly of Oak Bay Road.  
**Situate in the County of Jefferson, State of Washington.**

**PARCEL 4:**

**One square acre in the Southwest corner of the Southwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 5:**

The Southwest 1/4 of the Northeast 1/4, Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 6:**

That portion of the South 850.00 feet of Section 18, lying Southerly of Oak Bay Road;

EXCEPT right of way for Beaver Valley Road;

TOGETHER WITH the Northeast 1/4 of Section 19;

ALSO TOGETHER WITH the West 1/2 of the Northwest 1/4 of Section 20;

EXCEPT any portion thereof lying within Jefferson County Tax Lot No. 2 (Port Ludlow Golf Course) if any, as described in deed recorded September 15, 1998, under Auditor's File No. 414414;

All in Township 28 North, Range 1 East, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 7:**

**The East 1/2 of the West 1/2 of the Southeast 1/4 of Section 19 and in the Southeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;**

EXCEPT right of way for Beaver Valley Road.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 8:**

The Southwest 1/4 of Section 20, Township 28 North, Range 1 East, W.M., Jefferson County, Washington;

EXCEPT the North 1/2 of the Northeast 1/4 of the Southwest 1/4 thereof;

**TOGETHER WITH the South 3/4 of the West 1/2 of the West 1/2 of the Southeast 1/4 of said Section 20.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 9:**

The East 1/2 of the Northeast 1/4 of Section 28, Township 28 North, Range 1 East of the Willamette Meridian;

EXCEPT the South ten acres of the Southeast 1/4 of the Northeast 1/4 of said Section 28;

**AND EXCEPT the right of way of the Teal Lake Road, as conveyed on October 9, 1909 in Volume 1 of Road Waivers, pages 31 and 32.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 10:**

The Southwest 1/4 of the Northwest 1/4; the South 1/2 of the Northwest 1/4 of the Northwest 1/4; the West 1/2 of the Southwest 1/4; the North 1/2 of the Southeast 1/4 of the Southwest 1/4, in Section 18, Township 29 North, Range 1 East, W.M., Jefferson County, Washington;

EXCEPT that portion of said North 1/2 of the Southeast 1/4 of the Southwest 1/4 as conveyed to Lucille M. Powell by instrument recorded June 2, 1995, under Auditor's File No. 382696;

**ALSO EXCEPT right of way for Oak Bay Road.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 11:**

**Government Lots 5, 7 and 8, in Section 19, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 12:**

The West 1/2 of Government Lot 2, Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 13:**

**The North 1/2 of Government Lot 4 and the North 1/2 of the Northeast 1/4 of the Southwest 1/4, Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 14:**

The East 1/2, EXCEPT Government Lot 1; the East 1/2 of the Northwest 1/4; the South 1/2 of Government Lot 4; the Southeast 1/4 of the Southwest 1/4; and the South 1/2 of the Northeast 1/4 of the Southwest 1/4; all in Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 15:**

The North 1/2 of the Northwest 1/4 of the Northeast 1/4; Government Lot 2; the West 1/2 of the Southeast 1/4 of the Northwest 1/4; the East 1/2 of the Northeast 1/4 of the Southwest 1/4; and the Southeast 1/4 of the Southwest 1/4, in Section 31, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.  
**Situate in the County of Jefferson, State of Washington.**

**PARCEL 16:**

**That portion of Government Lot 1, Section 5, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington, lying Westerly of Quilcene-Center Road as conveyed to Jefferson County by deed recorded August 5, 1932 under Auditor's File No. 68839, records of Jefferson County;**

EXCEPT the North 920 feet thereof;

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 17:**

The North 920 feet of Government Lot 1, (Northeast 1/4 of the Northeast 1/4) of Section 5, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington; Lying West of the Quilcene-Center County Road, as conveyed to Jefferson County by deed recorded August 5, 1932 under Auditor's File No. 68839, records of Jefferson County, Washington;

**EXCEPT the North 10 acres thereof.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 18:**

The South 1/2 of Government Lot 4; the Southwest 1/4 of the Northwest 1/4; and the Southwest 1/4; ALL in Section 1, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 19:**

The South 1/2 of the Southeast 1/4 of Section 2, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 20:**

Those portions of the Southwest quarter of the Southwest quarter of Section 4, the South half of the Southeast quarter, and the South half of the Southeast quarter of the Southwest quarter of Section 5, and of Section 8, All in Township 28 North, Range 1 West, W.M., described as follows:

- a) That portion of the Southwest quarter of the Southwest quarter of said Section 4 lying Southerly and Westerly of the centerline of Chimacum Creek;
- b) Those portions of the South half of the Southeast quarter and the South half of the Southeast quarter of the Southwest quarter of said Section 5 lying Southerly of the centerline of Chimacum Creek;
- c) That portion of said Section 8 lying Northerly of State Highway 104, less right-of-way for said highway.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 21:**

Those portions of Section 5, Township 28 North, Range 1 West, W.M., described as follows:

**The Southeast quarter of the Northeast quarter, Government Lot 2, the South half of the Southeast quarter of the Southeast quarter lying Northerly of the centerline of Chimacum Creek, the Southwest of the Southeast quarter lying Northerly of the centerline of Chimacum Creek, the Northwest quarter of the Southeast quarter, the Northeast quarter of the Southwest quarter, and Government Lot 2 and 4, all of said Section 5.**

Less right-of-way for County road.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 22:**

Those portions of Section 5, Township 28 North, Range 1 West, W.M., described as follows:

**The Southwest quarter of the Northeast quarter, that portion of the Southeast quarter of the Southwest quarter lying Northerly of the centerline of Chimacum Creek. The South half of the Northwest quarter, and Government Lot 3, all of said Section 5.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 23:**

**Government Lot 4, Section 6, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 24:**

**The West 1/2 of the Southwest 1/4 and the West 1/2 of the East 1/2 of the Southwest 1/4 of Section 9, All in Township 28 North, Range 1 West, W.M., in Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 25:**

**The North 1/2 of the Northeast 1/4 and the Southwest 1/4 of the Northeast 1/4 of Section 11, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.



**PARCEL 26:**

**The North 1/2 of the Northwest 1/4 of Section 12, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.  
Situates in the County of Jefferson, State of Washington.**

**PARCEL 27:**

Government Lots 1, 2 and 3 and that portion of Government Lot 4 lying Easterly of the Easterly right-of-way of State Highway No. 9,  
The South 1/2 of the Northwest 1/4, the Southwest 1/4 of the Northeast 1/4, the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4;  
ALSO that portion of the Southeast 1/4 of the Southeast 1/4 described as Blocks 6 to 15 inclusive, and Blocks 26 to 35 inclusive of Somerville, as per plat recorded in Volume 2 of Plats, page 63, records of Jefferson County, Washington.  
EXCEPT that portion conveyed from Crown Zellerbach Corporation, to Bruce Brown and Linda Brown in instrument dated December 9, 1983, and recorded under Auditor's File No. 287660;  
**ALSO EXCEPT that portion conveyed to the City Port Townsend by deed dated October 13, 1993 and recorded May 23, 1994 under Auditor's File No. 372115.**

**All in Section 4, Township 29 North, Range 1 West.  
Situates in the County of Jefferson, State of Washington.**

**PARCEL 28:**

The West 1/2 of the Northeast 1/4;  
And the Northwest 1/4, Section 9, Township 29 North, Range 1 West.  
**Situates in the County of Jefferson, State of Washington.**

**PARCEL 29:**

The Northeast 1/4 of the Northeast 1/4, all those portions of the Southwest 1/4 of the Northeast 1/4, and Government Lots 1 and 2, lying East of the Easterly boundary of State Highway No. 9, the Northwest 1/4 of the Southeast 1/4, that portion of the Northeast 1/4 of the Southeast 1/4 as described in instrument recorded June 28, 1945, in Volume 117 of Deeds, page 224, records of Jefferson County, Washington;  
the Southeast 1/4 of the Southeast 1/4, the Southeast 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4;  
ALSO that portion of Government Lot 3, lying Southeasterly of State Highway; the East 660 feet of Government Lot 4 and that portion of the West 660 feet of Government Lot 4, lying Southeasterly of the State Highway No. 9;  
All in Section 17, Township 29 North, Range 1 West;  
EXCEPT that portion thereof, described in deed and easement dated December 23, 1976, and recorded under Auditor's File No. 239261, to Maurice L. Plaster, et al;  
EXCEPT that portion, if any, as described in instrument recorded under Auditor's File No. 239261, records of Jefferson County, Washington;  
EXCEPT Moon Lake and all lands within a radius of 75 feet wide surrounding said lake;  
EXCEPT State Highway No. 9, right-of-way;  
**EXCEPT Railroad in Government Lot 4 as conveyed by deeds recorded in Volume 28 of Deeds, pages 525 and 526 and in Volume 29 of Deeds, pages 127 to 129, Jefferson County, Washington.**  
**Situates in the County of Jefferson, State of Washington.**

**PARCEL 30:**

That portion of Government Lot 5, Section 19, lying Southerly of State Highway No. 9, as conveyed to the State of Washington by instrument recorded in Volume 102 of Deeds, page 207, under Auditor's File No. 68633;  
The Southeast 1/4 of the Southeast 1/4 of Section 19, Township 29 North, Range 1 West;  
EXCEPT that portion of said Government Lot 5, described as follows:  
Beginning at the intersection of the East line of said subdivision with the South line of State Highway No. 20 right of way;  
thence South along said South right of way line 99.0 feet;  
thence South 01<sup>m</sup> 26' 13" East 700 feet more or less to the South line of said Government Lot 5;  
thence Easterly 66 feet more or less to the Southeast corner of said Government Lot 5;  
thence North 01<sup>m</sup> 21' 20" East along the East line of said Government Lot 5 to the point of beginning.  
Situates in the County of Jefferson, State of Washington.

**PARCEL 31:**

**The Southeast 1/4 of the Southeast 1/4 in Section 19, Township 29 North, Range 1 West, W.M., Jefferson County, Washington;  
EXCEPT that portion lying Northwesterly of the easement of Puget Sound Power & Light Company, as recorded March 7, 1975 under Auditor's File No. 227268.**  
Situates in the County of Jefferson, State of Washington.

**PARCEL 32:**

That portion of the Southwest 1/4 of the Southeast 1/4, lying Westerly of a line drawn from a point 200 feet West of the Northeast corner of said subdivision to a point 200 feet East of the Southwest corner of said subdivision;  
All in Section 19, Township 29 North, Range 1 West;  
EXCEPT City of Port Townsend Pipe Line right-of-way;

**ALSO EXCEPT right of way of Primary State Highway No. 9-E.  
Situating in the County of Jefferson, State of Washington.**

**PARCEL 33:**

**The South 1/2 of the Northeast 1/4, the West 1/2 of the Northeast 1/4 of the Northeast 1/4, the Northwest 1/4 of the Northeast 1/4, the Northwest 1/4, the South 1/2;**

All in Section 20, Township 29 North, Range 1 West;

EXCEPT that portion, if any, as described in instrument recorded under Auditor's File No. 239261, records of Jefferson County, Washington;

ALSO EXCEPT Moon Lake and all lands within a radius of 75 feet wide surrounding said lake;

**ALSO EXCEPT that portion of the Southwest 1/4 of the Northwest 1/4 lying Northwesterly of the Puget Sound Power & Light easement recorded March 7, 1975 under Auditor's File No. 227268.**

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 34:**

**The Southwest 1/4 of the Southwest 1/4, the West 1/2 of the Northwest 1/4 of the Southwest 1/4, Section 21, Township 29 North, Range 1 West.**

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 35:**

The Southeast 1/4 of Section 21, Township 29 North, Range 1 West, EXCEPT right-of-way of County Road as conveyed to Jefferson County by instrument recorded in Volume 1 of Road Waivers, pages 142 and 143; ALSO EXCEPT that portion conveyed to Gerald W. Phillips, et ux by deed recorded January 7, 1988 under Auditor's File No. 312370, records of Jefferson County, Washington.

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 36:**

The Southwest 1/4 of the Southwest 1/4 of Section 22, Township 29 North, Range 1 West.

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 37:**

Tracts 1 through 8 inclusive of Stewart Garden Tracts, as per plat recorded in Volume 2 of Plats, page 90, records of Jefferson County, Washington;

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 38:**

**That portion of the South 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 25, Township 29 North, Range 1 West, W.M., in Jefferson County, Washington, lying Easterly of the Chimacum-Beaver Valley County Road right of way as conveyed by Deed recorded under Auditor's File No. 160634 records of said County;**

TOGETHER WITH a permanent, non-exclusive easement for a 60 foot easement for ingress, egress and utilities, the centerline of which is described as follows:

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Beginning at the intersection of the North line of the South 1/2 of the South 1/2 of the Southeast 1/4 of the Southeast 1/4 of said Section 25, and the Easterly margin of the Chimacum-Beaver Valley County Road (#12);

thence North 16<sup>m</sup> 31' 30" East 176.21 feet;

thence North 54<sup>m</sup> 20' 30" East 176.11 feet;

thence North 32<sup>m</sup> 58' 30" West 268.03 feet;

thence North 13<sup>m</sup> 25' 00" West 174.18 feet;

thence North 21<sup>m</sup> 53' 00" East 96.59 feet;

thence North 33<sup>m</sup> 40' 30" West 139.75 feet;

thence North 2<sup>m</sup> 22' 00" West 130.45 feet to the South line of the South 1/2 of the Northeast 1/4 of the Southeast 1/4 of said Section 25, and the terminus of said line.

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 39:**

The West 1/2 of the Northwest 1/4, the West 1/2 of the Southwest 1/4 of the Southwest 1/4, Section 28, Township 29 North, Range 1 West.

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 40:**

The East 1/2, the Northwest 1/4, the East 1/2 of the Southwest 1/4, the Southwest 1/4 of the Southwest 1/4, Section 29, Township 29 North, Range 1 West.

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 41:**

The Northeast 1/4 of the Northeast 1/4; the North 1/2 of the Southeast 1/4 of the Northeast 1/4, and that portion of the Southwest 1/4 of the Southeast 1/4, as described in instrument recorded August 10, 1955, in Volume 140 of Deeds, page 598, records of Jefferson County, Washington;

the East 1/2 of the Southwest 1/4, the East 1/2 of the Northwest 1/4, Government Lots 2, 3, 4 and that portion of Government Lot 1, as described in instrument recorded December 19, 1946, in Volume 119 of Deeds, page 611, records of Jefferson County, Washington;

All in Section 30, Township 29 North, Range 1 West;

**EXCEPT Old Eaglemount County Road right-of-way.**

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 42:**

**The Southwest 1/4 of the Northeast 1/4, the Northeast 1/4 of the Northwest 1/4; the Northeast 1/4 of the Northeast 1/4, Section 31, Township 29 North, Range 1 West;**

EXCEPT that portion as conveyed to Puget Southern Properties, by Crown Zellerbach Corporation, in instrument recorded under Auditor's File No. 287326;

EXCEPT Old Eaglemount County Road right of way;

**ALSO EXCEPT Lind County usage road as disclosed by Jefferson Public Works Department.**

**Situating in the County of Jefferson, State of Washington.**

**PARCEL 43:**

**The Northeast 1/4, the North 1/2 of the Southeast 1/4, the North 1/2 of the Northwest 1/4, the Southeast 1/4 of the Northwest 1/4, and those portions of the Southwest 1/4 of the Northwest 1/4, and the North 1/2 of the Southwest 1/4, lying Northeasterly of State Highway No. 9;**

All in Section 32, Township 29 North, Range 1 West.

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**Situate in the County of Jefferson, State of Washington.**

**PARCEL 44:**

That portion of the Southwest 1/4 of the Southwest 1/4 of Section 32, Township 29 North, Range 1 West, W.M., Jefferson County, Washington, lying Southerly of Old Eaglemount Road.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 45:**

The Northeast 1/4 of the Northeast 1/4, the East 1/2 of the Northwest 1/4 of the Northeast 1/4, the South 1/2 of the Northeast 1/4, the South 1/2 of the Northwest 1/4, the West 1/2 of the Northwest 1/4 of the Northwest 1/4, the North 1/2 of the Southwest 1/4, the North 1/2 of the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4;

All in Section 33, Township 29 North, Range 1 West;

EXCEPT Gibbs Lake County usage road, as disclosed by Jefferson County Public Works Department.

**ALSO EXCEPT right of way for West Egg & I Road, as conveyed to Jefferson County by deed recorded April 26, 1996, under Auditor's File No. 390603.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 46:**

**That portion of the Northwest 1/4 of the Southwest 1/4, as described in instrument recorded April 19, 1960, in Volume 152 of Deeds, page 373, records of Jefferson County, Washington;**

All in Section 34, Township 29 North, Range 1 West;

EXCEPT that portion conveyed by Quit Claim Deed to Jefferson County from Crown Zellerbach Corporation in instrument dated June 11, 1981;

EXCEPT Gibbs Lake County Road usage road as disclosed by Jefferson County Public Works Department;

**ALSO EXCEPT therefrom said Township 29 North, Range 1 West the Port Townsend Gravity Water Supply Pipe Line right of way as conveyed and/or condemned by proceedings in Volume H and K of County Commissioners meeting, pages 254 and 528, respectively, and Volume 54 of Deeds, pages 302 and 303, records of Jefferson County, Washington.**

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 47:**

The Northwest 1/4 of the Northeast 1/4 of Section 27, Township 27 North, Range 2 West, W.M., Jefferson County, Washington;

EXCEPTING THEREFROM all that portion thereof described in the Deed executed by John Seaton, etux, to the United State of America, recorded November 3, 1911, under Auditor's File No. 34023;

AND EXCEPTING THEREFROM all that portion thereof described in the Deed executed by Francis S. Meyer, etux, to Charles J. Beck, etux, recorded June 11, 1932, under Auditor's File No. 68529;

ALSO EXCEPTING THEREFROM all that portion thereof lying within State Route 101 and that portion lying Northerly of the Big Quilcene River.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 48:**

That portion of Government Lots 5 and 6 and the South 1/2 of the Northwest 1/4 of the Southwest 1/4 lying Northeasterly of Fuller County Road right-of way, the North 1/2 of the Northwest 1/4 of the southwest 1/4 EXCEPT the West 132 feet thereof, the Southeast 1/4 of the Northwest 1/4, the

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Northeast 1/4 of the Southwest 1/4, Government Lot 3, that portion of Government Lot 4 lying Southeasterly of Port Townsend Southern Railroad right-of-way, that portion of the North 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4 lying southeasterly of the Port Townsend Southerly Railroad right-of-way, that portion of the abandoned Port Townsend Southern Railroad right-of-way lying within the North 1/2 of the north 1/2 of the Southwest 1/4 of the Northwest 1/4 and within Government Lot 4, as conveyed by deed recorded May 20, 1890 in Volume 27 of Deeds, page 507 and 508, records of Jefferson County, Washington;

All in Section 1, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.

EXCEPT Olympic Highway right-of-way;

ALSO EXCEPT State Highway No. 9, State Highway No. 9-E, and State Highway 104 rights of ways;

**ALSO EXCEPT the Port Townsend Gravity Water Supply line as conveyed by deed recorded March 16, 1905 under Auditor's File No. 20471 (Volume 54 of Deeds, pages 579-580), records of Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 49:**

That portion of the South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4, Section 1, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington, described as follows:

Beginning at a point on the East line of the Southwest 1/4 of the Northwest 1/4 of said Section 1 which is North 1<sup>m</sup>12'41" West, 669.96 feet from the Southeast corner of said Southwest 1/4 of the Northwest 1/4;

thence continuing North 1<sup>m</sup>12'41" West, along said East line 312.18 feet to the Northeast corner of said South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4;

thence North 89<sup>m</sup>59'07" West, along the North line of said South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4, 493.65 feet;  
thence South 1<sup>m</sup>12'41" East, 112.19 feet;  
thence South 89<sup>m</sup>59'07" East, 443.65 feet;  
thence South 1<sup>m</sup>12'41" East, 199.99 feet;  
thence North 89<sup>m</sup>59'07" East, 50.00 feet to The Point of Beginning.  
**Situate in the County of Jefferson, State of Washington.**

**PARCEL 50:**

That portion of the former railway right of way of the Port Townsend Southern Railroad as conveyed by instrument recorded in Volume 27 of Deeds, page 490, under Auditor's File No. 4578 over and across the Northeast 1/4 of the Southeast 1/4 of Section 14, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 51:**

The Southwest 1/4 of the Southeast 1/4; the West 1/2 of the Northwest 1/4 of the Southeast 1/4; and that portion of the East 1/2 of the Northeast 1/4 of the Southeast 1/4 lying Easterly of the former Port Townsend Southern Railroad Company right of way as conveyed by instrument recorded in Volume 27 of Deeds, page 490 under Auditor's File No. 4578, all in Section 14, Township 28 North, Range 2 West, W.M., Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

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**PARCEL 52:**

The North 1/2 of the Northwest 1/4 of the Northeast 1/4 of Section 26, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 53:**

**Government Lots 7, 8 and 9, Section 24, Township 29 North, Range 2 West, that portion of John E. Burns Donation Claim No. 38 and John F. Tukey Donation Land Claim No. 39, as described in instrument recorded March 1, 1966, in Volume 170 of Deeds, page 125, and as described in instrument recorded August 10, 1955, in Volume 140 of Deeds, pages 598 and 599, records of Jefferson County, Washington.**

Situate in the County of Jefferson, State of Washington.

**PARCEL 54:**

The Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4, the Southwest 1/4 of the Northeast 1/4, the Northeast 1/4 of the Southwest 1/4, the Southeast 1/4, the Northwest 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4;

All in Section 36, Township 29 North, Range 2 West;

EXCEPT State Highway No. 101, right of way;

**Situate in the County of Jefferson, State of Washington.**

**PARCEL 55:**

That portion of the North 1/2 of the Southwest 1/4 of the Northwest 1/4 of Section 36, Township 29 North, Range 1 West, W.M., lying West of County Road No. 34.016, more particularly described as follows:

Beginning at the Northwest corner of said Section 36 and running thence South 01<sup>m</sup> 20' West, along the West line of said Section 36, a distance of 1300.0 feet, more or less, to the Northwest corner of the Southwest 1/4 of the Northwest 1/4 of said Section 36, and the TRUE POINT OF BEGINNING;

thence continuing South 01<sup>m</sup> 20' West, along said West line, 520.1 feet;

thence North 29<sup>m</sup> 30' East, 443.1 feet;

thence North 48<sup>m</sup> 30' East, 121.0 feet;

thence South 89<sup>m</sup> 00' East, 253.0 feet to a point in the center line of County Road No. 34.016;

thence North 05<sup>m</sup> 00' West, along the center line of said county road 60.2 feet to a point in the North line of said Southwest 1/4 of the Northwest 1/4 of Section 36;

thence North 89<sup>m</sup> 00' West, along said North line 537.0 feet to the TRUE POINT OF BEGINNING;

**EXCEPT THEREFROM portion lying within County Road No. 34.016.**

Situate in the County of Jefferson, State of Washington.

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**KITSAP COUNTY, WASHINGTON**

**SECTION 14. LEGAL DESCRIPTIONS**

Parcels 1-71 are all located in Kitsap County, Washington:

**PARCEL 1:**

**THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 12, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M. IN KITSAP COUNTY, WASHINGTON.**

ALSO RESULTANT PARCEL B OF BOUNDARY LINE ADJUSTMENT RECORDED UNDER AUDITOR'S FILE NO. 9502210221; BEING A PORTION OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 12, TOWNSHIP 27 NORTH, RANGE 1 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 2:**  
THE EAST OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4;  
THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THAT PORTION CONTAINED WITHIN THE PLAT OF HOOD CANAL ACREAGE TRACTS BLOCK 2, DIVISION NO. 1, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 52, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALL IN SECTION 13, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
ALSO TRACTS 1, 13, 15, 16, AND 17 OF HOOD CANAL ACREAGE TRACTS BLOCK 2, DIVISION 1, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 52, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALSO LOTS 12 AND 13, HOOD CANAL ACREAGE TRACTS BLOCK 1, DIVISION 4, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 51, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALSO LOTS 10 AND 11, HOOD CANAL ACREAGE TRACTS BLOCK 1, DIVISION 2, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 49, RECORDS OF KITSAP COUNTY WASHINGTON;

**PARCEL 3:**  
THE EAST 8 ACRES OF THE WEST HALF OF THE EAST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE SOUTH 30 FEET THEREOF;  
THE EAST HALF OF THE EAST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE SOUTH 30 FEET, AND EXCEPT THE EAST 50 FEET;  
ALL IN SECTION 23, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 4:**  
THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
EXCEPT THE NORTH AND EAST 30 FEET; AND EXCEPT THE SOUTH 50 FEET OF SAID SOUTHEAST 1/4 OF THE SOUTHWEST 1/4;  
ALSO THE SOUTHEAST 1/4;  
ALL IN SECTION 24, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 5:**  
THE NORTHEAST 1/4;  
THE NORTHWEST 1/4;  
EXCEPT THE NORTH HALF OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4;  
ALSO THE SOUTHEAST 1/4;  
ALL IN SECTION 25, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 6:**  
THAT PORTION OF SECTION 36. TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
BEGINNING AT THE NORTH QUARTER CORNER OF SAID SECTION 36;  
THENCE SOUTH 89°12'32" EAST ALONG THE NORTH LINE OF SAID SECTION 36 A DISTANCE OF 1318.83 FEET TO THE NORTHEAST CORNER OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36;  
THENCE SOUTH 1°24'08" WEST ALONG THE EAST LINE OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36 A DISTANCE OF 2657.65 FEET TO THE SOUTHEAST CORNER OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36;  
THENCE NORTH 88°32'27" WEST ALONG THE SOUTH LINE OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36 A DISTANCE OF 1309.44 FEET TO A D.N.R. CONCRETE MONUMENT MARKING THE CENTER OF SAID SECTION 36;  
THENCE SOUTH 1°15'42" WEST ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 1363.60 FEET TO A D.N.R. CONCRETE MONUMENT MARKING THE SOUTHEAST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36;  
THENCE NORTH 89°32'10" WEST ALONG THE SOUTH LINE OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 265.02 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" THEREINAFTER REFERRED TO AS A REBAR;  
THENCE NORTH 7°02'09" WEST 205.20 FEET TO A REBAR;  
THENCE NORTH 33°07'04" EAST 100.17 FEET TO A REBAR;  
THENCE NORTH 10°34'20" EAST 321.37 FEET TO A REBAR;  
THENCE NORTH 15°07'35" WEST 352.62 FEET TO A REBAR;

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THENCE NORTH 5°36'46" WEST 311.98 FEET TO A REBAR;  
THENCE NORTH 6°55'30" WEST 483.78 FEET TO A REBAR;  
THENCE NORTH 10°49'41" WEST 609.38 FEET TO A REBAR;

THENCE NORTH 4°12'47" WEST 157.16 FEET TO A REBAR;  
THENCE NORTH 6°19'29" WEST 200.28 FEET TO A REBAR;  
THENCE NORTH 37°58'38" WEST 174.02 FEET TO A REBAR;  
THENCE NORTH 8°22'06" EAST 318.42 FEET TO A REBAR;  
THENCE NORTH 37°05'29" EAST 1080.30 FEET TO THE POINT OF BEGINNING, IN KITSAP COUNTY, WASHINGTON;

**PARCEL 7:**  
THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THAT PORTION CONVEYED TO GAMBLE VILLAGE WATER AND SEWER COMPANY, A WASHINGTON CORPORATION, BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9212300192.

**PARCEL 8:**  
THE NORTHWEST 1/4 OF SECTION 3, TOWNSHIP 26 NORTH, RANGE 2 EAST, W.M.,  
IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THE EAST 571.71 FEET THEREOF;  
ALSO EXCEPT THE SOUTHWEST 1/4 OF SAID NORTHWEST 1/4;  
(ALSO KNOWN AS PARCEL C OF 20 ACRE LAND SEGREGATION RECORDED SEPTEMBER 27, 1999 UNDER AUDITOR'S FILE NO. 3209712.)

**PARCEL 9:**  
THE NORTH HALF OF THE NORTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4, EXCEPT THE NORTH AND EAST 30 FEET FOR ROAD PURPOSES;  
ALL IN SECTION 4, TOWNSHIP 26 NORTH, RANGE 2 EAST, IN KITSAP COUNTY, WASHINGTON.

**PARCEL 10:**  
THE EAST HALF OF THE SOUTHEAST 1/4 OF SECTION 4, TOWNSHIP 26 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 11:**  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 AND THE EAST HALF OF THE SOUTHWEST 1/4 OF SECTION 3, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THE SOUTH 30 FEET OF THE WEST 30 FEET OF SAID EAST HALF;  
TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS THE NORTH 30 FEET AND THE SOUTH 60 FEET OF THAT PORTION OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION 3, LYING EAST OF HANSVILLE COUNTY ROAD AND FOR SAID PURPOSES OVER, ALONG AND ACROSS THE WEST 30 FEET AND THE SOUTH 30 FEET OF THAT PORTION OF SAID SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 LYING WEST OF SAID COUNTY ROAD; AND FOR SAID PURPOSES OVER AND ACROSS THE NORTH 60 FEET OF THE NORTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 10, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M. IN KITSAP COUNTY WASHINGTON.

**PARCEL 12:**  
THE EAST HALF OF SECTION 4, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SAID SECTION; AND EXCEPT COUNTY ROAD KNOWN AS HANSVILLE ROAD;  
TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS THE SOUTH 30 FEET OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE EAST 30 FEET THEREOF.

**PARCEL 13:**  
THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 4, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 14:**  
PORTIONS OF THE VACATED PLAT OF GAMBLE VILLAGE, VACATED PURSUANT TO COMMISSIONERS JOURNAL VOLUME 15, PAGE 329, LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
BEGINNING AT THE QUARTER CORNER COMMON TO SECTIONS 6 AND 7; THENCE SOUTH 88° 24' 47" EAST ALONG THE LINE COMMON TO SECTIONS 6 AND 7, 350.06 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 16° 15' 37" EAST 161.08 FEET; THENCE SOUTH 73° 44' 23" EAST, 500.00 FEET; THENCE SOUTH 16° 15' 37" WEST, 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 100.00 FEET; THENCE NORTH 16° 15' 37" EAST 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 200.00 FEET; THENCE SOUTH 16° 15' 37" WEST, 240.00 FEET; THENCE NORTH 73° 44' 23" WEST, 720.00 FEET; THENCE NORTH 16°15' 37 ' EAST, 10 FEET; THENCE NORTH 73° 44' 23" WEST, 80 FEET; THENCE NORTH 16°15' 37 ' EAST, 68.92 FEET TO THE TRUE POINT OF BEGINNING.  
EXCEPT ANY PORTION IN THE FORMER LOTS 13, 14, 15, 18 AND 20 THROUGH 24 OF SAID VACATED PLAT;

ALSO BEGINNING AT THE QUARTER CORNER COMMON TO SAID SECTIONS 6 AND 7; THENCE SOUTH 88° 24' 47" EAST ALONG THE LINE COMMON TO SECTIONS 6 AND 7, 350.06 FEET; THENCE SOUTH 16° 15' 37" WEST 258.92 FEET; THENCE SOUTH 73° 44' 23" EAST, 800.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 16° 15' 37" EAST, 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 60 FEET; THENCE NORTH 16° 15' 37" EAST, 350.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 177.26 FEET; THENCE SOUTH 31° 56' 18" WEST, 109.06 FEET; THENCE

SOUTH 15° 17' 59" EAST, 99.75 FEET; SOUTH 16° 15' 37" WEST, 280.00 FEET; THENCE NORTH 73° 44' 23" WEST, 260.00 FEET TO THE TRUE POINT OF BEGINNING.

ALSO THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON; EXCEPT THAT PORTION LYING WITHIN THE VACATED PLAT OF GAMBLE VILLAGE.

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**PARCEL 15:**

THAT PORTION OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

PARCEL I:

NORTHWEST QUARTER OF THE NORTHEAST QUARTER EXCEPT THE PLAT OF GAMBLE VILLAGE;

PARCEL II:

SOUTH HALF OF THE NORTHEAST QUARTER

PARCEL III:

NORTHEAST QUARTER OF THE NORTHWEST QUARTER;

PARCEL IV:

SOUTHWEST QUARTER EXCEPT THE NORTHWEST QUARTER THEREOF;

PARCEL V:

WEST HALF OF THE SOUTHEAST QUARTER;

PARCEL VI:

EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER DESCRIBED AS FOLLOWS:

BEGINNING AT THE QUARTER CORNER COMMON TO SECTION 6 AND 7;

THENCE SOUTH 88°24'47" EAST 350.96 FEET;

THENCE SOUTH 16°15'37" WEST 258.92 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 16°15'37" 380 FEET;

THENCE SOUTH 73°44'23" EAST 800 FEET;

THENCE NORTH 16°15'37" EAST 380 FEET;

THENCE NORTH 73°44'23" WEST 800 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT THAT PORTION OF THE SOUTHEAST QUARTER AND SOUTHWEST QUARTER CONVEYED BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9212300189, IN KITSAP COUNTY WASHINGTON;

**PARCEL 16:**

THE WEST HALF OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 17:**

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;

THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;

THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;

THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;

THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;

THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;

THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;

THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;

THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;

THENCE NORTH 81°09'44" EAST 654.90 FEET TO A REBAR;

THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;

THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;

THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;

THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;

THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;

THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;

THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;

THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;

EXCEPT ANY PORTION LYING WITHIN SECTION 18, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON;

**PARCEL 18:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 9, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 19:**

THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF SECTION 9, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 20:**

THE WEST HALF OF THE SOUTHWEST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THE SOUTH 30 FEET AND THE EAST 30 FEET THEREOF;  
THE EAST 3/4 OF THE NORTH HALF OF THE SOUTHWEST 1/4;

AND THE WEST HALF OF THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
EXCEPT THE NORTH 30 FEET THEREOF;  
ALL IN SECTION 15, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M.,  
IN KITSAP COUNTY, WASHINGTON.

**PARCEL 21:**

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;  
THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;  
THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;  
THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;  
THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;  
THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;  
THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;  
THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;  
THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;  
THENCE NORTH 81°09'44" EST 654.90 FEET TO A REBAR;  
THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;  
THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;  
THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;  
THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;  
THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;  
THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;  
THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;  
THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;  
EXCEPT ANY PORTION LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON;

**PARCEL 22:**

ALL OF SECTION 18, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT STATE HIGHWAY;  
EXCEPT THE FOLLOWING:

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;  
THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;  
THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;  
THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;  
THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;  
THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;  
THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;  
THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;  
THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;  
THENCE NORTH 81°09'44" EST 654.90 FEET TO A REBAR;  
THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;  
THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;  
THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;  
THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;  
THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;  
THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;  
THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;  
THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;



AND EXCEPT ANY PORTION LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON; TOGETHER WITH TIDE LANDS OF THE SECOND CLASS, AS CONVEYED BY THE STATE OF WASHINGTON, SITUATE IN FRONT OF, ADJACENT TO AND ABUTTING UPON THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 18;

**PARCEL 23:**

THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
THE WEST HALF;  
THE WEST HALF OF THE SOUTHEAST 1/4; AND  
THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 19, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 24:**

THE WEST HALF OF THE EAST HALF OF SECTION 33, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
ALSO THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION;  
EXCEPT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FEE NO. 817693.

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**PARCEL 25:**

THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 28, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE NORTH 140 FEET OF THE WEST 180 FEET THEREOF.

**PARCEL 26:**

THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 29, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON,  
EXCEPT THAT PORTION LYING EASTERLY OF SUQUAMISH-PORT GAMBLE ROAD.

**PARCEL 27:**

THE EAST 53.33 ACRES OF THE SOUTHEAST 1/4; EXCEPT THE EAST 50 FEET THEREOF TO KITSAP COUNTY PER RESOLUTION NO 087-1990 DATED 2/26/1990; ALSO EXCEPT THE NORTH 209 FEET OF THE WEST 209 FEET OF THE EAST 53.33 ACRES OF THE SOUTHEAST 1/4 OF SECTION 29, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 28:**

THE NORTH HALF;  
THE SOUTHWEST 1/4; EXCEPT THE WEST, SOUTH, AND EAST 50 FEET THEREOF;  
THE NORTH HALF OF THE SOUTHEAST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THE WEST AND SOUTH 50 FEET AND THE EAST 30 FEET THEREOF;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THAT PORTION OF THE FOLLOWING DESCRIBED TRACT LYING SOUTHEASTERLY OF BOND ROAD, TO-WIT:  
BEGINNING AT THE SOUTHEAST CORNER OF SECTION 30;  
THENCE NORTH 1° 27' 26" WEST 485.77 FEET;  
THENCE SOUTH 89° 16' 34" WEST 481.05 FEET;  
THENCE SOUTH 1° 27' 26" EAST 485.77 FEET;  
THENCE NORTH 89° 16' 34" WEST 481.05 FEET TO THE TRUE POINT OF BEGINNING;  
EXCEPT FROM THE ABOVE PORTION THOSE PARCELS CONVEYED TO KITSAP COUNTY FOR BOND ROAD RELOCATION BY DEEDS RECORDED UNDER AUDITOR'S FEE NO. 846386 AND 857704;  
ALL IN SECTION 30, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 29:**

THAT PORTION OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 LYING NORTHWESTERLY OF COUNTY ROAD;  
THE WEST HALF OF THE NORTHEAST 1/4; EXCEPT PORTION CONVEYED TO KITSAP COUNTY BY DEED RECORDED UNDER AUDITOR'S FEE NO. 753899;  
THE NORTHEAST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE NORTH 50 FEET; AND EXCEPT THE SOUTH 30 FEET;  
THE NORTHWEST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE NORTH 50 FEET; AND EXCEPT THE SOUTH 50 FEET;

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THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE WEST 50 FEET; AND EXCEPT THE NORTH, SOUTH AND EAST 30 FEET;  
AND THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE WEST AND SOUTH 30 FEET;  
ALL IN SECTION 31, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 30:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE WEST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHWEST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE EAST HALF OF THE SOUTHWEST 1/4;

AND ALL OF THE SOUTHEAST 1/4;  
ALL IN SECTION 32, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 31:**

THE NORTH HALF OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4;  
THE SOUTH HALF OF THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
THE SOUTH HALF OF THE SOUTH HALF OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE NORTH HALF OF THE SOUTHWEST 1/4;  
THE WEST HALF OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THAT PORTION LYING SOUTHEASTERLY OF THE NORTHERLY LINE OF COUNTY ROAD;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 33, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 32:**

THE SOUTH HALF OF THE SOUTHWEST 1/4 OF SECTION 34, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON; EXCEPT THE EAST 571.71 FEET THEREOF; (ALSO KNOWN AS PARCEL B OF 20 ACRE LAND SEGREGATION RECORDED UNDER AUDITOR'S FEE NO. 3209712.)

**PARCEL 33:**

THAT PORTION OF THE SOUTH HALF OF THE SOUTHWEST 1/4 LYING NORTH OF THE PLATS OF SHORE WOODS, ACCORDING TO THE PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2, RECORDS OF KITSAP COUNTY; AND SHORE WOODS NO. 3, ACCORDING TO THE PLAT RECORDED IN VOLUME 12 OF PLATS, PAGE 23, RECORDS OF KITSAP COUNTY, LYING EAST OF THE EASTERLY MARGIN OF BEAVER ROAD EXTENDED SOUTHERLY;  
ALL IN SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 34:**

THAT PORTION OF THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING SOUTHERLY OF THE SOUTHERLY BOUNDARY OF THE PLAT OF SHORE WOODS, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGE 1 AND 2, RECORDS OF KITSAP COUNTY WASHINGTON;

ALSO

THAT PORTION OF THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING SOUTHERLY OF THE SOUTHERLY BOUNDARY OF THE PLAT OF SHORE WOODS NO. 2, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGE 44 AND 45, RECORDS OF KITSAP COUNTY WASHINGTON;

**PARCEL 35:**

ALL OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT THE EAST HALF OF THE SOUTHEAST 1/4 THEREOF;

AND EXCEPT THAT PORTION CONVEYED TO HANSVILLE WATER DISTRICT OF KITSAP COUNTY, WASHINGTON, A MUNICIPAL CORPORATION, BY DEED RECORDED UNDER AUDITOR'S FEE NO. 7907310189.

**PARCEL 36:**

THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON LYING SOUTHERLY AND EASTERLY OF COUNTY ROAD KNOWN AS HOOD CANAL DRIVE AND WESTERLY OF THE WESTERLY BOUNDARY OF SHORE WOODS, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2, RECORDS OF KITSAP COUNTY;

ALSO

THAT PORTION OF GOVERNMENT LOT 1 IN SAID SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING SOUTHERLY OF SAID HOOD CANAL DRIVE AND EASTERLY OF THE EASTERLY BOUNDARY OF HOOD CANAL SHORES, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62, RECORDS OF KITSAP COUNTY;

ALSO

THAT PORTION OF GOVERNMENT LOT 4 IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING EASTERLY OF THE EASTERLY BOUNDARY OF HOOD CANAL SHORES, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62, RECORDS OF KITSAP COUNTY;

ALSO

THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT PORTION CONTAINED IN PLAT OF SHORE WOODS, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2;

ALSO

THAT PORTION OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND OF THE NORTHEAST QUARTER

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OF THE SOUTHWEST QUARTER AND OF GOVERNMENT LOT 1 IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING EASTERLY OF THE EASTERLY BOUNDARIES OF PLATS OF HOOD CANAL SHORES AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62; AND HOOD CANAL SHORES NO. 2, AS PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE

17, RECORDS OF KITSAP COUNTY;  
EXCEPT THAT PORTION THEREOF DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 48 OF HOOD CANAL SHORES NO. 2, S PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 17;  
THENCE NORTH 8°50'36" WEST, ALONG THE EASTERLY LIMITS OF SAID LOT 48, A DISTANCE OF 150 FEET;  
THENCE NORTH 81°09'24" EAST 85 FEET;  
THENCE SOUTH 8°50'36" EAST 150 FEET;  
THENCE SOUTH 81°09'24" WEST 85 FEET TO THE POINT OF BEGINNING;  
AND EXCEPT THAT PORTION THEREOF DESCRIBED AS FOLLOWS:  
THAT PORTION OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON CONVEYED TO J. ROBERT AND FRANCES B. SULTHOFF BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9405020261;  
ALSO EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:  
BEGINNING AT THE NORTHEAST CORNER OF LOT 49 OF THE SAID PLAT OF HOOD CANAL SHORES NO. 2;  
THENCE NORTH 17°07'37" WEST 90 FEET;  
THENCE NORTH 72°52'23" EAST 85 FEET;  
THENCE SOUTH 17°07'37" EAST 90 FEET;  
THENCE SOUTH 12°34'07" EAST 185 FEET, MORE OR LESS, TO A POINT WHICH BEARS NORTH 8°50'36" WEST AND NORTH 81°09'24" EAST 85 FEET FROM THE SOUTHEAST CORNER OF LOT 48 OF SAID HOOD CANAL SHORES NO. 2;  
THENCE SOUTH 81°09'24" WEST 25 FEET;  
THENCE NORTH 12°34'07" WEST 180.22 FEET;  
THENCE SOUTH 72°52'23" WEST 60 FEET TO THE POINT OF BEGINNING;  
AND EXCEPT THAT PORTION THEREOF LYING WITHIN THE FOLLOWING DESCRIBED TRACT DESIGNATED AS TRACT "X":  
BEGINNING AT THE NORTHEAST CORNER OF LOT 35 OF SAID HOOD CANAL SHORES NO. 2;  
THENCE SOUTHERLY, ALONG THE EASTERLY BOUNDARY OF SAID LOT 35 TO THE SOUTHEAST CORNER THEREOF;  
THENCE NORTH 59°26'54" EAST 470.00 FEET;  
THENCE NORTH 30°33'06" WEST 259.93 FEET;  
THENCE SOUTH 59°26'54" WEST 454.23 FEET TO THE POINT OF BEGINNING;  
ALSO  
THE EAST HALF OF SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

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EXCEPT PORTION LYING IN PLAT OF SHORE WOODS NO. 2, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 44 AND 45, RECORDS OF KITSAP COUNTY;  
AND EXCEPT PORTION LYING IN SAID TRACT "X" AFORESAID;  
ALSO THE NORTH 60 FEET OF LOT 50, HOOD CANAL SHORES NO. 2, ACCORDING TO PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 17, RECORDS OF KITSAP COUNTY, WASHINGTON.

**PARCEL 37:**

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER;  
EXCEPT THE WEST AND NORTH 30 FEET;  
THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER;  
THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER;  
EXCEPT THE SOUTH 60 FEET CONVEYED TO KITSAP COUNTY FOR ROAD BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 817693;  
AND THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER;  
EXCEPT A PLOT OF LAND 100 FEET BY 100 FEET STARTING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER;  
THENCE EAST 100 FEET;  
THENCE SOUTH 100 FEET;  
THENCE WEST 100 FEET;  
THENCE NORTH 100 FEET TO THE POINT OF BEGINNING;  
AND EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:  
BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER;  
THENCE EAST 627 FEET;  
THENCE SOUTH 418 FEET;  
THENCE WEST 627 FEET;  
THENCE NORTH 418 FEET; TO THE POINT OF BEGINNING;  
EXCEPT CEMETERY;  
ALL IN SECTION 32, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 38:**

THE WEST HALF OF THE EAST HALF OF SECTION 33, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 817693.

**PARCEL 39:**

THE NORTH HALF OF THAT PART OF THE NORTH HALF OF THE SOUTHWEST QUARTER, SECTION 3, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
BEGINNING AT A POINT ON THE WEST LINE OF SAID SECTION 3, A DISTANCE NORTH 0°00'20" EAST 1373.15 FEET FROM THE SOUTHWESTERLY CORNER OF SAID SECTION 3;

THENCE ALONG THE WEST LINE OF SAID SECTION 3, NORTH 0°00'20" EAST 338.42 FEET;  
THENCE NORTH 86°55'21" EAST 1437.08 FEET;  
THENCE SOUTHERLY ALONG THE WESTERLY MARGIN OF THE OLD NAVY YARD HIGHWAY ON A CURVE TO THE LEFT HAVING AN  
INITIAL COURSE OF SOUTH 11°04'23" WEST AND A RADIUS OF 413.00 FEET, A DISTANCE OF 50.30 FEET;  
THENCE SOUTH 4°04'40" WEST 283.29 FEET;  
THENCE SOUTH 86°37'13" WEST 1410.61 FEET TO THE POINT OF BEGINNING;  
EXCEPT ROADS;  
AND EXCEPT THE SOUTH 30 FEET OF THE EAST 400 FEET OF THE ABOVE DESCRIBED PROPERTY.

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**PARCEL 40:**

THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN  
KITSAP COUNTY, WASHINGTON.

**PARCEL 41:**

THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY,  
WASHINGTON;  
EXCEPT ROAD.

**PARCEL 42:**

THE WEST HALF OF THE NORTHEAST 1/4;  
THE NORTHWEST 1/4;  
THE SOUTHWEST 1/4;  
THE WEST HALF OF THE SOUTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 28, TOWNSHIP 24 NORTH RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THAT PORTION CONVEYED TO KITSAP COUNTY BY DEED RECORDED UNDER AUDITOR'S FEE NO. 1057947;  
TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS ALL LOGGING ROADS CROSSING THE EAST HALF OF  
THE NORTHEAST 1/4 OF SAID SECTION 28, AS RESERVED IN DEED RECORDED SEPTEMBER 1, 1972, UNDER AUDITOR'S FEE NO. 1029691.

**PARCEL 43:**

THE NORTH HALF;  
THE EAST HALF OF THE SOUTHWEST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
AND THE NORTH HALF OF THE SOUTHEAST 1/4;  
ALL IN SECTION 29, TOWNSHIP 24 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

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EXCEPT PORTIONS CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY DEEDS RECORDED UNDER AUDITOR'S FEE NOS. 750383,  
924625, 981361, AND 9111150305.

**PARCEL 44:**

THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 30, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY,  
WASHINGTON.

**PARCEL 45:**

THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
AND GOVERNMENT LOTS 1, 2, AND 3, IN SECTION 31, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP  
COUNTY, WASHINGTON;  
EXCEPT PANTHER LAKE COUNTY ROAD;

**PARCEL 46:**

THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THAT PORTION OF THE SOUTH HALF THEREOF LYING EASTERLY OF PANTHER LAKE NORTH TO TAHUYEH COUNTY ROAD;  
THE SOUTHWEST 1/4;  
EXCEPT THAT PORTION THEREOF LYING SOUTHEASTERLY OF TIGER LAKE COUNTY ROAD;  
THAT PORTION OF THE WEST HALF OF THE SOUTHEAST 1/4 LYING NORTHERLY OF TIGER LAKE COUNTY ROAD;  
THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
AND THAT PORTION OF THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4 LYING WEST OF MISSION LAKE ROAD AND SOUTHERLY OF FEDENK  
COUNTY ROAD;  
ALL IN SECTION 32, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT THOSE PORTIONS CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY DEEDS RECORDED UNDER AUDITOR'S FEE NO. 759947, 767382, AND 924624.

**PARCEL 47:**

THE EAST HALF;  
THE EAST HALF OF THE WEST HALF;  
THE WEST HALF OF THE SOUTHWEST 1/4;  
AND THE SOUTH HALF OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
ALL IN SECTION 33, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THAT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FEE NO. 1057947.

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**PARCEL 48:**

THE EAST HALF;  
THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 19, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE NORTH HALF OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4 THEREOF.

**PARCEL 49:**

THE EAST HALF;  
THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
ALL IN SECTION 20, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT COUNTY ROAD;  
AND EXCEPT THAT PORTION OF SAID SOUTHEAST 1/4 OF THE NORTHWEST 1/4 LYING WESTERLY OF DEWATTO ROAD.

**PARCEL 50:**

THE NORTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 51:**

ALL OF SECTION 21, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
AND EXCEPT THE WEST QUARTER OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 THEREOF.

**PARCEL 52:**

THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF SECTION 21, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 53:**

THE SOUTH HALF OF THE NORTHEAST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
AND THE SOUTH HALF OF THE SOUTHEAST 1/4;  
ALL IN SECTION 22, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 54:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
AND THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 22, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 55:**

THE WEST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
AND THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 23, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON

**PARCEL 56:**

THE WEST HALF OF THE SOUTHWEST 1/4 OF SECTION 23, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 57:**

THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 24, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 58:**

THE WEST HALF;  
THE WEST HALF OF THE EAST HALF;  
THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 25, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 59:**

ALL OF SECTION 26, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON

**PARCEL 60:**

ALL OF SECTION 27, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 61:**

ALL OF SECTION 28, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 62:**

THE EAST HALF OF SECTION 29, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT RIGHT-OF WAY FOR COUNTY ROAD.

**PARCEL 63:**

THE EAST HALF OF THE NORTHEAST 1/4; EXCEPT COUNTY ROAD NO 102;  
AND THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
ALL IN SECTION 31, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 64:**

ALL OF SECTION 32, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT COUNTY ROAD.

**PARCEL 65:**

ALL OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 66:**

THE NORTHEAST 1/4;  
AND THE WEST HALF;  
ALL IN SECTION 34, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 67:**

THE EAST HALF OF THE SOUTHEAST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 34, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 68:**

ALL OF SECTION 35, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 69:**

THE SOUTH HALF OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE EAST HALF OF THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 70:**

THE NORTH HALF OF THE NORTH HALF;  
THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
AND THE WEST HALF OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 71:**

THE EAST HALF;  
AND THE EAST HALF OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 3 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.  
PARCELS 1 THROUGH 71, INCLUSIVE ARE SITUATE IN THE COUNTY OF KITSAP, STATE OF WASHINGTON.

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**MASON COUNTY, WASHINGTON  
LEGAL DESCRIPTIONS**

Parcels 1-22A are all located in Mason, County, Washington:

**PARCEL 1:**

All that portion, if any, of a tract of tidelands conveyed by the State of Washington to The Puget Mill Company in deed recorded August 21, 1984, in Volume V of Deeds, page 560, Auditor's File No. 7735, AND all that portion, if any, of a tract of tidelands conveyed by the State of Washington to The Puget Mill Company in deed recorded June 21, 1913, in Volume 28 of Deeds, page 131, Auditor's File No. 28335, which lie Southerly of the North line of Section six (6), Township twenty-two (22) North, Range one (1) West, W.M., extended Westerly, and which lie Easterly of the North and South centerline of said Section six (6) extended Northerly;

EXCEPTING therefrom, all that portion thereof conveyed to Elmer Beard, et ux, in Warranty Deed recorded March 1, 1934, Auditor's File No. 72452 and Correction Warranty Deed recorded April 4, 1934, Auditor's File No. 72658;

EXCEPTING therefrom, all that portion thereof conveyed to C.G. Nichols, et ux, in Warranty Deed recorded July 31, 1936, Auditor's File No. 78820; and,

EXCEPTING therefrom, all that portion thereof conveyed to Sam B. Theler, et ux, in Quit Claim Deed recorded September 7, 1939, Auditor's File No. 90369.

Parcel No. 12206 11 70430.

**PARCEL 2:**

All of Section four (4), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼) of said Section four (4).

Parcel Nos. 12304 00 00000, 12304 41 00000, 12304 42 00000 and 12304 43 00000.

**PARCEL 3:**

All those portions of Government Lots one (1) and five (5), and of the Southeast quarter (SE ¼) of the Northeast quarter (NE ¼), lying Easterly of the Easterly right-of-way line of Tiger Mission Road, County Road No. 89870; the East half (E ½) of the Southeast quarter (SE ¼); All that portion of the West half (W ½) of the Southeast quarter (SE ¼), lying Easterly of the Easterly right-of-way line of Tiger Mission Road, County Road No. 89870 and lying Southerly of the Southerly right-of-way line of Bear Creek-Dewatto Road, County Road No. 79800; all that portion of Government Lot two (2), lying Westerly of the Westerly right-of-way line of Tiger Lake Road West, County Road No. 88910; AND all that portion of Government Lot three (3) lying Northerly of the Northerly right-of-way line of Tiger Lake Road West, County Road No. 88910 and lying Easterly of the Easterly right-of-way line of Bear Creek-Dewatto Road, County Road No. 79800, all in Section five (5), Township twenty-three (23) North, Range one (1) West, W.M.

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Parcel Nos. 12305 11 00000, 12305 13 00000, 12305 14 00000, 12305 21 00000, 12305 22 00000, 12305 40 00000 and 12305 40 04000.

**PARCEL 4:**

All of Section eight (8), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom the West half (W ½) of the West half (W ½) of said Section eight (8), and excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel No. 12308 00 00000.

**PARCEL 4A:**

TOGETHER WITH a permanent easement for the construction, reconstruction, use and maintenance of a road or roads for access, 60 feet in width, as granted by the State of Washington in instrument recorded April 29, 1975, Auditor's File No. 299539.

**PARCEL 5:**

The West half (W ½) of the Northeast quarter (NE ¼); the Northwest quarter (NW ¼); the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼); AND all that portion of the Northeast quarter (NE ¼) of the Southwest quarter (SW ¼), lying Northerly of the Northerly right-of-way line of the Bear Creek-Dewatto Road, County Road No. 79800, excepting therefrom, all that portion thereof which lies Southerly of the Northerly line of a tract of land sold to Charles Benson in Real Estate Contract recorded December 20, 1939, Auditor's File No. 91522, all in Section nine (9), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel Nos. 12309 00 01000 and 12309 31 00000.

**PARCEL 6:**

The West half (W ½) of the Northeast quarter (NE ¼); the Northwest quarter (NW ¼); AND the North half (N ½) of the Southwest quarter (SW ¼), all in Section seventeen (17), Township twenty-three (23) North, Range one (1) West, W.M.

Parcel Nos. 12317 20 00000 and 12317 30 01000

PARCEL 7:

Government Lots two (2), three (3) and four (4), Section one (1), Township twenty-three (23) North, Range two (2) West, W.M.  
Parcel Nos. 22301 12 00000 and 22301 20 00000.

PARCEL 8:

Government Lots one (1), two (2), three (3) and four (4); the Southwest quarter (SW ¼) of the Northwest quarter (NW ¼); AND the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼), all in Section two (2), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

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Parcel Nos. 22302 11 00000, 22302 12 00000, 22302 20 00000, 22302 23 00000 and 22302 32 00000.

PARCEL 9:

Government Lots one (1) and two (2), and the South half (S ½) of the Northeast quarter (NE ¼), all in Section three (3), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel Nos. 22303 10 00000 and 22303 13 00000

PARCEL 10:

Government Lots three (3) and four (4); the South half (S ½) of the Northwest quarter (NW ¼); AND the West half (W ½) of the Southwest quarter (SW ¼), all in Section four (4), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800, and excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22304 20 00000, 22304 20 00010 and 22304 30 00000.

PARCEL 11:

All of Section five (5), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800, and excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22305 11 00000, 22305 12 00000, 22305 13 00000, 22305 14 00000, 22305 21 00000, 22305 22 00000, 22305 23 00000, 22305 24 00000, 22305 31 00000, 22305 32 00000, 22305 33 00000, 22305 34 00000, 22305 41 00000, 22305 42 00000, 22305 43 00000 and 22305 44 00000.

PARCEL 12:

The South half (S ½) of the Northeast quarter (NE ¼); Government Lots one (1) through seven (7), both inclusive; the Southeast quarter (SE ¼) of the Northwest quarter (NW ¼); the Southeast quarter (SE ¼) of the Southwest quarter (SW ¼); AND the Northwest quarter (NW ¼) of the Southeast quarter (SE ¼), all in Section six (6), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Dewatto-Holly Road, County Road No. 76690.

Parcel Nos. 22306 10 00000, 22306 11 00000, 22306 12 00000, 22306 21 00000, 22306 22 00000, 22306 23 00000, 22306 24 00000, 22306 32 00000, 22306 33 00000, 22306 34 00000 and 22306 42 00000.

PARCEL 13:

All of Section seven (7), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼) of said Section seven (7), and excepting therefrom, those portions thereof particularly described as follows:

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1) One square acre in the Northwest corner of the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼), as dedicated to the public in instrument recorded June 6, 1930, Auditor's File No. 63808

2) The West 84.26 feet of the South 391.26 feet of the North 600 feet of Government Lot three (3), of said Section seven (7)

EXCEPTING from all the foregoing, right-of-way for Dewatto-Holly Road, County Road No. 76690.

Parcel Nos. 22307 10 00000, 22307 20 00000, 22307 22 00000, 22307 23 00000, 22307 31 00000, 22307 31 00020, 22307 32 00000, 22307 33 00000, 22307 34 00000, 22307 40 00000, and 22307 43 00000

PARCEL 14:

The Northeast quarter (NE ¼), excepting therefrom the Southeast quarter (SE ¼) of said Northeast quarter (NE ¼); the Northwest quarter (NW ¼); the Southwest quarter (SW ¼); AND the West half (W ½) of the Southeast quarter (SE ¼), all in Section eight (8), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22308 10 00000, 22308 20 00000, 22308 30 00000, 22308 30 00010 and 22308 40 00000.

PARCEL 15:



Government Lot two (2), AND the Northwest quarter (NW ¼), all in Section seventeen (17), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22317 13 00000 and 22317 20 00000.

PARCEL 16:

The Northeast quarter (NE ¼) of the Northwest quarter (NW ¼), AND Government Lot one (1), all in Section eighteen (18), Township twenty-three (23) North, Range two (2) West, W.M.

Parcel Nos. 22318 21 00000 and 22318 22 00000.

PARCEL 17:

All of Section one (1), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32301 00 00000, 32301 20 00000

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PARCEL 18:

The East half (E ½) of the Southeast quarter (SE ¼), AND the Southeast quarter (SE ¼) of the Northeast quarter (NE ¼), all in Section two (2), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel No. 32302 40 00000.

PARCEL 19:

The Southeast quarter (SE ¼) of the Northeast quarter (NE ¼); the Southeast quarter (SE ¼) of the Southwest quarter (SW ¼); the North half (N ½) of the Southeast quarter (SE ¼); AND the Southwest quarter (SW ¼) of the Southeast quarter (SE ¼); all in Section eleven (11), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32311 14 00000, 32311 34 00000, 32311 40 00000 and 32311 43 00000.

PARCEL 20:

The North half (N ½); the North half (N ½) of the Southwest quarter (SW ¼); AND the Southeast quarter (SE ¼), all in Section twelve (12), Township twenty-three (23) North, Range three (3) West, W.M.; excepting therefrom, all that portion of the East half (E ½) of said Southeast quarter (SE ¼), particularly described as follows:

BEGINNING at the East quarter corner of said Section twelve (12); thence West, along the North line of said Southeast quarter (SE ¼), 710.5 feet; thence South 550 feet; thence East 505.5 feet; thence South 95.5 feet; thence North 55°20' East, 80 feet; thence East 140 feet, to the East line of said Section twelve (12); thence North, along said East line, 600 feet, to the POINT OF BEGINNING.

Parcel Nos. 32312 00 01000, 32312 30 00000, 32312 40 00000, 32312 41 00000 and 32312 44 00000.

PARCEL 21:

The West half (W ½) of the Northeast quarter (NE ¼); the Northeast quarter (NE ¼) of the Northwest quarter (NW ¼); AND the South half (S ½) of the Northwest quarter (NW ¼), all in Section fourteen (14), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel No. 32314 00 01000.

PARCEL 22:

The Northwest quarter (NW ¼) of the Northeast quarter (NE ¼); the Southeast quarter (SE ¼) of the Northwest quarter (NW ¼); the Northeast quarter (NE ¼) of the Southwest quarter (SW ¼); the Northwest quarter (NW ¼) of the Southeast quarter (SE ¼); AND the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼), all in Section twenty-two (22), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32322 00 00000 and 32322 44 00000.

PARCEL 22A:

TOGETHER WITH and SUBJECT TO a perpetual, non-exclusive easement for road and utility purposes, 60 feet in width, as described in instrument recorded December 21, 1990, Auditor's File No. 520273.

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**CLALLAM COUNTY, WASHINGTON  
LEGAL DESCRIPTIONS**

Parcel A:

The west 396 feet of the Southwest Quarter of Section 33, Township 28 North, Range 2 West, W.M., Clallam County, Washington.

Parcel B:

The West half of the Northeast Quarter in Section 30 Township 30 North, Range 2 West, W.M., Clallam County, Washington.

Parcel C:

The North half of the Southwest Quarter of the Southwest Quarter and the Southwest Quarter of the Southwest Quarter of the Southeast Quarter;  
EXCEPT the South 30 feet, all in Section 35, Township 30 North, Range 5 West, W.M., Clallam County, Washington.

Parcel D:

The Southwest Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 30 North, Range 5 West, W.M., Clallam County, Washington.

Situated in the County of Clallam, State of Washington.

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**EXHIBIT E**

**TO NOTE PURCHASE AGREEMENT**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Timber Cruise Specifications**

Each Timber Cruise shall be conducted using such forest sampling methods as are necessary to produce an estimate of timber volume on the Timberlands aged thirty-five (35) years and older with an accuracy within a range of 7% at the confidence level of not less than 95%. The Timber Cruise shall cover all Timber and Land within the Timber Property, and the results of such Cruise shall be reported in acres, board feet Scribner, and other units, as the case may be, for each Category of Land and Timber set forth on Exhibit C of this Agreement. The Cruise shall be supported by maps showing the location of sample plots. The Cruise data shall be tallied separately and dated for each sample plot and the plot location keyed on a map and flagged on the ground in a manner which will accommodate an independent field audit of timber cruise measurements. The classifications, specifications and utilization limits set forth in Section 9.6 of this Agreement shall control for all purposes of the Timber Cruise.

Calculation of Land acreage shall be based upon:

1. Surveys (to the extent currently available) and aerial photographs of the Property, timber type maps and such other available information generally utilized by professional foresters; and
2. Standards of calculation and measurement generally used in the commercial forestry industry.

Determination of Pre-Merchantable Timber acreage by age classes (ages 1-29 years) shall comply with the following guidelines:

1. A fully stocked stand shall consist of at least 350 well spaced stems per acre or 60 square feet of basal area per acre, measured at DBH; and
2. Timber volumes shall not include any trees of merchantable size class located in stands classified as Pre-Merchantable Timber.

Determination of Sub-Merchantable Timber acreage by age classes (ages 30-44 years) shall comply with the following guidelines:

1. A fully stocked stand shall consist of at least 350 well spaced stems per acre or 60 square feet of basal area per acre, measured at DBH; and
2. Timber volumes shall not include any trees of merchantable size class located in stands classified as Sub-Merchantable Timber.

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**EXHIBIT F**

**TO NOTE PURCHASE AGREEMENT**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Mortgages covering the Timber Property**

1. That certain Timberland Deed of Trust and Security Agreement with Assignment of Rents by and between Borrower, as Grantor, and John Hancock Mutual Life Insurance Company, as Beneficiary, dated April 29, 1992, and recorded on April 29, 1992, in volume 371, pages 237-332, Jefferson County, Washington official records, as amended by instrument recorded August 26, 1992, in Volume 385, Pages 204-206, Jefferson County, Washington official records, as amended by instrument recorded on June 14, 1993, in Volume 417, Pages 297-299, Jefferson County, Washington official records, as amended by instrument recorded on December 29, 1995, in Volume 542, Pages 447 and 448, Jefferson County, Washington official records, as amended by instrument recorded on December 30, 1999, in Volume 666, Pages 274 and 278, Jefferson County, Washington official records, and as amended by instrument dated of even date herewith (such Deed of Trust, as amended previously and as may be amended hereafter, is herein referred to as the "1992 Deed of Trust") given to secure that certain Promissory Note dated April 29, 1992, made by Borrower in favor of John Hancock Mutual Life Insurance Company in the original amount of \$16,000,000, as amended by instruments dated May 25, 1993, December 19, 1995, and December 20, 1999, and instrument dated of even date herewith (such Promissory Note, as amended previously and as may be amended hereafter, is herein referred to as the "1992 Note").
2. That certain Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing by and between Borrower, as Grantor, and John Hancock Life Insurance Company, as Beneficiary and agent for itself and the Holders, recorded in the official records of Jefferson, Kitsap, Mason and Clallam Counties, Washington, given to secure payment of certain fixed rate senior secured notes dated of even date herewith in the aggregate principal amount of \$30,000,000.

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**EXHIBIT G**

**TO**

**NOTE PURCHASE AGREEMENT**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Map of Timber Property set forth on following page.**

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**EXHIBIT H**

**TO**

**NOTE PURCHASE AGREEMENT**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

**Intentionally Omitted**

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**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

\_\_\_\_\_  
NOTE PURCHASE AGREEMENT  
\_\_\_\_\_

Dated: March 29, 2001

\$30,000,000 Fixed Rate

Senior Secured Notes

Due April 1, 2011



## POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Class A Fixed Rate Senior Secured Note,

due April 1, 2011

\$23,500,000.00

Poulsbo, Washington  
March 29, 2001

1. **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**, a Delaware limited partnership (herein, together with successors and assigns, called "Maker"), for value received, hereby promises to pay to **JOHN HANCOCK LIFE INSURANCE COMPANY**, a Massachusetts corporation (herein, together with each subsequent owner and holder of this Note, called "**Payee**"), the principal sum of Twenty-three Million Five Hundred Thousand Dollars and NO/100 (\$23,500,000.00), together with interest on the unpaid principal balance from time to time outstanding hereunder from the date hereof to maturity (except as hereinafter provided) at the rate of 7.63% per annum and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) at the "Default Rate" provided for under the Agreement (as hereinafter defined).

2. This Class A Fixed Rate Senior Secured Note (this Note, as it may be amended, restated, or modified hereafter is herein referred to as this "Note") is issued under that certain Note Purchase Agreement (as amended, modified, supplemented or restated from time to time, the "**Agreement**") dated of even date herewith made by and between Maker, Payee, and the other Holders, as defined in the Agreement, and is entitled to the benefits thereof. The Agreement also provides for the issuance by Maker to Payee of Class A Fixed Rate Senior Secured Notes (including this Note) of even date herewith in the aggregate principal amount of \$30,000,000.00 (said Notes, including this Note, as may be amended, restated, or modified hereafter are collectively referred to herein as the "Fixed Rate Notes"). As provided in the Agreement, this Note is subject to regular monthly payments of interest beginning May 1, 2001, annual payments of principal beginning April 1, 2002, and optional and mandatory prepayments, as specified in the Agreement. Maker agrees to make required payments on account of this Note in accordance with the provisions of the Agreement, including, without limitation Section 4 thereof. The Fixed Rate Notes, including this Note, are secured as set forth in the Agreement. In connection with principal prepayments the Agreement requires the Maker to pay a prepayment premium under certain circumstances.

3. Each "Event of Default" under the Agreement shall be deemed an event of default under this Note.

4. Under certain circumstances, as specified in the Agreement, the principal and accrued interest of this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

5. Limitations on the rate and amount of interest payable pursuant to this Note are contained in Section 11.5 of the Agreement.

6. Maker is liable for the payment of attorneys fees and collection costs to the Payee in accordance with Section 6.6 of the Agreement.

7. Maker hereby waives notice (including without limitation notice of intention to accelerate maturity, notice of acceleration of maturity, notice of nonpayment and notice of protest), demand, presentment for payment, protest, bringing of suit and diligence in taking any action to collect amounts owing hereunder or in proceeding against any of the rights and properties securing payment hereof, and is directly and primarily liable for the amount of all sums owing or to be owing hereon. Maker agrees that the time for payments hereunder may be extended from time to time without notice, and consents to the acceptance of further security or the release of any existing security for this Note without in any manner affecting Maker's liability with respect to this Note. Maker agrees that its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note.

8. Section 12.10 of the Agreement sets forth an exoneration of the general partners of the Maker from personal liability for the indebtedness evidenced by this Note.

9. THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, a Delaware limited partnership,

By: Pope MPG, Inc., a Delaware corporation,  
its managing partner

By: /s/ Thomas M. Ringo

Name: Thomas M. Ringo

Title: Vice President & CFO

## POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Class A Fixed Rate Senior Secured Note,

due April 1, 2011

\$4,500,000.00

Poulsbo, Washington  
March 29, 2001

1. **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**, a Delaware limited partnership (herein, together with successors and assigns, called "Maker"), for value received, hereby promises to pay to **JOHN HANCOCK LIFE INSURANCE COMPANY**, a Massachusetts corporation (herein, together with each subsequent owner and holder of this Note, called "**Payee**"), the principal sum of Four Million Five Hundred Thousand Dollars and NO/100 (\$4,500,000.00), together with interest on the unpaid principal balance from time to time outstanding hereunder from the date hereof to maturity (except as hereinafter provided) at the rate of 7.63% per annum and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) at the "Default Rate" provided for under the Agreement (as hereinafter defined).

2. This Class A Fixed Rate Senior Secured Note (this Note, as it may be amended, restated, or modified hereafter is herein referred to as this "Note") is issued under that certain Note Purchase Agreement (as amended, modified, supplemented or restated from time to time, the "**Agreement**") dated of even date herewith made by and between Maker, Payee, and the other Holders, as defined in the Agreement, and is entitled to the benefits thereof. The Agreement also provides for the issuance by Maker to Payee of Class A Fixed Rate Senior Secured Notes (including this Note) of even date herewith in the aggregate principal amount of \$30,000,000.00 (said Notes, including this Note, as may be amended, restated, or modified hereafter are collectively referred to herein as the "Fixed Rate Notes"). As provided in the Agreement, this Note is subject to regular monthly payments of interest beginning May 1, 2001, annual payments of principal beginning April 1, 2002, and optional and mandatory prepayments, as specified in the Agreement. Maker agrees to make required payments on account of this Note in accordance with the provisions of the Agreement, including, without limitation Section 4 thereof. The Fixed Rate Notes, including this Note, are secured as set forth in the Agreement. In connection with principal prepayments the Agreement requires the Maker to pay a prepayment premium under certain circumstances.

3. Each "Event of Default" under the Agreement shall be deemed an event of default under this Note.

4. Under certain circumstances, as specified in the Agreement, the principal and accrued interest of this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

5. Limitations on the rate and amount of interest payable pursuant to this Note are contained in Section 11.5 of the Agreement.

6. Maker is liable for the payment of attorneys fees and collection costs to the Payee in accordance with Section 6.6 of the Agreement.

7. Maker hereby waives notice (including without limitation notice of intention to accelerate maturity, notice of acceleration of maturity, notice of nonpayment and notice of protest), demand, presentment for payment, protest, bringing of suit and diligence in taking any action to collect amounts owing hereunder or in proceeding against any of the rights and properties securing payment hereof, and is directly and primarily liable for the amount of all sums owing or to be owing hereon. Maker agrees that the time for payments hereunder may be extended from time to time without notice, and consents to the acceptance of further security or the release of any existing security for this Note without in any manner affecting Maker's liability with respect to this Note. Maker agrees that its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note.

8. Section 12.10 of the Agreement sets forth an exoneration of the general partners of the Maker from personal liability for the indebtedness evidenced by this Note.

9. THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, a Delaware limited partnership,

By: Pope MPG, Inc., a Delaware corporation,  
its managing partner

By:           /s/ Thomas M. Ringo          

Name:           Thomas M. Ringo          

Title:           Vice President & CFO

## POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Class A Fixed Rate Senior Secured Note,

due April 1, 2011

\$2,000,000.00

Poulsbo, Washington  
March 29, 2001

1. **POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**, a Delaware limited partnership (herein, together with successors and assigns, called "Maker"), for value received, hereby promises to pay to **JOHN HANCOCK VARIABLE LIFE INSURANCE COMPANY**, a Massachusetts corporation (herein, together with each subsequent owner and holder of this Note, called "**Payee**"), the principal sum of Four Million Five Hundred Thousand Dollars and NO/100 (\$2,000,000.00), together with interest on the unpaid principal balance from time to time outstanding hereunder from the date hereof to maturity (except as hereinafter provided) at the rate of 7.63% per annum and to pay on demand interest on any overdue principal (including any overdue prepayment of principal) at the "Default Rate" provided for under the Agreement (as hereinafter defined).

2. This Class A Fixed Rate Senior Secured Note (this Note, as it may be amended, restated, or modified hereafter is herein referred to as this "Note") is issued under that certain Note Purchase Agreement (as amended, modified, supplemented or restated from time to time, the "**Agreement**") dated of even date herewith made by and between Maker, Payee, and the other Holders, as defined in the Agreement, and is entitled to the benefits thereof. The Agreement also provides for the issuance by Maker to Payee of Class A Fixed Rate Senior Secured Notes (including this Note) of even date herewith in the aggregate principal amount of \$30,000,000.00 (said Notes, including this Note, as may be amended, restated, or modified hereafter are collectively referred to herein as the "Fixed Rate Notes"). As provided in the Agreement, this Note is subject to regular monthly payments of interest beginning May 1, 2001, annual payments of principal beginning April 1, 2002, and optional and mandatory prepayments, as specified in the Agreement. Maker agrees to make required payments on account of this Note in accordance with the provisions of the Agreement, including, without limitation Section 4 thereof. The Fixed Rate Notes, including this Note, are secured as set forth in the Agreement. In connection with principal prepayments the Agreement requires the Maker to pay a prepayment premium under certain circumstances.

3. Each "Event of Default" under the Agreement shall be deemed an event of default under this Note.

4. Under certain circumstances, as specified in the Agreement, the principal and accrued interest of this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

Page 1 - CLASS A FIXED RATE SENIOR SECURED NOTE

5. Limitations on the rate and amount of interest payable pursuant to this Note are contained in Section 11.5 of the Agreement.

6. Maker is liable for the payment of attorneys fees and collection costs to the Payee in accordance with Section 6.6 of the Agreement.

7. Maker hereby waives notice (including without limitation notice of intention to accelerate maturity, notice of acceleration of maturity, notice of nonpayment and notice of protest), demand, presentment for payment, protest, bringing of suit and diligence in taking any action to collect amounts owing hereunder or in proceeding against any of the rights and properties securing payment hereof, and is directly and primarily liable for the amount of all sums owing or to be owing hereon. Maker agrees that the time for payments hereunder may be extended from time to time without notice, and consents to the acceptance of further security or the release of any existing security for this Note without in any manner affecting Maker's liability with respect to this Note. Maker agrees that its liability on or with respect to this Note shall not be affected by any release of or change in any guaranty or security at any time or by any failure to perfect or maintain perfection of any lien against or security interest in any such security or the partial or complete unenforceability of any guaranty or other surety obligation, in each case in whole or in part, with or without notice and before or after maturity. No extension of the time for the payment of this Note or any installment hereof made by agreement with any person now or hereafter liable for the payment of this Note shall operate to release, discharge, modify, change or affect the original liability of Maker under this Note.

8. Section 12.10 of the Agreement sets forth an exoneration of the general partners of the Maker from personal liability for the indebtedness evidenced by this Note.

9. THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED BY THE LAWS OF THE STATE OF WASHINGTON EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY APPLICABLE FEDERAL LAW.

POPE RESOURCES, A DELAWARE LIMITED  
PARTNERSHIP, a Delaware limited partnership,

By: Pope MPG, Inc., a Delaware corporation,  
its managing partner

By: /s/ Thomas M. Ringo

Name: Thomas M. Ringo

Title: Vice President & CFO

Page 2 - CLASS A FIXED RATE SENIOR SECURED NOTE

## AFTER RECORDING RETURN TO:

Mark A. Stayer  
 Schwabe Williamson & Wyatt, P.C.  
 1211 S.W. Fifth Avenue  
 Suites 1600-1900  
 Portland, OR 97204

Document Title: Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing

Reference # of related documents:

Grantor(s): POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

Grantee(s): JOHN HANCOCK LIFE INSURANCE COMPANY

**JEFFERSON COUNTY, WASHINGTON**

**Abbreviated Legal Description**

|              |              |              |
|--------------|--------------|--------------|
| 04— 27N— 01E | 06— 28N— 01W | 29— 29N— 01W |
| 18— 28N— 01E | 08— 28N— 01W | 30— 29N— 01W |
| 19— 28N— 01E | 09— 28N— 01W | 31— 29N— 01W |
| 28— 28N— 01E | 11— 28N— 01W | 32— 29N— 01W |
| 29— 28N— 01E | 12— 28N— 01W | 33— 29N— 01W |
| 18— 29N— 01E | 04— 29N— 01W | 34— 29N— 01W |
| 19— 29N— 01E | 09— 29N— 01W | 27— 27N— 02W |
| 30— 29N— 01E | 17— 29N— 01W | 01— 28N— 02W |
| 31— 29N— 01E | 19— 29N— 01W | 14— 28N— 02W |
| 05— 27N— 01W | 20— 29N— 01W | 22— 28N— 02W |
| 01— 28N— 01W | 21— 29N— 01W | 26— 28N— 02W |
| 02— 28N— 01W | 22— 29N— 01W | 24— 29N— 02W |
| 04— 28N— 01W | 25— 29N— 01W | 36— 29N— 02W |
| 05— 28N— 01W | 28— 29N— 01W |              |

Additional Legal Description is on Exhibit A to document.

**KITSAP COUNTY, WASHINGTON**

**Abbreviated Legal Description**

|            |                                                                                                                                                                                                                                                                                                |
|------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parcel 1:  | Northeast quarter Southeast quarter Section 12, township 27 North, Range 1 East                                                                                                                                                                                                                |
| Parcel 2:  | Southwest quarter of Northwest quarter Section 13, Township 27 North, Range 1 East, Tracts 1, 13, 15, 16 and 17 Hood Canal Acreage Tracts Block 2, Division 1, Lots 12 and 13, Hood Canal Acreage Tracts Block 1, Division 4 and Lots 10 and 11, Hood Canal Acreage Tracts Block 1, Division 2 |
| Parcel 3:  | Southeast quarter Northeast quarter Section 23, Township 27 North, Range 1 East                                                                                                                                                                                                                |
| Parcel 4:  | Section 24, Township 27 North, Range 1 East                                                                                                                                                                                                                                                    |
| Parcel 5:  | Section 25, Township 25 North, Range 1 East                                                                                                                                                                                                                                                    |
| Parcel 6:  | Section 36, Township 27 North, Range 1 East                                                                                                                                                                                                                                                    |
| Parcel 7:  | Section 36, Township 27 North, Range 1 East                                                                                                                                                                                                                                                    |
| Parcel 8:  | Northwest quarter Section 3, Township 26 North, Range 2 East                                                                                                                                                                                                                                   |
| Parcel 9:  | Northeast quarter Section 4, Township 26 North, Range 2 East                                                                                                                                                                                                                                   |
| Parcel 10: | Southeast quarter Section 4, Township 26 North, Range 2 East                                                                                                                                                                                                                                   |
| Parcel 11: | Southeast quarter of Northwest Quarter and East half of Southwest quarter Section 3, Township 27 North, Range 2 East                                                                                                                                                                           |



Parcel 12: East half Section 4, Township 27 North, Range 2 East  
Parcel 13: Southeast quarter Southwest quarter Section 4, Township 27 North, Range 2 East  
Parcel 18: Northeast quarter Northeast quarter Section 9, Township 27 North, Range 2 East  
Parcel 19: Northwest quarter Northeast quarter Section 9, Township 27 North, Range 2 East  
Parcel 20: Section 15, Township 27 North, Range 2 East  
Parcel 21: Section 18, Township 27 North, Range 2 East  
Parcel 22: Section 18, Township 27 North, Range 2 East  
Parcel 23: Section 19, Township 27 North, Range 2 East  
Parcel 24: West half of East half and Northwest quarter of Southwest quarter Section 33, Township 28 North, Range 2 East

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Parcel 25: Southwest quarter of Southwest quarter Section 28, Township 27 North, Range 2 East  
Parcel 26: Northwest quarter Northwest quarter Section 29, Township 27 North, Range 2 East  
Parcel 27: Southeast quarter Section 29, Township 27 North, Range 1 East  
Parcel 28: Section 30, Township 27 North, Range 2 East  
Parcel 29: North half Section 31, Township 27 North, Range 2 East  
Parcel 30: Section 32, Township 27 North, Range 2 East  
Parcel 31: Section 33, Township 27 North, Range 2 East  
Parcel 32: South half Southwest quarter Section 34, Township 27 North, Range 2 East  
Parcel 33: South half of Southwest quarter Section 20, Township 28 North, Range 2 East  
Parcel 34: Southwest quarter and Southeast quarter of Southeast quarter Section 20, Township 28 North, Range 2 East  
Parcel 35: Section 28, Township 28 North, Range 2 East  
Parcel 36: Southeast quarter Southwest quarter Section 20, Township 28 North, Range 2 East, Govt. Lot 1 Section 20, Township 28 North, Range 2 East, Govt. Lot 4 Section 29, Township 28 North, Range 2 East, Northeast quarter Northwest quarter Section 29, Township 28 North, Range 2 East, Govt. Lot 1, Section 29, Township 28 North, Range 2 East  
Parcel 37: Northeast and Southeast quarter Section 32, Township 28 North, Range 2 East  
Parcel 38: West half of East half Section 33, Township 28 North, Range 2 East  
Parcel 39: North half of Southwest quarter Section 3, Township 23 North, Range 1 West  
Parcel 40: Northeast quarter Northeast quarter Section 20, Township 24 North, Range 1 West  
Parcel 41: Southwest quarter Northwest Quarter Section 20, Township 24 North, Range 1 West  
Parcel 42: Section 28, Township 24 North, Range 1 West  
Parcel 43: Section 29, Township 24 North, Range 1 East

3

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Parcel 44: Southeast quarter Southeast quarter Section 30, Township 24 North, Range 1 West  
Parcel 45: Section 31, Township 24 North, Range 1 West  
Parcel 46: Section 32, Township 24 North, Range 1 West  
Parcel 47: Section 33, Township 24 North, Range 1 West

Parcel 48: Section 19, Township 24 North, Range 2 West

Parcel 49: Section 20, Township 24 North, Range 2 West

Parcel 50: Northeast quarter Northwest quarter Section 20, Township 24 North, Range 2 West

Parcel 51: Section 21, Township 24 North, Range 2 West

Parcel 52: Northwest quarter Northeast quarter Section 21, Township 24 North, Range 2 West

Parcel 53: Section 22, Township 24 North, Range 2 West

Parcel 54: Section 22, Township 24 North, Range 2 West

Parcel 55: Section 23, Township 24 North, Range 2 West

Parcel 56: West half of Southwest quarter Section 23, Township 24 North, Range 2 West

Parcel 57: Southwest quarter Southeast quarter Section 24 Township 24 North, Range 2 West

Parcel 58: Section 25, Township 24 North, Range 2 West

Parcel 59: Section 26, Township 24 North, Range 2 West

Parcel 60: Section 27, Township 24 North, Range 2 West

Parcel 61: Section 28, Township 24 North, Range 2 West

Parcel 62: East half of Section 29, Township 24 North, Range 2 West

Parcel 63: Northeast quarter Section 31, Township 24 North, Range 2 West

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**KITSAP COUNTY, WASHINGTON**  
**Abbreviated Legal Description**

Parcel 64: Section 32, Township 24 North, Range 2 West

Parcel 65: Section 33, Township 24 North, Range 2 West

Parcel 66: Northeast quarter and West half Section 34, Township 24 North, Range 2 West

Parcel 67: Southeast quarter Section 34, Township 24 North, Range 2 West

Parcel 68: Section 35, Township 24 North, Range 2 West

Parcel 69: Section 36, Township 24 North, Range 2 West

Parcel 70: Section 36, Township 24 North, Range 2 West

Parcel 71: East half and East half Southwest quarter Section 36, Township 24 North, Range 3 West

Parcel 72: Lots 17, 32, 33, 46 and 36 Hood Canal Acreage tracts, Block 1, Division 3

Additional Legal Description is on Exhibit A to document.

**MASON COUNTY, WASHINGTON**  
**Abbreviated Legal Descriptions**

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TL GL 1 & 2, 6-22-1; 4-23-1 ex SE SE; ptns GL 1, 2, 3, 5, E ½ SE, W ½ SE 5-23-1; all 8-23-1; W ½ NE, NW, NW SW, ptn NE SW, 9-23-1; W ½ NE, NW, N ½ SW 17-23-1; GL 2, 3, 4 1-23-2; GL 1, 2, 3, 4, SW NW, NW SW, 2-23-2; GL 1, 2, S ½ NE, 3-23-2; GL 3, 4, S ½ NW, W ½ SW, 4-23-2; all 5-23-2; S ½ NE, GL 1 to 7, SE NW, SE SW, NW SE, 6-23-2; all 7-23-2, exc SE SE, & exc ptns; NE exc SE NE, NW, SW, W ½ SE, 8-23-2; GL 2, NW 17-23-2; NE NW & GL 1 18-23-2; all 1-23-3; E ½ SE, SE NE 2-23-3; SE NE, SE SW, N ½ SE, SW SE 11-23-3; N ½, N ½ SW, SE, exc ptn 12-23-3; W ½ NE, NE NW, S ½ NW 14-23-3; NW NE, SE NW, NE SW, NW SE, SE SE 22-23-3

Additional Legal Description is on Exhibit A to document.

**CLALLAM COUNTY, WASHINGTON**  
**Abbreviated Legal Descriptions**

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W 396' OF SW, 33-28-2.  
W ½ NE, 30-30-2.  
N ½ SW SW & SE SW SW, 35-30-5.

**JEFFERSON COUNTY, WASHINGTON**  
**Assessor's Tax Parcel I.D. Numbers**

|                                    |                                    |
|------------------------------------|------------------------------------|
| 721 042 001 (1)                    | 901 194 006 (32)                   |
| 821 181 001 (2)                    | 901 201 001 (33)                   |
| 821 181 002 (3)                    | 901 213 001 (34)                   |
| 821 181 008 (4)                    | 901 214 001 (35)                   |
| 821 181 011 (5)                    | 901 223 002 (36)                   |
| 821 191 001 (6)                    | 996 800 001 (37)                   |
| 821 192 002 (7)                    | 901 254 012 (38)                   |
| 821 203 001 (8)                    | 901 282 001 (39)                   |
| 821 281 001 (9)                    | 901 292 002 (portion of Parcel 40) |
| 921 182 005 (10)                   | 901 294 001 (portion of Parcel 40) |
| 921 193 001 (11)                   | 901 301 001 (portion of Parcel 41) |
| 921 302 001 (12)                   | 901 302 001 (portion of Parcel 41) |
| 921 303 001 (13)                   | 901 311 001 (42)                   |
| 921 303 002 (14)                   | 901 321 001 (43)                   |
| 921 312 002 (15)                   | 901 323 008 (44)                   |
| 701 051 002 (16)                   | 901 331 001 (45)                   |
| 701 051 003 (17)                   | 901 343 003 (46)                   |
| 801 012 003 (18)                   | 702 271 001 (47)                   |
| 801 024 002 (19)                   | 802 012 001 (portion of Parcel 48) |
| 801 043 001 (portion of Parcel 20) | 802 012 009 (portion of Parcel 48) |
| 801 081 001 (portion of Parcel 20) | 802 012 011 (49)                   |
| 801 052 001 (21)                   | 802 144 001 (portion of Parcel 50) |
| 801 052 002 (22)                   | 802 144 002 (portion of Parcel 50) |
| 801 062 003 (23)                   | 801 144 005 (51)                   |
| 801 093 001 (24)                   | 802 261 009 (52)                   |
| 801 111 001 (25)                   | 902 244 001 (53)                   |
| 801 122 001 (26)                   | 902 361 002 (portion of Parcel 54) |
| 901 041 001 (portion of Parcel 27) | 902 361 004 (portion of Parcel 54) |
| 901 042 001 (portion of Parcel 27) | 902 361 005 (portion of Parcel 54) |
| 901 042 002 (portion of Parcel 27) | 902 362 010 (55)                   |
| 996 200 004 (portion of Parcel 27) |                                    |
| 901 091 001 (portion of Parcel 28) |                                    |
| 901 092 001 (portion of Parcel 28) |                                    |
| 901 173 002 (29)                   |                                    |
| 901 193 001 (30)                   |                                    |
| 901 194 005 (31)                   |                                    |

**KITSAP COUNTY, WASHINGTON**  
**Assessor's Tax Parcel I.D. Numbers**

|                         |                         |                         |
|-------------------------|-------------------------|-------------------------|
| 122 701 400 120 01 (1)  | 032 602 200 520 02 (8)  | 092 702 100 820 04 (19) |
| 122 701 400 320 09 (1)  | 042 602 100 120 07 (9)  | 152 702 100 720 07 (20) |
| 132 701 100 120 06 (2)  | 042 602 400 120 01 (10) | 182 702 100 320 08 (21) |
| 132 701 100 420 03 (2)  | 032 702 200 820 08 (11) | 182 702 100 420 07 (22) |
| 132 701 300 320 00 (2)  | 042 702 102 220 01 (12) | 192 702 100 520 05 (23) |
| 232 701 101 220 01 (3)  | 042 702 300 420 09 (13) | 202 702 300 520 08 (24) |
| 242 701 100 120 03 (4)  | 072 702 100 620 08 (14) | 282 702 302 120 00 (25) |
| 242 701 200 420 08 (4)  | 072 702 100 621 07 (14) | 292 702 202 620 06 (26) |
| 242 701 300 820 02 (4)  | 072 702 101 220 00 (15) | 292 702 400 620 06 (27) |
| 252 701 100 120 02 (5)  | 072 702 300 320 07 (16) | 302 702 100 120 04 (28) |
| 362 701 100 520 05 (6)  | 072 702 300 420 06 (17) | 302 702 100 420 01 (28) |
| 362 701 100 620 04 (7)  | 092 702 100 320 09 (18) | 302 702 300 320 08 (28) |
| 302 702 400 320 06 (28) | 292 401 200 210 00 (43) | 252 402 300 210 01 (58) |
| 312 702 100 420 00 (29) | 292 401 300 110 09 (43) | 252 402 300 310 00 (58) |
| 312 702 100 620 08 (29) | 302 401 400 510 00 (44) | 252 402 300 410 09 (58) |
| 312 702 200 220 00 (29) | 312 401 100 110 09 (45) | 252 402 400 110 00 (58) |
| 322 702 100 120 02 (30) | 322 401 300 110 04 (46) | 252 402 400 210 09 (58) |
| 322 702 400 620 01 (30) | 332 401 100 110 07 (47) | 252 402 400 410 07 (58) |
| 332 702 200 720 03 (31) | 332 401 201 010 04 (47) | 262 402 100 110 05 (59) |
| 332 702 201 220 06 (31) | 332 401 300 110 03 (47) | 272 402 100 110 04 (60) |
| 332 702 300 120 07 (31) | 192 402 400 310 06 (48) | 282 402 100 110 03 (61) |
| 332 702 400 620 00 (31) | 202 402 100 110 01 (49) | 292 402 100 110 02 (62) |
| 342 702 300 720 00 (32) | 202 402 200 110 09 (50) | 312 402 100 210 07 (63) |
| 202 802 300 220 00 (33) | 212 402 100 110 00 (51) | 322 402 100 110 07 (64) |

202 802 400 220 08 (34)  
 282 802 100 120 07 (35)  
 282 802 100 220 06 (35)  
 292 802 100 120 06 (36)  
 292 802 100 220 05 (36)  
 292 802 200 220 03 (36)  
 292 802 400 120 00 (36)  
 322 802 102 520 03 (37)  
 332 802 100 320 08 (38)  
 032 301 301 110 08 (39)  
 202 401 100 410 09 (40)  
 202 401 200 510 06 (41)  
 282 401 100 110 04 (42)  
 282 401 300 110 00 (42)  
 292 401 100 110 03 (43)

212 402 100 310 08 (52)  
 222 402 100 110 09 (53)  
 222 402 100 210 08 (54)  
 222 402 400 210 02 (54)  
 232 402 200 310 04 (55)  
 232 402 300 210 03 (56)  
 242 402 400 110 01 (57)  
 252 402 100 110 06 (58)  
 252 402 100 310 04 (58)  
 252 402 100 410 03 (58)  
 252 402 200 110 04 (58)  
 252 402 200 210 03 (58)  
 252 402 200 310 02 (58)  
 252 402 200 410 01 (58)  
 252 402 300 110 02 (58)

332 402 100 110 06 (65)  
 342 402 100 110 05 (66)  
 342 402 400 210 08 (67)  
 352 402 100 110 04 (68)  
 362 402 100 110 03 (69)  
 362 402 100 210 02 (70)  
 362 402 100 310 01 (70)  
 362 402 200 110 01 (70)  
 362 402 200 210 00 (70)  
 362 402 200 310 09 (70)  
 362 402 300 110 09 (70)  
 362 402 300 210 08 (70)  
 362 403 100 110 02 (71)

**MASON COUNTY, WASHINGTON**  
**Assessor's Tax Parcel I.D. Numbers**

|                |                |                |
|----------------|----------------|----------------|
| 12206 11 70430 | 22305 13 00000 | 22307 32 00000 |
| 12304 00 00000 | 22305 14 00000 | 22307 33 00000 |
| 12304 41 00000 | 22305 21 00000 | 22307 34 00000 |
| 12304 42 00000 | 22305 22 00000 | 22307 40 00000 |
| 12304 43 00000 | 22305 23 00000 | 22307 43 00000 |
| 12305 11 00000 | 22305 24 00000 | 22308 10 00000 |
| 12305 13 00000 | 22305 31 00000 | 22308 20 00000 |
| 12305 14 00000 | 22305 32 00000 | 22308 30 00000 |
| 12305 21 00000 | 22305 33 00000 | 22308 30 00010 |
| 12305 22 00000 | 22305 34 00000 | 22308 40 00000 |
| 12305 40 00000 | 22305 41 00000 | 22317 13 00000 |
| 12305 40 04000 | 22305 42 00000 | 22317 20 00000 |
| 12308 00 00000 | 22305 43 00000 | 22318 21 00000 |
| 12309 00 01000 | 22305 44 00000 | 22318 22 00000 |
| 12309 31 00000 | 22306 10 00000 | 32301 00 00000 |
| 12317 20 00000 | 22306 11 00000 | 32301 20 00000 |
| 12317 30 01000 | 22306 12 00000 | 32302 40 00000 |
| 22301 12 00000 | 22306 21 00000 | 32311 14 00000 |
| 22301 20 00000 | 22306 22 00000 | 32311 34 00000 |
| 22302 11 00000 | 22306 23 00000 | 32311 40 00000 |
| 22302 12 00000 | 22306 24 00000 | 32311 43 00000 |
| 22302 20 00000 | 22306 32 00000 | 32312 00 01000 |
| 22302 23 00000 | 22306 33 00000 | 32312 30 00000 |
| 22302 32 00000 | 22306 34 00000 | 32312 40 00000 |
| 22303 10 00000 | 22306 42 00000 | 32312 41 00000 |
| 22303 13 00000 | 22307 10 00000 | 32312 44 00000 |
| 22304 20 00000 | 22307 20 00000 | 32314 00 01000 |
| 22304 20 00010 | 22307 22 00000 | 32322 00 00000 |
| 22304 30 00000 | 22307 23 00000 | 32322 44 00000 |
| 22305 11 00000 | 22307 31 00000 |                |
| 22305 12 00000 | 22307 31 00020 |                |

**CLALLAM COUNTY, WASHINGTON**  
**Tax Assessor's Tax Parcel I.D. Numbers**

|               |               |
|---------------|---------------|
| 022833 300000 | 053035 330050 |
| 023030 120000 | 053035 330000 |

**TIMBERLAND DEED OF TRUST  
 AND SECURITY AGREEMENT  
 WITH ASSIGNMENT OF RENTS  
 AND FIXTURE FILING  
 (Washington)**

This Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing (said Deed of Trust as may be amended or modified hereafter is referred to as the "Deed of Trust") is made this 29th day of March, 2001, by and between POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP (hereinafter referred to as the "Grantor") whose address is 19245 10th Avenue N.E., Poulsbo, Washington 923370-0239, JEFFERSON TITLE COMPANY, whose address is 2205 Washington Street, Port Townsend, Washington 98368, as Trustee, (hereinafter referred to as "Trustee") and JOHN HANCOCK LIFE INSURANCE COMPANY, a corporation incorporated under the laws of the Commonwealth of Massachusetts (hereinafter referred to as the

“Beneficiary”), as agent for itself and for the other Holders, as hereinafter defined, whose address is John Hancock Place, 200 Clarendon Street, P.O. Box 111, Boston, Massachusetts 02117, Attn: Senior Forestry Investment Officer, Agricultural Investment Department.

WHEREAS, under that certain Note Purchase Agreement (said Note Purchase Agreement together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof is hereinafter referred to as the “Note Purchase Agreement”) dated of even date herewith, by and among Grantor, Beneficiary, and the Holders, as defined in the Note Purchase Agreement, Grantor issued to the Holders, as defined in the Note Purchase Agreement, certain Class A Fixed Rate Senior Secured Notes (said notes, together with any and all replacements, supplements, modifications, amendments, restatements, renewals or extensions thereof are hereinafter individually and collectively referred to as the “Notes”) all dated of even date herewith in the aggregate principal amount of \$30,000,000, to be paid with interest thereon in installments as set forth in the Notes, which mature, if not sooner paid, on April 1, 2011; and

WHEREAS, to secure the indebtedness evidenced by the Notes and the indebtedness evidenced by that certain Promissory Note dated April 29, 1992, in the original amount of \$16,000,000, as amended by instruments dated May 25, 1993, December 19, 1995, December 20, 1999, and instrument dated of even date herewith (such Promissory Note, as amended previously and as may be amended hereafter, is herein referred to as the “1992 Note”), Grantor has duly authorized the execution and delivery of this Timberland Deed of Trust and Security Agreement with Assignment of Rents and Fixture Filing upon certain property in Jefferson, Mason, Clallam, and Kitsap Counties, Washington, as hereinafter particularly described.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, and for the purpose of securing the obligations

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described in Section 1.1 below, Grantor hereby irrevocably grants, conveys, warrants, assigns, transfers, pledges, hypothecates and grants in and confirms to Trustee, in trust, with power of sale, for the benefit and security of Beneficiary, subject to the terms and conditions hereinafter set forth, all of Grantor’s right, title and interest in and to the real property located in Jefferson, Mason, Clallam, and Kitsap Counties, Washington (the “Property”) more particularly described on Exhibit A attached hereto and incorporated herein by reference thereto; and all fences, gates, roads, rights of way or easements for roads, rights of ingress and egress, waters, water courses, water rights and powers, rights to underground waters, licenses, rights, interests, privileges, liberties, and all tenements, hereditaments and appurtenances whatsoever, upon or attached to or in any way belonging, relating or appertaining to the Property, or which hereafter shall be related to or in any way belong, or be appurtenant thereto, and all licenses, easements, rights, interests, privileges or liberties now or hereafter owned by Grantor belonging, relating or appertaining to the Property, or the timber or logs located thereon; and

TOGETHER WITH the Grantor’s interest in any timber supply, cutting or similar contract involving the sale of trees standing on the Property; any books and records to the extent such books and records relate to the use and operation of all or any portion of the Property; and all rights, titles and interests of Grantor in and to all present and future licenses, permits, approvals and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division or use of all or any portion of the Property to the extent such licenses, permits, approvals, and agreements are assignable by law; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing or sales agreements, and service contracts which are in any way relevant to the ownership, development, improvement, management, sale or use of all or any portion of the Property; and

TOGETHER WITH Grantor’s rights under any payment, performance, or other bond in connection with construction of any improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of improvements on the Property; and

TOGETHER WITH all rights, interests, and claims that Grantor now has or may hereafter acquire with respect to any damage to or taking of all or any part of the Property and all awards made for taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property, and any and all awards resulting from any other damage to the Property, all of which are hereby assigned to the Beneficiary and the Beneficiary is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor, and to apply the same to the Obligations secured hereby notwithstanding the fact that the same may not then be due and payable; and

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TOGETHER WITH any and all rights, interest, and claims that Grantor now has or may hereafter acquire with respect to any and all mineral, oil and gas rights, air rights, development rights, water rights and water stock, drainage rights, zoning rights, and other similar rights or interests which benefit or are appurtenant to the Property and any proceeds arising therefrom; and

TOGETHER WITH all structures, buildings, and improvements of every kind and description now or at any time hereafter located on the Property (hereinafter referred to as the “Improvements”), including all equipment, apparatus, machinery, fixtures, fittings, and appliances and other articles and any additions to, substitutions for, changes in or replacements of the whole or any part thereof, now or at any time hereafter affixed or attached to, and which are an integral part of said structures, buildings, improvements, or the Property or any portion thereof, and such Improvements shall be deemed to be fixtures and an accession to the freehold and a part of the Property as between the parties hereto and all persons claiming by, through, or under such parties except that same

shall not include such machinery and equipment of any tenant of any portion of the Property or Improvements, which is part of and/or used in the conduct of the normal business of such tenant conducted upon the Property; and

TOGETHER WITH all data, files, and computer software and hardware relating to the accounting and management functions of the Property; and

TOGETHER WITH all timber, standing, cut or down, now or hereafter grown, growing or located on the Property, deemed for the purposes of this Deed of Trust to be real property.

All of the foregoing is hereinafter referred to as "Property" or as the "Trust Estate."

The Note Purchase Agreement provides for additional covenants, agreements, obligations and conditions to be kept, observed, performed, carried out and executed by Grantor, which additional covenants, agreements, obligations and conditions deal with conditions which Grantor must observe in the conduct and maintenance of its business and of the Property and in its dealings with Beneficiary. The Note Purchase Agreement is by reference hereby incorporated herein to the same extent and effect as though the Note Purchase Agreement was set forth herein in full. In the event of any conflict between the provisions of the Note Purchase Agreement and the provisions of the Deed of Trust, the provisions of the Note Purchase Agreement shall control, provided that the parties agree that the Note Purchase Agreement and the Deed of Trust shall be interpreted and construed, to the fullest extent possible, so as not to be in conflict with each other, it being the intentions of the parties that all provisions of the Note Purchase Agreement and this Deed of Trust shall be enforceable to the fullest extent possible. All capitalized terms not otherwise defined herein shall have the meanings attributed to them in the Note Purchase Agreement.

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TO PROTECT THE PROPERTY AND SECURITY GRANTED BY THIS DEED OF TRUST, THE GRANTOR HEREBY WARRANTS, COVENANTS AND AGREES AS FOLLOWS:

#### ARTICLE 1

##### Particular Covenants and Warranties of Grantor

1.1 **Obligations Secured.** This Deed of Trust secures the following, collectively referred to hereinafter as the "Obligations":

(a) The payment of all indebtedness and the performance of all covenants and obligations of Grantor under the Notes, whether such payment and performance is now due or becomes due in the future; and

(b) The payment and performance of all covenants and obligations in this Deed of Trust, and in all other deeds of trust, security agreements, notes, agreements, and undertakings now existing or hereafter executed by Grantor with or for the benefit of Beneficiary relative to the loan evidenced by the Notes, including, without limitation the Note Purchase Agreement and the Financing Documents, as defined in the Note Purchase Agreement, whether such payment and performance is now due or becomes due in the future; and

(c) The payment of all indebtedness and the performance of all covenants and obligations of Grantor under the 1992 Note, whether such payment and performance is now due or becomes due in the future; and

(d) The payment and performance of all covenants and obligations contained in any instrument or agreement, as previously amended or as may be amended hereafter, securing Grantor's performance under the 1992 Note, including, without limitation that certain Timberland Deed of Trust and Security Agreement with Assignment of Rents dated April 29, 1992, by and between Grantor, as grantor, and John Hancock Mutual Life Insurance Company, as beneficiary, and recorded on April 29, 1992, in Volume 371, Pages 237-332, records of Jefferson County, Washington, as amended May 13, 1992, by Amendment recorded August 26, 1992, in Volume 385, pages 204-206, records of Jefferson County, Washington, as amended May 25, 1993, by Second Amendment recorded June 14, 1993, in Volume 417, pages 297-299, records of Jefferson County, Washington, as amended December 19, 1995, by Third Amendment recorded December 29, 1995, in Volume 542, pages 447 and 448, records of Jefferson County, Washington, by Fourth Amendment recorded December 30, 1999, in Volume 666, pages 274 and 278, records of Jefferson County, Washington, and by instrument dated of even date herewith (such Deed of Trust, and amended previously and as may be amended hereafter, is herein referred to as the "1992 Deed of Trust"), and all other security agreements, notes, agreements, and undertakings now existing or hereafter executed by Grantor with or for the benefit of John Hancock Mutual Life Insurance Company, or its

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successors in interest relative to the loan evidenced by the 1992 Note, whether such payment and performance is now due or becomes due in the future.

1.2 **Payment of Indebtedness, Performance of Covenants and Warranties.** Grantor shall duly and punctually pay and perform all of the covenants and obligations of Grantor under the Obligations, including, without limitation the covenants and obligations of Grantor under the Note Purchase Agreement; Grantor represents and warrants that Grantor's representations and warranties contained in the Note Purchase Agreement are and remain true and accurate in all material respects as of the date of this Deed of Trust.

1.3 **Title To Property, Type, Acres, Volume of Timber.** Grantor warrants that Property is not used principally for agricultural or farming purposes. Grantor covenants that it will forever defend the Beneficiary's rights hereunder and the priority of this Deed of Trust against the adverse claims of all persons.

1.4 **Further Assurances; Filing; Re-Filing; etc.**

- (a) Grantor shall execute, acknowledge and deliver, from time to time, such further instruments as Beneficiary may require to accomplish the purposes of this Deed of Trust.
- (b) Grantor, immediately upon the execution and delivery of this Deed of Trust, and thereafter from time to time, shall cause this Deed of Trust, any security agreement, or deed of trust supplemental hereto and each instrument of further assurance to be recorded and re-recorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Deed of Trust.
- (c) Grantor shall pay all filing and recording fees, and all expenses incident to the execution, filing, recording and acknowledgment of this Deed of Trust, any security agreement, or deed of trust supplemental hereto and any instrument of further assurance, and all federal, state, county, and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing, and recording of this Deed of Trust, any security agreement, Deed of Trust or deed of trust supplement hereto, or any instruments of further assurance.

1.5 **Compliance with Laws.** Grantor further represents, warrants and covenants that the Property will be maintained in all material respects in full compliance with all applicable laws, statutes, ordinances, regulations and codes of all federal, state and local governments (collectively "Laws"); and all covenants, conditions, easements and restrictions affecting the Property. Grantor may, without being deemed to be in violation of this section 1.5, contest in good faith the application of any laws, covenants, conditions, easements or restrictions affecting the Property; provided, that in the event such contest involves a lien on the Property, or any part thereof, that would, if valid, have priority over

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the lien of this Deed of Trust, Grantor shall provide to Beneficiary an appropriate monetary deposit or corporate surety bond fully protecting Beneficiary against such lien should Grantor's contest be unsuccessful.

1.6 **Environmental Protection Requirements, Warranties and Indemnities.**

- (a) Except to the extent Grantor may do so, in accordance with applicable state, federal or local laws and regulations, in the ordinary course of its timber planting, growing, management and harvesting business, Grantor shall not use, or permit any tenant, occupant, or any other party or entity to use, the Property, or any part thereof, for the purpose of generating, treating, producing, storing, handling, transferring, processing, transporting, disposing, or otherwise releasing "hazardous substances," as hereinafter defined, either on, in, from, or about the Property which:
- (i) creates or causes a contamination either on the Property or elsewhere which is required by any governmental authority to be removed, remediated, or otherwise cleaned-up under any applicable "Environmental Law," as defined below,
  - (ii) creates any form of liability, civil or criminal, direct or indirect, due to such contamination, or
  - (iii) is in contravention of any Environmental Law.
- (b) The terms "Environmental Law" and "Environmental Laws" as used in this Deed of Trust include any and all current and future federal, state, and local environmental laws, statutes, rules, regulations, and ordinances relative to hazardous substances, as the same shall be amended and modified from time to time, including but not limited to "common law," the Comprehensive Environmental Response, Compensation and Liability Act, (CERCLA) as amended from time to time, the Resource Conservation and Recovery Act, (RCRA) as amended from time to time, and the Toxic Substances Control Act, (TSCA) as amended from time to time.
- (c) The term "hazardous substances" as used in this Deed of Trust includes any and all "hazardous substances" as defined in CERCLA, any and all "hazardous wastes" as defined in RCRA, any and all "toxic substances" as defined in TSCA, petroleum products, asbestos or asbestos-containing materials, polychlorinated biphenyls ("PCB's"), radon gas, urea formaldehyde form insulation ("UFFI"), and any and all other hazardous substances, hazardous wastes, pollutants, and contaminants regulated or controlled by any of the Environmental Laws.
- (d) Grantor shall, promptly after learning thereof, in the event of any material discharge, spill, injection, escape, emission, disposal, leak, or other release of

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hazardous substances on, in, under, onto, or from the Property, which is not authorized by a currently valid permit or other approval issued by the appropriate governmental agencies:

- (i) Promptly notify Beneficiary and if required by applicable laws or regulations, the Environmental Protection Agency National Response Center and the appropriate State Department of Environmental Resources,
- (ii) take all steps necessary to promptly clean up such discharge, spill, injection, escape, emission, disposal, leak, or another release in accordance with the provisions of all applicable Environmental Laws, and

(iii) if legally required, receive certification from the appropriate State Department of Environmental Resources or Federal Environmental Protection Agency that the Property, and any other property affected, has been cleaned up to the satisfaction of those agencies.

(e) Grantor shall and does hereby grant Beneficiary and Beneficiary's agents, employees, contractors and designees an irrevocable license (coupled with an interest) to enter the Property, until such time as the Obligations are fully paid, upon at least 10 days prior written notice to Grantor, from time to time to:

- (i) evaluate and monitor the Property for compliance with all Environmental Laws and the terms of this Deed of Trust.
- (ii) to evaluate the presence of hazardous substances, and
- (iii) to perform appropriate tests and test borings, including taking soil and ground water samples.

(f) That Grantor shall provide Beneficiary with all notices and other communications received from federal, state, and local agencies and departments which enforce and administer the Environmental Laws relating to violations thereof on the Property. From time to time Grantor shall provide Beneficiary, upon request, any and all information requested by Beneficiary concerning the use of the Property and Grantor's compliance with the Environmental Laws and the terms of this Deed of Trust, including but not limited to, all licenses, permits, and certificates, and the books and records pertaining to the Property.

(g) Grantor shall require that all tenants, subtenants, undersubtenants, and other occupants of the Property to use and occupy the Property in strict compliance with the Environmental Laws and the terms of this Deed of Trust.

(h) Grantor shall and does hereby release, indemnify, agree to pay on behalf of and defend and hold harmless Beneficiary, its officers, directors, agents, employees, successors, and assigns of, from, and against any impositions imposed by any

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governmental authority for any lien or so-called "super priority lien" upon the Property, as well as all losses, claims, costs, liabilities, penalties, punitive damages, causes of action, actions, demands, damages, fines (civil or criminal), penalties, expenses, clean-up costs, attorneys' fees, and court costs (all of which are hereinafter referred to as "Environmental Damages"), regardless of when such Environmental Damages occurred, caused in whole or in part by any past, present, or future owner, occupier, tenant, subtenant, undersubtenant, licensee, guest, or any other person or entity, unless and to the extent such Environmental Damages arise as a result of the negligence or willful misconduct of Beneficiary, its employees, agents, contractors, or subcontractors, which may be incurred, suffered, or sustained by Beneficiary, its officers, directors, successors, or assigns, at any time, and from time to time, hereunder whether before, during, or after enforcement of its rights and remedies hereunder after the occurrence of an Event of Default and after payment of all sums secured hereby, by reason of or arising from, in whole or in part:

- (i) the presence or alleged presence of asbestos, asbestos-containing materials, PCB's, radon gas, or UFFI on the Property;
  - (ii) any violation or alleged violation of any Environmental Law; and
  - (iii) any release or contamination caused by any hazardous substance on, in, under, onto, from, or about the Property;
- or
- (iv) any liability for personal injury, property damage, or damage to the environment due to (i), (ii), or (iii) above (all of the foregoing are hereinafter referred to collectively as the "Receivable Claims").

Provided, always, that Grantor's liability under this subsection (h) shall be limited to that derived from event(s) occurring prior to or during Grantor's ownership of the Property or portion thereof on which the event(s) occurred giving rise to the liability covered by the foregoing indemnity. In the event the liability arises from a continuing event that occurred both during or prior to Grantor's ownership, but also after Grantor's ownership, Grantor's liability under the indemnity set forth above shall remain, but shall be reduced to the extent that the liability occurs after Grantor's ownership.

(i) The terms of paragraph 1.6 (h) shall survive the payment in full of all sums secured hereby and the termination and satisfaction of record of this Deed of Trust and/or a deed in lieu of foreclosure.

(j) Grantor agrees that in the event Beneficiary shall pay any Receivable Claims, all such sums shall be added to the amount secured hereby, shall be deemed to be obligatorily advanced under the terms of the Financing Documents, as defined in the Note Purchase Agreement, shall be secured hereby, and shall be payable on demand by Grantor. The terms of this paragraph shall survive the payment in full of all

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other sums secured hereby and the termination and satisfaction of record of this Deed of Trust and/or a deed in lieu of foreclosure.

(k) Grantor warrants and represents to Beneficiary that Grantor has investigated the prior ownership and use of the Property, in a manner consistent with good commercial practice, to determine that the Property is free of hazardous substances, except as otherwise disclosed to Beneficiary in writing. Grantor, in performing its investigation, has considered, among other factors:



- (i) the relationship of the purchase price to the value of the Property if uncontaminated when acquired,
- (ii) commonly known or ascertainable information about the Property, and
- (iii) the obviousness of the presence, or likely presence, of contamination.

(l) Grantor warrants and represents to Beneficiary, except to the extent disclosed to Beneficiary in writing, that to the best of the Grantor's knowledge:

- (i) none of the Property owned and/or occupied by Grantor has ever been used to treat, store, produce, handle, transfer, process, transport, dispose or otherwise release hazardous substances and/or any other substances regulated or controlled by the Environmental Laws or which would result in any liability therefor;
- (ii) there is no pollution or danger of pollution resulting from a condition which exists on the Property which requires any corrective action under the Environmental Laws or which would result in any liability therefor;
- (iii) no notification has been filed with regard to a release of hazardous substances on, into, onto, or from the Property under the Environmental Laws;
- (iv) neither Grantor nor any prior owner or occupier of the Property has received a summons, citation, Notice of Violation, Administrative Order, directive, letter, or other communication, written or oral, from any governmental or quasi-governmental authority concerning any violation or alleged violation of any Environmental Laws with respect to the Property;
- (v) there are no underground storage tanks, visible asbestos, asbestos-containing materials, PCB's, or UFFI located on, in, under, or about the Property;

- (vi) there have been no releases at, upon, under, or within, and no past or ongoing migration from neighboring lands to, the Property of any hazardous substances;
- (vii) there is no radon gas infiltrating any buildings on the Property in excess of current state and federal guidelines; and
- (viii) all warranties and representations given by Grantor in this Deed of Trust are true, complete, and correct as of the date hereof.

(m) Grantor agrees that any materials or other items found in, on, under, or around the Property which were placed on the Property before or during Grantor's ownership, of which Grantor is aware, and which qualify as hazardous substances, or any otherwise deemed unacceptable by the Beneficiary, in its sole discretion, shall be immediately removed from the Property, at Grantor's sole cost and expense, in compliance with all applicable Environmental Law; provided, however, that Grantor need not remove any substances pursuant to this subsection (m) that Grantor requires in the ordinary course of its timber planting, growing, management, and harvesting business and if such usage is in compliance with applicable state, federal, or local laws and regulations.

(n) Beneficiary shall be under no obligation or duty to inspect for or discover any hazardous substances on the Property.

(o) Grantor shall, in addition to those notifications required elsewhere in this Deed of Trust, notify Beneficiary of:

- (i) the presence in any material amount known to Grantor of any visible asbestos or asbestos-containing materials, PCB's (except as shown on the Environmental Certificate), radon gas beyond acceptable limits, or urea formaldehyde foam insulation at, in, on, under, onto, or from the Property, and
- (ii) the receipt by Grantor of any written notice or other written communication from any governmental entity or authority or from any tenant or other occupant or from any other person or source with respect to any alleged or actual release, contamination or other event involving a hazardous substance on, in, under, onto, or from the Property, and
- (iii) shall promptly send Beneficiary copies of all results of tests conducted by or on behalf of Grantor of any underground storage tanks on the Property.

1.7 **Waste or Deterioration.** Grantor shall not commit, permit, or suffer any waste or deterioration of the Property. Grantor shall give Beneficiary no less than 20 days

1.8 **Liens.** Except to the extent, if any, permitted by the Note Purchase Agreement, Grantor shall not create or suffer or permit to be created any mortgage, deed of trust, lien, security interest, charge, or encumbrance upon the Property or any part thereof, prior to, on a parity with, or subordinate to, the lien of this Deed of Trust.

1.9 **Impositions.**

(a) Grantor shall pay or cause to be paid, when due and before any fine, penalty, interest, or cost attaches thereto, all taxes, assessments, utility charges, and all other governmental or nongovernmental charges or levies now or hereafter assessed or levied against any part of the Property (including, without limitation, levies or charges resulting from covenants, conditions and restrictions affecting the Property) or upon the lien or estate of the Beneficiary therein (collectively, the "Impositions"); provided, however, that if by law any such imposition may be paid in installments, whether or not interest shall accrue on the unpaid balance thereof, the Grantor may pay the same in installments (together with accrued interest on the unpaid balance thereof) as the same become due, before any fine, penalty, or cost attaches thereto. Grantor shall also pay when due all claims for labor, materials, or supplies that, if unpaid, might become a lien on the Property or any portion thereof. Notwithstanding the terms of this Section 1.9(a) to the contrary Grantor shall have the right to contest any such amounts and defer the payment thereof as and to the extent provided in the Note Purchase Agreement.

(b) Should an Event of Default occur and be continuing Beneficiary, at its option, may engage Ticor Tax Service (or other realty tax payment monitoring service Beneficiary shall select) to monitor, for the balance of the term of the Notes, the payments made by Grantor on the real estate taxes due on the Property. Grantor shall reimburse Beneficiary on demand, the charges for such service. If not so paid, such charges shall be deemed an advancement by the Beneficiary as provided for in section 1.9(d) and shall bear interest accordingly.

(c) Grantor may, at its expense and after prior notice to Beneficiary, contest by appropriate legal, administrative, or other proceedings conducted in good faith and with due diligence, the amount, validity, or application, in whole or in part, of any Imposition or lien therefor or any claim of any laborer, materialmen, supplier or vendor or lien therefor, and may withhold payment of the same pending completion of such proceedings if permitted by law, provided that: (i) such proceedings shall suspend collection from the Property; (ii) neither the Property nor any part thereof nor interest therein will be sold, forfeited, or lost if Grantor pays the amount or satisfies the condition being contested, and Grantor would have the opportunity to do so in the event of Grantor's failure to prevail in the contest; (iii) Beneficiary shall, by virtue of such permitted contest,

not be exposed to any risk of any criminal liability or any civil liability for which Grantor has not furnished additional security as provided in clause (iv) following; and (iv) Grantor shall have furnished to Beneficiary additional security in respect of the claim being contested or the loss or damage which may result from Grantor's failure to prevail in such contest in such form and amount as may be reasonably requested by Beneficiary.

(d) Upon Grantor's failure to comply with the covenants and agreements contained in this Deed of Trust, including without limitation payment of taxes, charges, assessments, insurance premiums, maintenance and repair of the Property and costs incurred for the protection of the Property and Beneficiary's priority, Beneficiary, without prejudice to any rights given herein and after ten (10) days' notice to Grantor, may make advances to perform or cure same in behalf of Grantor; and Grantor hereby agrees to repay all sums so advanced, on written demand, with interest from the date advanced at the Default Rate, as defined in the Note Purchase Agreement. All sums so advanced, with interest as aforesaid, until paid by Grantor, shall be immediately due and payable and be added to and become a part of any indebtedness or obligation secured hereby in such manner or order as Beneficiary may desire or determine, having the benefit of the lien hereby created as a part thereof and of its priority; but no such advances shall be deemed to relieve Grantor from any default hereunder or impair any right or remedy consequent thereto. The exercise of the rights to make advances granted in this paragraph shall be optional with Beneficiary and not obligatory; and Beneficiary shall not, in any case, be liable to Grantor for failure to exercise any such right.

1.10 **Partnership Status, Continuous Operations, etc.** Grantor covenants that:

(a) It is a validly existing limited partnership under the laws of the State of Delaware, duly qualified to do business in the State of Washington and any other place where such qualification is necessary.

(b) It has the necessary power and authority to enter into the Note Purchase Agreement.

(c) The making and performance by Grantor of this Deed of Trust, the Financing Documents, and all other Obligations have been duly authorized by partnership action and will not violate any provision of law or of its partnership agreement, result in the breach of or constitute a default under any indenture or other agreement or instrument to which Grantor is a party or by which Grantor or the Property may be bound or affected.

1.11 **Limitations of Use.** Grantor 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 Property, or any part thereof, without the prior written consent of Beneficiary, other than granting road easements incident to normal forest management and logging operations. Provided, that

the preceding sentence to the contrary notwithstanding, Grantor may, without violating the terms of this Deed of Trust accomplish any or all of the actions proscribed by the preceding sentence if the taking of such action or actions (whether taken at one or more than one time) does not have the result of eliminating the Grantor's ability, based on the reasonable projections using the market conditions then prevailing, to fully service the debt secured hereby, according to its terms, from the harvesting of timber from the Property.

1.12 **Local Improvement District.** Grantor will not, without the prior written consent of Beneficiary, create or initiate, vote for, or in any other manner foster, join in or consent to the creation of, or the inclusion of the Property or any part thereof within the boundaries of any irrigation, levee, drainage or other improvement district (except school or road), under which any such district has or will have the power to issue bonds or other evidence of indebtedness and/or the power to make assessments against the Property or any part thereof.

1.13 **Insurance.**

No casualty insurance coverage on the Property or any part thereof shall be required to be provided by Grantor.

1.14 **Mineral Extraction.**

That neither Grantor nor any successor in interest to Grantor in the Property shall drill or extract or enter into any lease for the drilling or extraction of oil, gas, or other hydrocarbon substances on the Property without the prior written consent of Beneficiary. Drilling for extraction of other minerals of any kind or character from the Property or from any part thereof will not require such prior written or other consent from the Beneficiary; provided, however, that this Section 1.14 shall not prohibit the exercise of rights, existing as of the date hereof and disclosed on the title reports provided to Beneficiary, of parties other than Grantor, to develop, bore, or mine for any water, gas, oil, or mineral on or under the surface of the Property; and provided further, that in the exercise of any rights permitted to it hereunder with or without Beneficiary's prior written consent, Grantor, or its contractors and assigns, shall use all commercially reasonable efforts to preserve or realize the value of any timber that shall be impacted by such activities.

## ARTICLE 2

### Condemnation

2.1 **Condemnation.**

(a) Should the Property or any part thereof or interest therein be taken or damaged by reason of any public improvement, eminent domain, or condemnation proceeding, or in any other manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such a proceeding, Grantor shall give immediate

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written notice thereof to Beneficiary, except if the reasonably projected value of the interest involved in the Condemnation shall not exceed \$25,000.

(b) Beneficiary shall be entitled to 100% of all compensation, awards and other payments that exceed \$25,000 in the aggregate for a single condemnation proceeding ("Condemnation Proceeds") or relief therefor, and shall be entitled, at its option, to commence, appear in and prosecute any Condemnation proceeding in its own or Grantor's name and make any compromise or settlement in connection with such Condemnation; provided that the aforesaid right to prosecute in the Grantor's name and to enter into any compromise or settlement in connection therewith shall be available to Beneficiary only during such time as the Grantor is in default under this Deed of Trust.

(c) Beneficiary shall apply the condemnation proceeds to the reduction of the Obligations in such order as Beneficiary may determine.

## ARTICLE 3

### Assignments of Rents, Issues and Profits

Grantor hereby assigns and transfers to Beneficiary the rents, revenues, issues, profits, income, and benefits derived from the Property (collectively, the "Rents"), and hereby gives to and confers upon Beneficiary the right, power, and authority to collect the same. Grantor irrevocably appoints Beneficiary its true and lawful attorney-in-fact, with power of substitution, at the option of Beneficiary at any time and from time to time following the occurrence and during the continuance of an Event of Default, to demand, receive and enforce payment of, to give receipts, releases and satisfactions for, and, in the name of Grantor or otherwise, to sue for the Rents and apply the same to the Obligations; provided, however, that Grantor shall have the right to collect the Rents except during the occurrence and continuance of an Event of Default and after receipt of notice from Beneficiary to cease such collection. The foregoing is intended to constitute an absolute assignment by Grantor for the benefit of Beneficiary, subject only to the terms of this Deed of Trust.

## ARTICLE 4

### Security Agreement

4.1 **Security Agreement.** To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in all personal property included in the Trust Estate, and the products and proceeds thereof, whether now existing or hereafter acquired, including but not limited to any and all timber that is severed from the Property covered by this Deed of Trust; provided, that unless an Event of Default shall have occurred and be continuing any lien in favor of Beneficiary on severed timber shall automatically expire at such time as the timber in question is removed from the Property or, should the timber in question have been removed from the Property during the continuance of an Event of Default and such Event of Default is later cured, any lien in favor of Beneficiary on such removed timber

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shall automatically expire at the time of such cure. This Trust Deed shall constitute a security agreement under Article 9 of the Uniform Commercial Code of the State of Washington. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust.

4.2 **Fixtures.** It is understood and agreed that, in order to protect Beneficiary from the effect of RCW 62A.9-313, as amended from time-to-time, in the event that (i) Grantor intends to purchase any goods which may become fixtures attached to the Property, or any part thereof, and (ii) such goods will be subject to a purchase money security interest held by a seller or any other party:

(A) Grantor shall, before executing any security agreement or other document evidencing such security interest, obtain the prior written approval of Beneficiary, and all requests for such written approval shall be in writing and contain the following information:

- (1) a description of the fixtures to be replaced, added to, installed or substituted,
- (2) the address at which the fixtures will be replaced, added to, installed or substituted, and
- (3) the name and address of the proposed holder and proposed amount of the security interest,

and any failure of Grantor to obtain such approval shall be a material breach of Grantor's covenant under this Deed of Trust, and shall, at the option of Beneficiary, entitle Beneficiary to all rights and remedies provided for herein upon default provided, that Beneficiary shall be deemed to have approved such agreement if it fails to object to such agreement within thirty (30) days of its actual receipt of Grantor's written request for such approval. No consent by Beneficiary pursuant to this subsection shall be deemed to constitute an agreement to subordinate the right of Beneficiary in fixtures or other property covered by this Deed of Trust.

(B) If at any time Grantor fails to make any payment on an obligation secured by a purchase money security interest in any fixtures, Beneficiary, at its option, may at any time pay the amount secured by such security interest and the amount so paid shall be (1) secured by this Deed of Trust and shall be a lien on the Property having the same priorities as the liens and security interests created by this Deed of Trust, and (2) payable on demand with interest at the rate

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specified in the Note from the time of such payment. If Grantor shall fail to make such payment to Beneficiary within ten (10) days after demand, the entire principal sum secured hereby with all unpaid interest accrued thereon shall, at the option of Beneficiary, become due and payable immediately.

(C) Beneficiary shall have the right to acquire by assignment from the holder of such security interest any and all contract rights, accounts receivable, negotiable or nonnegotiable instruments, or other evidence of Grantor's indebtedness for such Personal Property or fixtures, and, upon acquiring such interest by assignment, shall have the right to enforce the security interest as assignee thereof, in accordance with the terms and provisions of the Washington Uniform Commercial Code then in effect, and in accordance with any other provisions of law.

(D) Whether or not Beneficiary has paid the indebtedness secured by or taken an assignment of such security interest, Grantor covenants to pay all sums and perform all obligations secured thereby, and if Grantor at any time shall be in default for a period of ten (10) days or after the expiration of all applicable cure periods, whichever is longer, under such security agreement, it shall be a material breach of Grantor's covenants under this Deed of Trust, and Beneficiary may, at its option, declare the principal sum secured hereby immediately due and payable, time being of the essence.

4.3 **Fixture Filing.** To the extent that any of the Property constitutes a fixture, this Deed of Trust shall serve as a fixture filing pursuant to the Washington Uniform Commercial Code.

## ARTICLE 5

### Events of Default; Remedies

5.1 **Events of Default.** Each "Event of Default" under the Note Purchase Agreement shall constitute an "Event of Default" under this Deed of Trust.

5.2 **Remedies in Case of Default.** If an Event of Default shall occur, Beneficiary may exercise any one or more of the following rights and remedies, in addition to any other remedies which may be available by law, in equity, or otherwise:

(a) **Acceleration.**

(i) Automatic. Upon the occurrence of an Event of Default specified in subsections 6.1(h) or (i) of the Note Purchase Agreement, the principal

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of and the interest of the 1992 Note and the Notes at the time outstanding, and all other amounts owed to Beneficiary under this Deed of Trust, the 1992 Deed of Trust, Note Purchase Agreement or any of the other Financing Documents, as defined in the Note Purchase Agreement, shall thereupon immediately become due and payable without presentment, demand, protest, or other notice of any kind, all of which are expressly waived, anything in this Deed of Trust, the Note Purchase Agreement or any of the Financing Documents, as defined in the Note Purchase Agreement, to the contrary notwithstanding.

(ii) **Optional.** If any other Event of Default shall have occurred and be continuing, in every such event, Beneficiary may, at its option, declare the principal of and interest on the 1992 Note and the Notes at this time outstanding, and all other amounts owed to Beneficiary under this Deed of Trust, the 1992 Note, the 1992 Deed of Trust, the Note Purchase Agreement or any of the Financing Documents, as defined in the Note Purchase Agreement, to be forthwith due and payable, whereupon the same shall immediately become due and payable without presentment, demand, protest or other notice of any kind, all of which are expressly waived, anything in this Deed of Trust, the Note Purchase Agreement or the Financing Documents, as defined in the Note Purchase Agreement, to the contrary notwithstanding.

(b) **Remedies Under Note Purchase Agreement.** Beneficiary may elect to exercise one or more of the remedies which are set forth in Section 6.3 and 6.4 of the Note Purchase Agreement.

(c) **Receiver.** Beneficiary may have a receiver appointed for all or any part of the Property. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Property exceeds the amount of the indebtedness secured by this Deed of Trust. Grantor consents to the appointment of a receiver at Beneficiary's option and waives any and all defenses thereto.

(d) **Possession.** Beneficiary may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Property and use, operate, manage and control it as the Beneficiary shall deem appropriate in its sole discretion. Upon request after an Event of Default, Grantor shall peacefully relinquish possession and control of Property to Beneficiary or any receiver appointed under this Deed of Trust.

(e) **Rents and Profits.** Beneficiary may revoke Grantor's right to collect the Rents and any profits from the harvest and sale of timber, in a commercially reasonable manner and in accordance with best management practices, and may, either itself or through a receiver, collect the same. Beneficiary may harvest and sell timber from the Property and collect any profits or rents therefrom. Beneficiary shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this subsection (d). If Rents are collected by Beneficiary under this subsection (d), Grantor

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hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact, with power of substitution, to endorse instruments received in payment thereof in the name of Grantor and to negotiate such instruments and collect the proceeds thereof. After payment of all obligations, any remaining amounts shall be paid to Grantor and this power shall terminate.

(f) **Power of Sale.** Beneficiary may direct the Trustee, and the Trustee shall be empowered, to exercise the power of sale granted herein in the manner provided by Washington law.

(g) **Foreclosure.** Beneficiary may judicially foreclose this Deed of Trust and obtain a judgment foreclosing Grantor's interest in all or any part of the Property and giving Beneficiary the right to collect any deficiency remaining due after disposition of the Property.

(h) **Fixtures and Personal Property.** With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Washington Uniform Commercial Code. To the extent any notice is required under applicable law and is not waived by Grantor, Grantor agrees that as it relates to this paragraph only if such notice is marked, postage prepaid, to the Grantor at the above address at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

(i) **Abandon Security.** Beneficiary may abandon any security afforded by this Deed of Trust or any other collateral by notifying Grantor of Beneficiary's election to do so.

5.3 **Sale.** In any sale pursuant to any judgment, the Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect, without regard to the right of Grantor, any person claiming under Grantor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Property or the part thereof so sold free and clear of the estate of Grantor (other than statutory redemption rights, if any), the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, may purchase at any such sale.

5.4 **Cumulative Remedies — No Duty to Marshall Assets.** All remedies under this Deed of Trust are cumulative and not exclusive. Any election to pursue one remedy shall not preclude any other remedy. No delay or omission in exercising any right or remedy, or any agreement to an extension of time, shall impair that or any other right or remedy or constitute a waiver of any default. No release of any part of the Property or any person liable hereunder shall impair any other right or remedy or constitute a waiver of any default.

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5.5 **Receiver or Beneficiary-in-Possession.** Upon taking possession of all or any part of the Property, Beneficiary or a receiver may:

- (a) **Management.** Use, operate, manage, control, and conduct business with the Property and make expenditures for such purposes and for maintenance and improvements as are reasonably necessary.
- (b) **Rents and Revenues.** Collect all rents, revenues, income, issues, and profits from the Property, and may harvest and sell timber therefrom in a commercially reasonable manner and in accordance with best management practices, and apply such sums to the reasonable expenses of use, operation, management, maintenance, and improvements.
- (c) **Construction.** At its option, complete any construction in progress on the Property, and in that connection pay bills, borrow funds, employ contractors, and make any changes in plans and specifications as it deems appropriate.
- (d) **Additional Indebtedness.** If the revenues produced by the Property are insufficient to pay expenses, Beneficiary or the receiver may borrow or advance such sums upon such terms as it deems reasonably necessary for the purposes stated in this section. All advances shall bear interest, unless otherwise provided, at the Default Rate, as defined in the Note Purchase Agreement, and repayment of such sums shall be secured by this Deed of Trust.

5.6 **Application of Proceeds.** All proceeds realized from the exercise of the rights and remedies under this Article V shall be applied as follows:

- (a) **Costs and Expenses.** To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Property, the costs and expenses of any receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 6.8 below.
- (b) **Indebtedness.** To pay all the Obligations, in such order as Beneficiary shall deem appropriate in its sole discretion.
- (c) **Surplus.** The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court.

5.7 **Deficiency.** No sale or other disposition of all or any part of the Property pursuant to this Article V shall be deemed to relieve Grantor of any of the Obligations, except to the extent the proceeds thereof are applied to the payment of such Obligations. If the proceeds of sale, collection or other realization of or upon the Property are insufficient to cover the costs and expenses of such realization and the payment in full of the obligations, Grantor shall remain liable for any deficiency.

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5.8 **Waiver of Stay, Extension, Moratorium and Valuation Laws.** To the fullest extent permitted by law, Grantor hereby waives the benefit of any existing or future stay, extension or moratorium law which may affect observance or performance of the provisions of this Deed of Trust and any existing or future law providing for the valuation or appraisal of the Property prior to any sale.

## ARTICLE 6

### Appointment, Rights and Obligations of Beneficiary as Agent

6.1 **Appointment.** The Holders, as defined in the Note Purchase Agreement, by their acceptance of the benefits of this Deed of Trust, hereby irrevocably designate Beneficiary as agent to act as specified herein. Each Holder hereby irrevocably authorizes, and each subsequent holder of any of the Notes by the acceptance of such Note shall be deemed irrevocably to authorize Beneficiary to take such action on its behalf under the provisions of this Deed of Trust and to exercise such powers and to perform such duties hereunder as are specifically delegated to or required of Beneficiary by the terms hereof and such other powers as are reasonably incidental thereto. Beneficiary may perform any of its duties hereunder by or through its agents or employees.

6.2 **Nature of Duties.** Beneficiary shall have no duties or responsibilities except those expressly set forth herein. Neither Beneficiary nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted by it as agent hereunder or in connection herewith unless caused by its or their gross negligence or willful misconduct. The duties of the Beneficiary shall be mechanical and administrative in nature; Beneficiary shall not have by reason of this Deed of Trust a fiduciary relationship in respect of any Holder, and nothing in this Deed of Trust, expressed or implied, is intended to or shall be so construed as to impose upon Beneficiary any obligations in respect of this Deed of Trust except as expressly set forth herein.

6.3 **Lack of Reliance.** Independently and without reliance upon the Beneficiary, each Holder, to the extent it deems appropriate, has made and shall continue to make (i) its own independent investigation of the financial condition and affairs of the Grantor in connection with the indebtedness evidenced by the Notes and the taking or not taking of any action in connection therewith, and (ii) its own appraisal of the creditworthiness of Grantor, and Beneficiary shall have no duty or responsibility, either initially or on a continuing basis, to provide any Holder with any credit or other information with respect thereto, whether coming into its possession before the purchase of any Notes, or at any time or times thereafter. Beneficiary shall not be responsible to any Holder for any recitals, statements, information, representations or warranties herein or in any document, certificate or other writing delivered in connection herewith or for the execution, effectiveness, genuineness, validity, enforceability, perfection, collectibility, priority or sufficiency of this Deed of Trust or the financial condition of the Grantor or be required to make any inquiry concerning either the performance or observance of any of

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the terms, provisions or conditions of this Deed of Trust, or the financial condition of the Grantor or the existence or possible existence of any Event of Default.

6.4 **Certain Rights of Beneficiary.** For purposes of this Deed of Trust, the Holders holding at least 66.67% of the aggregate principal amount of the Notes at any one time outstanding shall be referred to collectively as the "Required Holders." If Beneficiary shall request instructions from the Required Holders with respect to any act or action (including failure to act) in connection with this Deed of Trust, the Note Purchase Agreement or any other Financing Documents, Beneficiary shall be entitled to refrain from such act or taking such action unless and until it shall have received instructions from the Required Holders, and to the extent requested, appropriate indemnification in respect of actions to be taken; and Beneficiary shall not incur liability to any Person (as defined in the Note Purchase Agreement) by reason of so refraining. Without limiting the foregoing, no Holder shall have any right of action whatsoever against the Beneficiary as a result of Beneficiary acting or refraining from acting hereunder in accordance with the instructions of the Required Holders.

6.5 **Reliance.** Beneficiary shall be entitled to rely, and shall be fully protected in relying, upon any note, writing, resolution, notice, statement, certificate, telex, teletype or telecopier message, cablegram, radiogram, order or other document or telephone message signed, sent or made by the proper Person or entity on behalf of any Holders, and, with respect to all legal matters pertaining to this Deed of Trust and its duties hereunder, upon advice of counsel selected by it. Grantor shall be entitled to rely, and shall be fully protected in relying, on the fact that Beneficiary is acting as agent on behalf of the Holders and has received any consent or direction required from the Holders until such time as Grantor shall have received a written notice from Beneficiary stating the Beneficiary is no longer acting in its capacity as agent for the Holders.

## ARTICLE 7

### General Provisions

7.1 **Time is of the Essence.** Time is of the essence with respect to all covenants and obligations of Grantor under this Deed of Trust.

7.2 **Reasonability and Materiality.** Whenever this Deed of Trust shall require or permit Grantor or Beneficiary to exercise judgment or discretion or otherwise make any subjective determination, including the giving of consent or approvals hereunder, both Grantor and Beneficiary shall do so reasonably and in good faith. All provisions requiring Grantor to pay costs, expenses or fees shall be construed as requiring the payment of only such costs, expenses and fees as shall be reasonable. Grantor's representations, warranties and covenants in this Deed of Trust shall be deemed to include and shall be subject to a materiality standard, in that an immaterial inaccuracy, breach or default may not be used by Beneficiary as a basis to declare the existence of an Event of Default, accelerate the indebtedness secured hereby and/or otherwise exercise remedies available to Beneficiary in

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the event of a default hereunder. "Material" items shall include, but shall not be limited to, a default in monetary payment, not properly maintaining the Property, violating the prohibition against placing additional liens on the Property (or any part thereof), a default in the environmentally related provisions of the Note Purchase Agreement, or material misrepresentation of fact.

7.3 **Notices.**

7.3.1 **Method; Address.** All notices and communications required or permitted to be given under this Agreement shall be in writing and shall either be mailed by first class United States mail, postage prepaid, registered or certified with return receipt requested, or delivered in person to the intended addressee, or sent by telecopier, prepaid telegram or telex, or sent by reliable express mail (such as Federal Express or U.S. Express Mail), and shall be addressed,

(a) if to Beneficiary, at the address shown in Annex I to this Deed of Trust, marked for attention as there indicated, or at such other address as Beneficiary shall have furnished to Grantor in writing, or

(b) if to Grantor, at the following address:

Pope Resources  
19245 Tenth Avenue Northeast  
Poulsbo, WA 98370  
Attention: Mr. Thomas M. Ringo

With copies to:

Mr. Greg Adams  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101-1688

or at such other address as Borrower shall have furnished in writing to the Administrative Agent.

7.3.2 **When Given.** Any notice so mailed shall be deemed to be given and become effective three (3) days after deposit in the U.S. Mail. Any notice given in any other manner shall be deemed to be given and become effective only if and when actually received (or rejected) by the addressee.

7.4 **Deed of Trust Binding on Successors and Assigns.** This Deed of Trust shall be binding upon and inure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary.

7.5 **Usury Laws.** Notwithstanding any provision herein or in the Notes, the total liability for payments in the nature of interest shall not exceed the limits now imposed by the usury laws of the State of Washington.

7.6 **Administrative Fees of Beneficiary.** Grantor promises to pay and reimburse Beneficiary for administrative fees, costs, and expenses, including attorneys' fees, incurred in reviewing and processing post-closing requests of Grantor. With respect to requests which involve purely administrative functions and which do not affect any obligations under any of the Financing Documents, as defined in the Note Purchase Agreement, and/or any other instrument, agreement or undertaking now existing or hereafter executed by Grantor relative to the loans evidenced by the Notes or the Property, such fees, costs, and expenses shall be limited to Beneficiary's normal and customary fees, costs, and expenses; all other requests shall not be limited.

7.7 **Reconveyance by Trustee.** At any time upon the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Deed of Trust, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Property. Beneficiary shall have no obligation to reconvey the Property or any portion thereof or request a reconveyance thereof unless and until all outstanding obligations under the Obligations, including, without limitation the 1992 Note and the Notes have been fully paid and satisfied. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.

7.8 **Substitute Trustee.** In the event of dissolution or resignation of the Trustee, or for any other reason, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

7.9 **No Partnership or Joint Venture.** Grantor acknowledges and agrees that in no event shall Beneficiary be deemed to be a partner or joint venturer with Grantor. Without limitation of the foregoing, Beneficiary shall not be deemed to be such a partner or joint venturer on account of its becoming a mortgagee in possession or exercising any rights pursuant to this Deed of Trust or pursuant to any other instrument or document securing any portion of the indebtedness secured hereby or on account of receiving any release fee for partial releases of this Deed of Trust, or otherwise.

7.10 **No Personal Liability of General Partners.** In any action brought to enforce the obligation of the maker of the Notes secured hereby to pay the indebtedness evidenced by such Notes or to enforce the obligation of Grantor to pay any indebtedness or obligation created or arising under this Deed of Trust, any judgment or decree shall be enforceable against the General Partners of Grantor only to the extent of their interests in the Property, and any such judgment or decree shall not be subject to execution on, nor be

a lien on, assets of such General Partners of Grantor other than their interests in the Property. The foregoing shall in no way otherwise affect the personal liability of Grantor.

7.11 **Successors in Interest.** This Trust Deed applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, executors, administrators, successors, and assigns. The term "Beneficiary" shall mean the holder and owner, including pledgees, of the Notes, whether or not named as Beneficiary herein and any owner or holder of the beneficiary interest under this Trust Deed.

7.12 **Right to Release.** Without affecting the liability of any other person for the payment of any indebtedness herein mentioned (including Grantor should it convey the Property) and without affecting the lien or priority hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any such obligation, or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the Property, take or release any other security or make compositions or other arrangements with debtors. Beneficiary may also accept additional security, either concurrently herewith or hereafter, and sell same or otherwise realize thereon either before, concurrently with, or after sale hereunder.

7.13 **Marshalling of Assets.** To the extent allowed by applicable law, Grantor on its own behalf and on behalf of its successors and assigns hereby expressly waives all rights to require a marshalling of assets by the Trustee or Beneficiary or to require Trustee or Beneficiary to first resort to the sale of any portion of the Property which might have been retained by Grantor before foreclosing upon and selling any other portion as may be conveyed by Grantor subject to this Deed of Trust.

7.14 **Expenses and Attorney Fees.** If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit or proceeding in connection with any of the Obligations or the Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings or in connection with any state or federal tax lien), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs and expenses incurred by Beneficiary and/or its attorney in connection with the above mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports and the cost of surveyors' reports. Such amounts shall be secured by this Deed of Trust and shall bear interest at the Default Rate, as defined in the Note Purchase Agreement, from the date Beneficiary's written demand for reimbursement to Grantor therefor is forwarded to Grantor; and all such sums and the interest thereon shall be immediately due and payable



and be added to and become a part of the Obligations secured hereby in such manner or order as Beneficiary may desire or determine and be secured hereby, having the benefit of the lien hereby created and of its priority.

7.15 **Applicable Law.** The laws of the State of Washington shall govern the validity, interpretation, performance, and enforcement of this Deed of Trust.

7.16 **Captions.** The captions to the sections and paragraphs of this Deed of Trust are included only for the convenience of the parties and shall not have the effect of defining, diminishing, or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Deed of Trust.

7.17 **"Person" Defined.** As used in this Deed of Trust, the word "person" shall mean any natural person, partnership, trust, corporation, or other legal entity of any nature.

7.18 **Severability.** If any provision of this Deed of Trust shall be held to be invalid, illegal, or unenforceable, such invalidity, illegality, or unenforceability shall not affect any other provisions of this Deed of Trust, and such other provisions shall be construed as if the invalid, illegal, or unenforceable provision had never been contained herein.

7.19 **Commercial Trust Deed.** Grantor warrants that the loan secured hereby is for commercial purposes and is not now, nor will it be, for residential, household, personal, agricultural, or consumer purposes.

7.20 **Regulation G.** No part of the proceeds from the loan secured by this Deed of Trust will be used for the purpose (whether immediate, incidental, or ultimate) of "purchasing" or "carrying" any "margin security" as such terms are defined in Regulation G (12 CFR Part 207) of the Board of Governors of the Federal Reserve Systems, or for the purpose of reducing or retiring any indebtedness which was originally incurred for any such purpose.

7.21 **Conflicts.** Any conflict between the terms and provisions of this Deed of Trust and the Note Purchase Agreement shall be governed and controlled by the Note Purchase Agreement.

7.22 **Multiple Originals.** This Deed of Trust is being executed in quadruple originals in order to be recorded simultaneously in each of the four counties where the Property is located. All such originals shall constitute one and the same Deed of Trust.

7.23 **Statutory Notice.**

GRANTOR ACKNOWLEDGES THAT ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT OR TO

FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Executed as of the date first above written.

GRANTOR:

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

By: POPE MGP, INC., a Delaware corporation, its managing general partner

By: /s/ Thomas M. Ringo

Its: Vice President & CFO

STATE OF WASHINGTON )  
 ) ss.  
County of King )

On this 28th day of March, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas M. Ringo, to me known to be the VP & CFO, of Pope MGP, Inc., the corporation that executed the foregoing instrument as managing general partner of Pope Resources, A Delaware Limited Partnership and acknowledged the said instrument to be the free and voluntary act and deed of said corporation on behalf of said Pope Resources, A Delaware Limited Partnership, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument.

Witness my hand and official seal hereto affixed the day and year first above written.

/s/ Terri Ray  
Notary Public in and far the State of Washington  
residing at Seattle  
My Commission expires: 10/29/04

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**ANNEX I.****SCHEDULE OF INFORMATION FOR NOTICES****JOHN HANCOCK LIFE INSURANCE COMPANY**

John Hancock Life Insurance Company  
John Hancock Place  
200 Clarendon Street  
P.O. Box 111  
Boston, MA 02117  
Attention: Bond and Corporate Finance Group T-57

with a copy to:

John Hancock Life Insurance Company  
Bond and Corporate Finance Group  
2520 Venture Oaks Way, Suite 120  
Sacramento, CA 95833  
Attn: C. Whitney Hill

and:

John Hancock Life Insurance Company  
John Hancock Place  
200 Clarendon Street  
Boston, MA 02117  
Attention: Investment Law Division, T-30

**EXHIBIT A****JEFFERSON COUNTY, WASHINGTON  
LEGAL DESCRIPTIONS**

Parcels 1-55 are all located in Jefferson County, Washington:

**PARCEL 1:**

Those portions of Government Lot 1, Section 4, Township 27 North, Range 1 East, W.M., Jefferson County, Washington, lying Westerly of Secondary State Highway No. 9-E, right of way (Port Ludlow to South Point Road).  
Situate in the County of Jefferson, State of Washington.

**PARCEL 2:**

The North 1/2 of the Northeast 1/4 and the North 1/2 of the Southeast 1/4 of the Northeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;  
TOGETHER WITH that portion of the West 1/2 of the Northwest 1/4 of Section 17, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington, lying North of Oak Bay Road.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 3:**

That portion of the Southeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., Jefferson County, Washington, lying Northerly of Oak Bay Road.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 4:**

One square acre in the Southwest corner of the Southwest 1/4 of the Southeast 1/4 of the Northeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 5:**

The Southwest 1/4 of the Northeast 1/4, Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 6:**

That portion of the South 850.00 feet of Section 18, lying Southerly of Oak Bay Road;  
EXCEPT right of way for Beaver Valley Road;  
TOGETHER WITH the Northeast 1/4 of Section 19;  
ALSO TOGETHER WITH the West 1/2 of the Northwest 1/4 of Section 20;

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EXCEPT any portion thereof lying within Jefferson County Tax Lot No. 2 (Port Ludlow Golf Course) if any, as described in deed recorded September 15, 1998, under Auditor's File No. 414414;

All in Township 28 North, Range 1 East, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 7:**

The East 1/2 of the West 1/2 of the Southeast 1/4 of Section 19 and in the Southeast 1/4 of Section 18, Township 28 North, Range 1 East, W.M., in Jefferson County, Washington;

EXCEPT right of way for Beaver Valley Road.

Situate in the County of Jefferson, State of Washington.

**PARCEL 8:**

The Southwest 1/4 of Section 20, Township 28 North, Range 1 East, W.M., Jefferson County, Washington;

EXCEPT the North 1/2 of the Northeast 1/4 of the Southwest 1/4 thereof;

TOGETHER WITH the South 3/4 of the West 1/2 of the West 1/2 of the Southeast 1/4 of said Section 20.

Situate in the County of Jefferson, State of Washington.

**PARCEL 9:**

The East 1/2 of the Northeast 1/4 of Section 28, Township 28 North, Range 1 East of the Willamette Meridian;

EXCEPT the South ten acres of the Southeast 1/4 of the Northeast 1/4 of said Section 28;

AND EXCEPT the right of way of the Teal Lake Road, as conveyed on October 9, 1909 in Volume 1 of Road Waivers, pages 31 and 32.

Situate in the County of Jefferson, State of Washington.

**PARCEL 10:**

The Southwest 1/4 of the Northwest 1/4; the South 1/2 of the Northwest 1/4 of the Northwest 1/4; the West 1/2 of the Southwest 1/4; the North 1/2 of the Southeast 1/4 of the Southwest 1/4, in Section 18, Township 29 North, Range 1 East, W.M., Jefferson County, Washington;

EXCEPT that portion of said North 1/2 of the Southeast 1/4 of the Southwest 1/4 as conveyed to Lucille M. Powell by instrument recorded June 2, 1995, under Auditor's File No. 382696;

ALSO EXCEPT right of way for Oak Bay Road.

Situate in the County of Jefferson, State of Washington.

**PARCEL 11:**

Government Lots 5, 7 and 8, in Section 19, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 12:**

The West 1/2 of Government Lot 2, Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

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Situate in the County of Jefferson, State of Washington.

**PARCEL 13:**

The North 1/2 of Government Lot 4 and the North 1/2 of the Northeast 1/4 of the Southwest 1/4, Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 14:**

The East 1/2, EXCEPT Government Lot 1; the East 1/2 of the Northwest 1/4; the South 1/2 of Government Lot 4; the Southeast 1/4 of the Southwest 1/4; and the South 1/2 of the Northeast 1/4 of the Southwest 1/4; all in Section 30, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 15:**

The North 1/2 of the Northwest 1/4 of the Northeast 1/4; Government Lot 2; the West 1/2 of the Southeast 1/4 of the Northwest 1/4; the East 1/2 of the Northeast 1/4 of the Southwest 1/4; and the Southeast 1/4 of the Southwest 1/4, in Section 31, Township 29 North, Range 1 East, W.M., Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 16:**

That portion of Government Lot 1, Section 5, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington, lying Westerly of Quilcene-Center Road as conveyed to Jefferson County by deed recorded August 5, 1932 under Auditor's File No. 68839, records of Jefferson County;  
EXCEPT the North 920 feet thereof;  
Situate in the County of Jefferson, State of Washington.

**PARCEL 17:**

The North 920 feet of Government Lot 1, (Northeast 1/4 of the Northeast 1/4) of Section 5, Township 27 North, Range 1 West, W.M., in Jefferson County, Washington;  
Lying West of the Quilcene-Center County Road, as conveyed to Jefferson County by deed recorded August 5, 1932 under Auditor's File No. 68839, records of Jefferson County, Washington;  
EXCEPT the North 10 acres thereof.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 18:**

The South 1/2 of Government Lot 4; the Southwest 1/4 of the Northwest 1/4; and the Southwest 1/4; ALL in Section 1, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 19:**

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The South 1/2 of the Southeast 1/4 of Section 2, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 20:**

Those portions of the Southwest quarter of the Southwest quarter of Section 4, the South half of the Southeast quarter, and the South half of the Southeast quarter of the Southwest quarter of Section 5, and of Section 8, All in Township 28 North, Range 1 West, W.M., described as follows:

- a) That portion of the Southwest quarter of the Southwest quarter of said Section 4 lying Southerly and Westerly of the centerline of Chimacum Creek;
- b) Those portions of the South half of the Southeast quarter and the South half of the Southeast quarter of the Southwest quarter of said Section 5 lying Southerly of the centerline of Chimacum Creek;
- c) That portion of said Section 8 lying Northerly of State Highway 104, less right-of-way for said highway.

Situate in the County of Jefferson, State of Washington.

**PARCEL 21:**

Those portions of Section 5, Township 28 North, Range 1 West, W.M., described as follows:

The Southeast quarter of the Northeast quarter, Government Lot 2, the South half of the Southeast quarter of the Southeast quarter lying Northerly of the centerline of Chimacum Creek, the Southwest of the Southeast quarter lying Northerly of the centerline of Chimacum Creek, the Northwest quarter of the Southeast quarter, the Northeast quarter of the Southwest quarter, and Government Lot 2 and 4, all of said Section 5.

Less right-of-way for County road.

Situate in the County of Jefferson, State of Washington.

**PARCEL 22:**

Those portions of Section 5, Township 28 North, Range 1 West, W.M., described as follows:

The Southwest quarter of the Northeast quarter, that portion of the Southeast quarter of the Southwest quarter lying Northerly of the centerline of Chimacum Creek. The South half of the Northwest quarter, and Government Lot 3, all of said Section 5.

Situate in the County of Jefferson, State of Washington.

**PARCEL 23:**

Government Lot 4, Section 6, Township 28 North, Range 1 West, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 24:**

The West 1/2 of the Southwest 1/4 and the West 1/2 of the East 1/2 of the Southwest 1/4 of Section 9, All in Township 28 North, Range 1 West, W.M., in Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 25:**

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The North 1/2 of the Northeast 1/4 and the Southwest 1/4 of the Northeast 1/4 of Section 11, Township 28 North, Range 1 West, W.M., Jefferson County, Washington. Situate in the County of Jefferson, State of Washington.

**PARCEL 26:**

The North 1/2 of the Northwest 1/4 of Section 12, Township 28 North, Range 1 West, W.M., Jefferson County, Washington. Situate in the County of Jefferson, State of Washington.

**PARCEL 27:**

Government Lots 1, 2 and 3 and that portion of Government Lot 4 lying Easterly of the Easterly right-of-way of State Highway No. 9, The South 1/2 of the Northwest 1/4, the Southwest 1/4 of the Northeast 1/4, the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4;

ALSO that portion of the Southeast 1/4 of the Southeast 1/4 described as Blocks 6 to 15 inclusive, and Blocks 26 to 35 inclusive of Somerville, as per plat recorded in Volume 2 of Plats, page 63, records of Jefferson County, Washington.

EXCEPT that portion conveyed from Crown Zellerbach Corporation, to Bruce Brown and Linda Brown in instrument dated December 9, 1983, and recorded under Auditor's File No. 287660;

ALSO EXCEPT that portion conveyed to the City Port Townsend by deed dated October 13, 1993 and recorded May 23, 1994 under Auditor's File No. 372115.

All in Section 4, Township 29 North, Range 1 West.

Situate in the County of Jefferson, State of Washington.

**PARCEL 28:**

The West 1/2 of the Northeast 1/4;

And the Northwest 1/4, Section 9, Township 29 North, Range 1 West.

Situate in the County of Jefferson, State of Washington.

**PARCEL 29:**

The Northeast 1/4 of the Northeast 1/4, all those portions of the Southwest 1/4 of the Northeast 1/4, and Government Lots 1 and 2, lying East of the Easterly boundary of State Highway No. 9, the Northwest 1/4 of the Southeast 1/4, that portion of the Northeast 1/4 of the Southeast 1/4 as described in instrument recorded June 28, 1945, in Volume 117 of Deeds, page 224, records of Jefferson County, Washington;

the Southeast 1/4 of the Southeast 1/4, the Southeast 1/4 of the Southwest 1/4, the Southwest 1/4 of the Southeast 1/4;

ALSO that portion of Government Lot 3, lying Southeasterly of State Highway; the East 660 feet of Government Lot 4 and that portion of the West 660 feet of Government Lot 4, lying Southeasterly of the State Highway No. 9;

All in Section 17, Township 29 North, Range 1 West;

EXCEPT that portion thereof, described in deed and easement dated December 23, 1976, and recorded under Auditor's File No. 239261, to Maurice L. Plaster, et al;

EXCEPT that portion, if any, as described in instrument recorded under Auditor's File No. 239261, records of Jefferson County, Washington;

EXCEPT Moon Lake and all lands within a radius of 75 feet wide surrounding said lake;

EXCEPT State Highway No. 9, right-of-way;

EXCEPT Railroad in Government Lot 4 as conveyed by deeds recorded in Volume 28 of Deeds, pages 525 and 526 and in Volume 29 of Deeds, pages 127 to 129, Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 30:**

That portion of Government Lot 5, Section 19, lying Southerly of State Highway No. 9, as conveyed to the State of Washington by instrument recorded in Volume 102 of Deeds, page 207, under Auditor's File No. 68633;

The Southeast 1/4 of the Southeast 1/4 of Section 19, Township 29 North, Range 1 West;

EXCEPT that portion of said Government Lot 5, described as follows:

Beginning at the intersection of the East line of said subdivision with the South line of State Highway No. 20 right of way;

thence South along said South right of way line 99.0 feet;

thence South  $01^{\circ} 26' 13''$  East 700 feet more or less to the South line of said Government Lot 5;

thence Easterly 66 feet more or less to the Southeast corner of said Government Lot 5;

thence North  $01^{\circ} 21' 20''$  East along the East line of said Government Lot 5 to the point of beginning.

Situate in the County of Jefferson, State of Washington.

**PARCEL 31:**

The Southeast 1/4 of the Southeast 1/4 in Section 19, Township 29 North, Range 1 West, W.M., Jefferson County, Washington;

EXCEPT that portion lying Northwesterly of the easement of Puget Sound Power & Light Company, as recorded March 7, 1975 under Auditor's File No. 227268.

Situate in the County of Jefferson, State of Washington.

**PARCEL 32:**

That portion of the Southwest 1/4 of the Southeast 1/4, lying Westerly of a line drawn from a point 200 feet West of the Northeast corner of said subdivision to a point 200 feet East of the Southwest corner of said subdivision;

All in Section 19, Township 29 North, Range 1 West;

EXCEPT City of Port Townsend Pipe Line right-of-way;

ALSO EXCEPT right of way of Primary State Highway No. 9-E.

Situate in the County of Jefferson, State of Washington.

**PARCEL 33:**

The South 1/2 of the Northeast 1/4, the West 1/2 of the Northeast 1/4 of the Northeast 1/4, the Northwest 1/4 of the Northeast 1/4, the Northwest 1/4, the South 1/2;

All in Section 20, Township 29 North, Range 1 West;

EXCEPT that portion, if any, as described in instrument recorded under Auditor's File No. 239261, records of Jefferson County, Washington;  
ALSO EXCEPT Moon Lake and all lands within a radius of 75 feet wide surrounding said lake;  
ALSO EXCEPT that portion of the Southwest 1/4 of the Northwest 1/4 lying Northwesterly of the Puget Sound Power & Light easement recorded March 7, 1975 under Auditor's File No. 227268.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 34:**

The Southwest 1/4 of the Southwest 1/4, the West 1/2 of the Northwest 1/4 of the Southwest 1/4, Section 21, Township 29 North, Range 1 West.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 35:**

The Southeast 1/4 of Section 21, Township 29 North, Range 1 West, EXCEPT right-of-way of County Road as conveyed to Jefferson County by instrument recorded in Volume 1 of Road Waivers, pages 142 and 143; ALSO EXCEPT that portion conveyed to Gerald W. Phillips, et ux by deed recorded January 7, 1988 under Auditor's File No. 312370, records of Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 36:**

The Southwest 1/4 of the Southwest 1/4 of Section 22, Township 29 North, Range 1 West.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 37:**

Tracts 1 through 8 inclusive of Stewart Garden Tracts, as per plat recorded in Volume 2 of Plats, page 90, records of Jefferson County, Washington;  
Situate in the County of Jefferson, State of Washington.

**PARCEL 38:**

That portion of the South 1/4 of the Northeast 1/4 of the Southeast 1/4 of Section 25, Township 29 North, Range 1 West, W.M., in Jefferson County, Washington, lying Easterly of the Chimacum-Beaver Valley County Road right of way as conveyed by Deed recorded under Auditor's File No. 160634 records of said County;  
TOGETHER WITH a permanent, non-exclusive easement for a 60 foot easement for ingress, egress and utilities, the centerline of which is described as follows:  
Beginning at the intersection of the North line of the South 1/2 of the South 1/2 of the Southeast 1/4 of the Southeast 1/4 of said Section 25, and the Easterly margin of the Chimacum-Beaver Valley County Road (#12);  
thence North 16° 31' 30" East 176.21 feet;  
thence North 54° 20' 30" East 176.11 feet;  
thence North 32° 58' 30" West 268.03 feet;  
thence North 13° 25' 00" West 174.18 feet;  
thence North 21° 53' 00" East 96.59 feet;  
thence North 33° 40' 30" West 139.75 feet;  
thence North 2° 22' 00" West 130.45 feet to the South line of the South 1/2 of the Northeast 1/4 of the Southeast 1/4 of said Section 25, and the terminus of said line.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 39:**

The West 1/2 of the Northwest 1/4, the West 1/2 of the Southwest 1/4 of the Southwest 1/4, Section 28, Township 29 North, Range 1 West.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 40:**

The East 1/2, the Northwest 1/4, the East 1/2 of the Southwest 1/4, the Southwest 1/4 of the Southwest 1/4, Section 29, Township 29 North, Range 1 West.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 41:**

The Northeast 1/4 of the Northeast 1/4; the North 1/2 of the Southeast 1/4 of the Northeast 1/4, and that portion of the Southwest 1/4 of the Southeast 1/4, as described in instrument recorded August 10, 1955, in Volume 140 of Deeds, page 598, records of Jefferson County, Washington;  
the East 1/2 of the Southwest 1/4, the East 1/2 of the Northwest 1/4, Government Lots 2, 3, 4 and that portion of Government Lot 1, as described in instrument recorded December 19, 1946, in Volume 119 of Deeds, page 611, records of Jefferson County, Washington;  
All in Section 30, Township 29 North, Range 1 West;  
EXCEPT Old Eaglemount County Road right-of-way.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 42:**

The Southwest 1/4 of the Northeast 1/4, the Northeast 1/4 of the Northwest 1/4; the Northeast 1/4 of the Northeast 1/4, Section 31, Township 29 North, Range 1 West;  
EXCEPT that portion as conveyed to Puget Southern Properties, by Crown Zellerbach Corporation, in instrument recorded under Auditor's File No. 287326;

EXCEPT Old Eaglemount County Road right of way;  
ALSO EXCEPT Lind County usage road as disclosed by Jefferson Public Works Department.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 43:**

The Northeast 1/4, the North 1/2 of the Southeast 1/4, the North 1/2 of the Northwest 1/4, the Southeast 1/4 of the Northwest 1/4, and those portions of the Southwest 1/4 of the Northwest 1/4, and the North 1/2 of the Southwest 1/4, lying Northeasterly of State Highway No. 9;  
All in Section 32, Township 29 North, Range 1 West.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 44:**

That portion of the Southwest 1/4 of the Southwest 1/4 of Section 32, Township 29 North, Range 1 West, W.M., Jefferson County, Washington, lying Southerly of Old Eaglemount Road.

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Situate in the County of Jefferson, State of Washington.

**PARCEL 45:**

The Northeast 1/4 of the Northeast 1/4, the East 1/2 of the Northwest 1/4 of the Northeast 1/4, the South 1/2 of the Northeast 1/4, the South 1/2 of the Northwest 1/4, the West 1/2 of the Northwest 1/4 of the Northwest 1/4, the North 1/2 of the Southwest 1/4, the North 1/2 of the Southeast 1/4 of the Southwest 1/4, the North 1/2 of the Southeast 1/4, the Southwest 1/4 of the Southeast 1/4;  
All in Section 33, Township 29 North, Range 1 West;  
EXCEPT Gibbs Lake County usage road, as disclosed by Jefferson County Public Works Department.  
ALSO EXCEPT right of way for West Egg & I Road, as conveyed to Jefferson County by deed recorded April 26, 1996, under Auditor's File No. 390603.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 46:**

That portion of the Northwest 1/4 of the Southwest 1/4, as described in instrument recorded April 19, 1960, in Volume 152 of Deeds, page 373, records of Jefferson County, Washington;  
All in Section 34, Township 29 North, Range 1 West;  
EXCEPT that portion conveyed by Quit Claim Deed to Jefferson County from Crown Zellerbach Corporation in instrument dated June 11, 1981;  
EXCEPT Gibbs Lake County Road usage road as disclosed by Jefferson County Public Works Department;  
ALSO EXCEPT therefrom said Township 29 North, Range 1 West the Port Townsend Gravity Water Supply Pipe Line right of way as conveyed and/or condemned by proceedings in Volume H and K of County Commissioners meeting, pages 254 and 528, respectively, and Volume 54 of Deeds, pages 302 and 303, records of Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 47:**

The Northwest 1/4 of the Northeast 1/4 of Section 27, Township 27 North, Range 2 West, W.M., Jefferson County, Washington;  
EXCEPTING THEREFROM all that portion thereof described in the Deed executed by John Seaton, etux, to the United State of America, recorded November 3, 1911, under Auditor's File No. 34023;  
AND EXCEPTING THEREFROM all that portion thereof described in the Deed executed by Francis S. Meyer, etux, to Charles J. Beck, etux, recorded June 11, 1932, under Auditor's File No. 68529;  
ALSO EXCEPTING THEREFROM all that portion thereof lying within State Route 101 and that portion lying Northerly of the Big Quilcene River.

Situate in the County of Jefferson, State of Washington.

**PARCEL 48:**

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That portion of Government Lots 5 and 6 and the South 1/2 of the Northwest 1/4 of the Southwest 1/4 lying Northeasterly of Fuller County Road right-of way, the North 1/2 of the Northwest 1/4 of the southwest 1/4 EXCEPT the West 132 feet thereof, the Southeast 1/4 of the Northwest 1/4, the Northeast 1/4 of the Southwest 1/4, Government Lot 3, that portion of Government Lot 4 lying Southeasterly of Port Townsend Southern Railroad right-of-way, that portion of the North 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4 lying southeasterly of the Port Townsend Southerly Railroad right-of-way, that portion of the abandoned Port Townsend Southern Railroad right-of-way lying within the North 1/2 of the north 1/2 of the Southwest 1/4 of the Northwest 1/4 and within Government Lot 4, as conveyed by deed recorded May 20, 1890 in Volume 27 of Deeds, page 507 and 508, records of Jefferson County, Washington;  
All in Section 1, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.  
EXCEPT Olympic Highway right-of-way;  
ALSO EXCEPT State Highway No. 9, State Highway No. 9-E, and State Highway 104 rights of ways;  
ALSO EXCEPT the Port Townsend Gravity Water Supply line as conveyed by deed recorded March 16, 1905 under Auditor's File No. 20471 (Volume 54 of Deeds, pages 579-580), records of Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 49:**

That portion of the South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4, Section 1, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington, described as follows:

Beginning at a point on the East line of the Southwest 1/4 of the Northwest 1/4 of said Section 1 which is North 1°12'41" West, 669.96 feet from the Southeast corner of said Southwest 1/4 of the Northwest 1/4;  
thence continuing North 1°12'41" West, along said East line 312.18 feet to the Northeast corner of said South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4;  
thence North 89°59'07" West, along the North line of said South 1/2 of the North 1/2 of the Southwest 1/4 of the Northwest 1/4, 493.65 feet;  
thence South 1°12'41" East, 112.19 feet;  
thence South 89°59'07" East, 443.65 feet;  
thence South 1°12'41" East, 199.99 feet;  
thence North 89°59'07" East, 50.00 feet to The Point of Beginning.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 50:**

That portion of the former railway right of way of the Port Townsend Southern Railroad as conveyed by instrument recorded in Volume 27 of Deeds, page 490, under Auditor's File No. 4578 over and across the Northeast 1/4 of the Southeast 1/4 of Section 14, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 51:**

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The Southwest 1/4 of the Southeast 1/4; the West 1/2 of the Northwest 1/4 of the Southeast 1/4; and that portion of the East 1/2 of the Northeast 1/4 of the Southeast 1/4 lying Easterly of the former Port Townsend Southern Railroad Company right of way as conveyed by instrument recorded in Volume 27 of Deeds, page 490 under Auditor's File No. 4578, all in Section 14, Township 28 North, Range 2 West, W.M., Jefferson County, Washington.

Situate in the County of Jefferson, State of Washington.

**PARCEL 52:**

The North 1/2 of the Northwest 1/4 of the Northeast 1/4 of Section 26, Township 28 North, Range 2 West, W.M., in Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 53:**

Government Lots 7, 8 and 9, Section 24, Township 29 North, Range 2 West, that portion of John E. Burns Donation Claim No. 38 and John F. Tukey Donation Land Claim No. 39, as described in instrument recorded March 1, 1966, in Volume 170 of Deeds, page 125, and as described in instrument recorded August 10, 1955, in Volume 140 of Deeds, pages 598 and 599, records of Jefferson County, Washington.  
Situate in the County of Jefferson, State of Washington.

**PARCEL 54:**

The Northwest 1/4 of the Northeast 1/4 of the Northeast 1/4, the Southwest 1/4 of the Northeast 1/4, the Northeast 1/4 of the Southwest 1/4, the Southeast 1/4, the Northwest 1/4 of the Northeast 1/4, the Southeast 1/4 of the Northwest 1/4;  
All in Section 36, Township 29 North, Range 2 West;  
EXCEPT State Highway No. 101, right of way;  
Situate in the County of Jefferson, State of Washington.

**PARCEL 55:**

That portion of the North 1/2 of the Southwest 1/4 of the Northwest 1/4 of Section 36, Township 29 North, Range 1 West, W.M., lying West of County Road No. 34.016, more particularly described as follows:

Beginning at the Northwest corner of said Section 36 and running thence South 01° 20' West, along the West line of said Section 36, a distance of 1300.0 feet, more or less, to the Northwest corner of the Southwest 1/4 of the Northwest 1/4 of said Section 36, and the TRUE POINT OF BEGINNING;  
thence continuing South 01° 20' West, along said West line, 520.1 feet;  
thence North 29° 30' East, 443.1 feet;  
thence North 48° 30' East, 121.0 feet;  
thence South 89° 00' East, 253.0 feet to a point in the center line of County Road No. 34.016;  
thence North 05° 00' West, along the center line of said county road 60.2 feet to a point in the North line of said Southwest 1/4 of the Northwest 1/4 of Section 36;  
thence North 89° 00' West, along said North line 537.0 feet to the TRUE POINT OF BEGINNING;

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**KITSAP COUNTY, WASHINGTON  
ARTICLE 8 LEGAL DESCRIPTIONS**

Parcels 1-71 are all located in Kitsap County, Washington:

**PARCEL 1:**  
THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 12, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M. IN KITSAP COUNTY, WASHINGTON.  
ALSO RESULTANT PARCEL B OF BOUNDARY LINE ADJUSTMENT RECORDED UNDER AUDITOR'S FILE NO. 9502210221; BEING A PORTION OF THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 12, TOWNSHIP 27 NORTH, RANGE 1 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 2:**  
THE EAST OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4;  
THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THAT PORTION CONTAINED WITHIN THE PLAT OF HOOD CANAL ACREAGE TRACTS BLOCK 2, DIVISION NO. 1, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 52, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALL IN SECTION 13, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
ALSO TRACTS 1, 13, 15, 16, AND 17 OF HOOD CANAL ACREAGE TRACTS BLOCK 2, DIVISION 1, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 52, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALSO LOTS 12 AND 13, HOOD CANAL ACREAGE TRACTS BLOCK 1, DIVISION 4, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 51, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALSO LOTS 10 AND 11, HOOD CANAL ACREAGE TRACTS BLOCK 1, DIVISION 2, AS PER PLAT RECORDED IN VOLUME 5 OF PLATS, PAGE 49, RECORDS OF KITSAP COUNTY WASHINGTON;

**PARCEL 3:**  
THE EAST 8 ACRES OF THE WEST HALF OF THE EAST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE SOUTH 30 FEET THEREOF;  
THE EAST HALF OF THE EAST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE SOUTH 30 FEET, AND EXCEPT THE EAST 50 FEET;  
ALL IN SECTION 23, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 4:**  
THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
EXCEPT THE NORTH AND EAST 30 FEET; AND EXCEPT THE SOUTH 50 FEET OF SAID SOUTHEAST 1/4 OF THE SOUTHWEST 1/4;  
ALSO THE SOUTHEAST 1/4;  
ALL IN SECTION 24, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 5:**  
THE NORTHEAST 1/4;  
THE NORTHWEST 1/4;  
EXCEPT THE NORTH HALF OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4;  
ALSO THE SOUTHEAST 1/4;  
ALL IN SECTION 25, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 6:**  
THAT PORTION OF SECTION 36. TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
BEGINNING AT THE NORTH QUARTER CORNER OF SAID SECTION 36;

THENCE SOUTH 89°12'32" EAST ALONG THE NORTH LINE OF SAID SECTION 36 A DISTANCE OF 1318.83 FEET TO THE NORTHEAST CORNER OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36;  
THENCE SOUTH 1°24'08" WEST ALONG THE EAST LINE OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36 A DISTANCE OF 2657.65 FEET TO THE SOUTHEAST CORNER OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36;  
THENCE NORTH 88°32'27" WEST ALONG THE SOUTH LINE OF THE WEST HALF OF THE NORTHEAST QUARTER OF SAID SECTION 36 A DISTANCE OF 1309.44 FEET TO A D.N.R. CONCRETE MONUMENT MARKING THE CENTER OF SAID SECTION 36;  
THENCE SOUTH 1°15'42" WEST ALONG THE EAST LINE OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 1363.60 FEET TO A D.N.R. CONCRETE MONUMENT MARKING THE SOUTHEAST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36;  
THENCE NORTH 89°32'10" WEST ALONG THE SOUTH LINE OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 36 A DISTANCE OF 265.02 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" THEREINAFTER REFERRED TO AS A REBAR;  
THENCE NORTH 7°02'09" WEST 205.20 FEET TO A REBAR;

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THENCE NORTH 33°07'04" EAST 100.17 FEET TO A REBAR;  
THENCE NORTH 10°34'20" EAST 321.37 FEET TO A REBAR;  
THENCE NORTH 15°07'35" WEST 352.62 FEET TO A REBAR;  
THENCE NORTH 5°36'46" WEST 311.98 FEET TO A REBAR;  
THENCE NORTH 6°55'30" WEST 483.78 FEET TO A REBAR;  
THENCE NORTH 10°49'41" WEST 609.38 FEET TO A REBAR;  
THENCE NORTH 4°12'47" WEST 157.16 FEET TO A REBAR;  
THENCE NORTH 6°19'29" WEST 200.28 FEET TO A REBAR;  
THENCE NORTH 37°58'38" WEST 174.02 FEET TO A REBAR;  
THENCE NORTH 8°22'06" EAST 318.42 FEET TO A REBAR;  
THENCE NORTH 37°05'29" EAST 1080.30 FEET TO THE POINT OF BEGINNING, IN KITSAP COUNTY, WASHINGTON;

**PARCEL 7:**  
THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 27 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THAT PORTION CONVEYED TO GAMBLE VILLAGE WATER AND SEWER COMPANY, A WASHINGTON CORPORATION, BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9212300192.

**PARCEL 8:**  
THE NORTHWEST 1/4 OF SECTION 3, TOWNSHIP 26 NORTH, RANGE 2 EAST, W.M.,  
IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THE EAST 571.71 FEET THEREOF;  
ALSO EXCEPT THE SOUTHWEST 1/4 OF SAID NORTHWEST 1/4;  
(ALSO KNOWN AS PARCEL C OF 20 ACRE LAND SEGREGATION RECORDED SEPTEMBER 27, 1999 UNDER AUDITOR'S FILE NO. 3209712.)

**PARCEL 9:**  
THE NORTH HALF OF THE NORTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4, EXCEPT THE NORTH AND EAST 30 FEET FOR ROAD PURPOSES;  
ALL IN SECTION 4, TOWNSHIP 26 NORTH, RANGE 2 EAST, IN KITSAP COUNTY, WASHINGTON.

**PARCEL 10:**  
THE EAST HALF OF THE SOUTHEAST 1/4 OF SECTION 4, TOWNSHIP 26 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 11:**  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4 AND THE EAST HALF OF THE SOUTHWEST 1/4 OF SECTION 3, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.  
EXCEPT THE SOUTH 30 FEET OF THE WEST 30 FEET OF SAID EAST HALF;  
TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS THE NORTH 30 FEET AND THE SOUTH 60 FEET OF THAT PORTION OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION 3, LYING EAST OF HANSVILLE COUNTY ROAD AND FOR SAID PURPOSES OVER, ALONG AND ACROSS THE WEST 30 FEET AND THE SOUTH 30 FEET OF THAT PORTION OF SAID SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 LYING WEST OF SAID COUNTY ROAD; AND FOR SAID PURPOSES OVER AND ACROSS THE NORTH 60 FEET OF THE NORTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 10, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M. IN KITSAP COUNTY WASHINGTON.

**PARCEL 12:**  
THE EAST HALF OF SECTION 4, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

EXCEPT THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SAID SECTION; AND EXCEPT COUNTY ROAD KNOWN AS HANSVILLE ROAD; TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS THE SOUTH 30 FEET OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4; EXCEPT THE EAST 30 FEET THEREOF.

**PARCEL 13:**

THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 4, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 14:**

PORTIONS OF THE VACATED PLAT OF GAMBLE VILLAGE, VACATED PURSUANT TO COMMISSIONERS JOURNAL VOLUME 15, PAGE 329, LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS: BEGINNING AT THE QUARTER CORNER COMMON TO SECTIONS 6 AND 7; THENCE SOUTH 88° 24' 47" EAST ALONG THE LINE COMMON TO SECTIONS 6 AND 7, 350.06 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 16° 15' 37" EAST 161.08 FEET; THENCE SOUTH 73° 44' 23" EAST, 500.00 FEET; THENCE SOUTH 16° 15' 37" WEST, 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 100.00 FEET; THENCE NORTH 16° 15' 37" EAST 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 200.00 FEET; THENCE SOUTH 16° 15' 37" WEST, 240.00 FEET; THENCE NORTH 73° 44' 23" WEST, 720.00 FEET; THENCE NORTH 16°15' 37 ' EAST, 10 FEET; THENCE NORTH 73° 44' 23" WEST, 80 FEET; THENCE NORTH 16°15' 37 ' EAST, 68.92 FEET TO THE TRUE POINT OF BEGINNING.

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EXCEPT ANY PORTION IN THE FORMER LOTS 13, 14, 15, 18 AND 20 THROUGH 24 OF SAID VACATED PLAT; ALSO BEGINNING AT THE QUARTER CORNER COMMON TO SAID SECTIONS 6 AND 7; THENCE SOUTH 88° 24' 47" EAST ALONG THE LINE COMMON TO SECTIONS 6 AND 7, 350.06 FEET; THENCE SOUTH 16° 15' 37" WEST 258.92 FEET; THENCE SOUTH 73° 44' 23" EAST, 800.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE NORTH 16° 15' 37" EAST, 120.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 60 FEET; THENCE NORTH 16° 15' 37" EAST, 350.00 FEET; THENCE SOUTH 73° 44' 23" EAST, 177.26 FEET; THENCE SOUTH 31° 56' 18" WEST, 109.06 FEET; THENCE SOUTH 15° 17' 59" EAST, 99.75 FEET; SOUTH 16° 15' 37" WEST, 280.00 FEET; THENCE NORTH 73° 44' 23" WEST, 260.00 FEET TO THE TRUE POINT OF BEGINNING.

ALSO THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON; EXCEPT THAT PORTION LYING WITHIN THE VACATED PLAT OF GAMBLE VILLAGE.

**PARCEL 15:**

THAT PORTION OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

PARCEL I:

NORTHWEST QUARTER OF THE NORTHEAST QUARTER EXCEPT THE PLAT OF GAMBLE VILLAGE;

PARCEL II:

SOUTH HALF OF THE NORTHEAST QUARTER

PARCEL III:

NORTHEAST QUARTER OF THE NORTHWEST QUARTER;

PARCEL IV:

SOUTHWEST QUARTER EXCEPT THE NORTHWEST QUARTER THEREOF;

PARCEL V:

WEST HALF OF THE SOUTHEAST QUARTER;

PARCEL VI:

EAST HALF OF THE NORTHWEST QUARTER OF THE SOUTHWEST QUARTER EXCEPT THAT PORTION OF THE NORTHWEST QUARTER OF THE NORTHEAST QUARTER DESCRIBED AS FOLLOWS:

BEGINNING AT THE QUARTER CORNER COMMON TO SECTION 6 AND 7;

THENCE SOUTH 88°24'47" EAST 350.96 FEET;

THENCE SOUTH 16°15'37" WEST 258.92 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUING SOUTH 16°15'37" 380 FEET;

THENCE SOUTH 73°44'23" EAST 800 FEET;

THENCE NORTH 16°15'37" EAST 380 FEET;

THENCE NORTH 73°44'23" WEST 800 FEET TO THE TRUE POINT OF BEGINNING;

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EXCEPT THAT PORTION OF THE SOUTHEAST QUARTER AND SOUTHWEST QUARTER CONVEYED BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 9212300189, IN KITSAP COUNTY WASHINGTON;

**PARCEL 16:**

THE WEST HALF OF THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 17:**

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTIN 7;

THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;

THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;  
THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;  
THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;  
THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;  
THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;  
THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;  
THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;  
THENCE NORTH 81°09'44" EST 654.90 FEET TO A REBAR;  
THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;  
THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;  
THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;  
THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;  
THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;  
THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;  
THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;  
THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;  
EXCEPT ANY PORTION LYING WITHIN SECTION 18, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON;

**PARCEL 18:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 9, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 19:**

THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF SECTION 9, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 20:**

THE WEST HALF OF THE SOUTHWEST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THE SOUTH 30 FEET AND THE EAST 30 FEET THEREOF;  
THE EAST 3/4 OF THE NORTH HALF OF THE SOUTHWEST 1/4;  
AND THE WEST HALF OF THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
EXCEPT THE NORTH 30 FEET THEREOF;  
ALL IN SECTION 15, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M.,  
IN KITSAP COUNTY, WASHINGTON.

**PARCEL 21:**

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;  
THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;  
THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;  
THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;  
THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;  
THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;  
THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;  
THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;  
THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;  
THENCE NORTH 81°09'44" EST 654.90 FEET TO A REBAR;  
THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;  
THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;  
THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;  
THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;

THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;  
THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;  
THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;  
THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;  
EXCEPT ANY PORTION LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON;

**PARCEL 22:**

ALL OF SECTION 18, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT STATE HIGHWAY;

EXCEPT THE FOLLOWING:

THAT PORTION OF THE SOUTH HALF OF SECTION 7 AND THE NORTH HALF OF THE NORTH HALF OF SECTION 18, BOTH IN TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:

COMMENCING AT THE NORTH QUARTER CORNER OF SAID SECTION 7;

THENCE SOUTH 1°20'14" WEST ALONG THE NORTH-SOUTH CENTER LINE OF SAID SECTION 7 A DISTANCE OF 2666.45 FEET TO THE CENTER OF SAID SECTION 7 AND THE TRUE POINT OF BEGINNING;

THENCE NORTH 88°59'21" WEST ALONG THE EAST-WEST CENTER LINE OF SAID SECTION 7 A DISTANCE OF 1338.56 FEET TO THE

NORTHWEST CORNER OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SAID SECTION 7;

THENCE SOUTH 11°36'17" WEST 1643.39 FEET TO A HALF INCH REBAR WITH A YELLOW CAP IMPRINTED "SEO 20795" HEREINAFTER REFERRED TO AS A REBAR;

THENCE SOUTH 0°14'46" EAST 351.75 FEET TO A REBAR;

THENCE SOUTH 8°18'05" EAST 281.72 FEET TO A REBAR;

THENCE SOUTH 25°57'05" EAST 228.36 FEET TO A REBAR;

THENCE SOUTH 27°52'59" EAST 158.84 FEET TO A REBAR;

THENCE SOUTH 50°50'55" EAST 1231.20 FEET TO A REBAR;

THENCE NORTH 81°09'44" EST 654.90 FEET TO A REBAR;

THENCE NORTH 28°18'10" EAST 504.97 FEET TO A REBAR;

THENCE NORTH 44°56'37" EAST 603.45 FEET TO A REBAR;

THENCE NORTH 4°16'22" WEST 996.96 FEET TO A REBAR;

THENCE NORTH 13°51'41" WEST 560.41 FEET TO A REBAR;

THENCE NORTH 12°24'01" EAST 209.75 FEET TO A REBAR;

THENCE NORTH 18°55'00" WEST 373.13 FEET TO A REBAR;

THENCE NORTH 2°56'28" EAST 262.07 FEET TO THE EAST-WEST CENTER LINE OF SAID SECTION 7;

THENCE NORTH 88°59'21" WEST ALONG SAID CENTER LINE 544.13 FEET TO THE TRUE POINT OF BEGINNING;

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AND EXCEPT ANY PORTION LYING WITHIN SECTION 7, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY WASHINGTON; TOGETHER WITH TIDE LANDS OF THE SECOND CLASS, AS CONVEYED BY THE STATE OF WASHINGTON, SITUATE IN FRONT OF, ADJACENT TO AND ABUTTING UPON THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER OF SAID SECTION 18;

**PARCEL 23:**

THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;

THE WEST HALF;

THE WEST HALF OF THE SOUTHEAST 1/4; AND

THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;

ALL IN SECTION 19, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 24:**

THE WEST HALF OF THE EAST HALF OF SECTION 33, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

ALSO THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SAID SECTION;

EXCEPT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FEE NO. 817693.

**PARCEL 25:**

THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4 OF SECTION 28, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT THE NORTH 140 FEET OF THE WEST 180 FEET THEREOF.

**PARCEL 26:**

THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 29, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON,

EXCEPT THAT PORTION LYING EASTERLY OF SUQUAMISH-PORT GAMBLE ROAD.

**PARCEL 27:**

THE EAST 53.33 ACRES OF THE SOUTHEAST 1/4; EXCEPT THE EAST 50 FEET THEREOF TO KITSAP COUNTY PER RESOLUTION NO 087-1990 DATED 2/26/1990; ALSO EXCEPT THE NORTH 209 FEET OF THE WEST 209 FEET OF THE EAST 53.33 ACRES OF THE SOUTHEAST 1/4 OF SECTION 29, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 28:**

THE NORTH HALF;

THE SOUTHWEST 1/4; EXCEPT THE WEST, SOUTH, AND EAST 50 FEET THEREOF;

THE NORTH HALF OF THE SOUTHEAST 1/4;

THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THE WEST AND SOUTH

50 FEET AND THE EAST 30 FEET THEREOF;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THAT PORTION OF THE FOLLOWING DESCRIBED TRACT LYING  
SOUTHEASTERLY OF BOND ROAD, TO-WIT:  
BEGINNING AT THE SOUTHEAST CORNER OF SECTION 30;  
THENCE NORTH 1° 27' 26" WEST 485.77 FEET;  
THENCE SOUTH 89° 16' 34" WEST 481.05 FEET;  
THENCE SOUTH 1° 27' 26" EAST 485.77 FEET;  
THENCE NORTH 89° 16' 34" WEST 481.05 FEET TO THE TRUE POINT OF BEGINNING;  
EXCEPT FROM THE ABOVE PORTION THOSE PARCELS CONVEYED TO KITSAP COUNTY FOR BOND ROAD RELOCATION BY DEEDS  
RECORDED UNDER AUDITOR'S FEE NO. 846386 AND 857704;  
ALL IN SECTION 30, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 29:**

THAT PORTION OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 LYING NORTHWESTERLY OF COUNTY ROAD;  
THE WEST HALF OF THE NORTHEAST 1/4; EXCEPT PORTION CONVEYED TO KITSAP COUNTY BY DEED RECORDED UNDER AUDITOR'S  
FEE NO. 753899;  
THE NORTHEAST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE NORTH 50 FEET; AND EXCEPT THE SOUTH 30 FEET;  
THE NORTHWEST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE NORTH 50 FEET; AND EXCEPT THE SOUTH 50 FEET;  
THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE WEST 50 FEET; AND EXCEPT THE NORTH, SOUTH AND EAST 30 FEET;  
AND THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4; EXCEPT THE WEST AND SOUTH 30 FEET;  
ALL IN SECTION 31, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 30:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE WEST HALF OF THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHWEST 1/4 OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE EAST HALF OF THE SOUTHWEST 1/4;  
AND ALL OF THE SOUTHEAST 1/4;  
ALL IN SECTION 32, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 31:**

THE NORTH HALF OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4;  
THE SOUTH HALF OF THE SOUTHEAST 1/4 OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
THE SOUTH HALF OF THE SOUTH HALF OF THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE NORTH HALF OF THE SOUTHWEST 1/4;  
THE WEST HALF OF THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4; EXCEPT THAT PORTION LYING SOUTHEASTERLY OF THE NORTHERLY LINE OF COUNTY  
ROAD;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 33, TOWNSHIP 27 NORTH, RANGE 2 EAST W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 32:**

THE SOUTH HALF OF THE SOUTHWEST 1/4 OF SECTION 34, TOWNSHIP 27 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY,  
WASHINGTON; EXCEPT THE EAST 571.71 FEET THEREOF; (ALSO KNOWN AS PARCEL B OF 20 ACRE LAND SEGREGATION RECORDED  
UNDER AUDITOR'S FEE NO. 3209712.)

**PARCEL 33:**

THAT PORTION OF THE SOUTH HALF OF THE SOUTHWEST 1/4 LYING NORTH OF THE PLATS OF SHORE WOODS, ACCORDING TO THE PLAT  
RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2, RECORDS OF KITSAP COUNTY; AND SHORE WOODS NO. 3, ACCORDING TO THE  
PLAT RECORDED IN VOLUME 12 OF PLATS, PAGE 23, RECORDS OF KITSAP COUNTY, LYING EAST OF THE EASTERLY MARGIN OF BEAVER  
ROAD EXTENDED SOUTHERLY;  
ALL IN SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 34:**

THAT PORTION OF THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP  
COUNTY, WASHINGTON, LYING SOUTHERLY OF THE SOUTHERLY BOUNDARY OF THE PLAT OF SHORE WOODS, AS PER PLAT RECORDED  
IN VOLUME 12 OF PLATS, PAGE 1 AND 2, RECORDS OF KITSAP COUNTY WASHINGTON;  
ALSO  
THAT PORTION OF THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP  
COUNTY, WASHINGTON, LYING SOUTHERLY OF THE SOUTHERLY BOUNDARY OF THE PLAT OF SHORE WOODS NO. 2, AS PER PLAT  
RECORDED IN VOLUME 12 OF PLATS, PAGE 44 AND 45, RECORDS OF KITSAP COUNTY WASHINGTON;

**PARCEL 35:**

ALL OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE EAST HALF OF THE SOUTHEAST 1/4 THEREOF;  
AND EXCEPT THAT PORTION CONVEYED TO HANSVILLE WATER DISTRICT OF KITSAP COUNTY, WASHINGTON, A MUNICIPAL CORPORATION, BY DEED RECORDED UNDER AUDITOR'S FEE NO. 7907310189.

**PARCEL 36:**

THAT PORTION OF THE SOUTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON LYING SOUTHERLY AND EASTERLY OF COUNTY ROAD KNOWN AS HOOD CANAL DRIVE AND WESTERLY OF THE WESTERLY BOUNDARY OF SHORE WOODS, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2, RECORDS OF KITSAP COUNTY;

ALSO

THAT PORTION OF GOVERNMENT LOT 1 IN SAID SECTION 20, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING SOUTHERLY OF SAID HOOD CANAL DRIVE AND EASTERLY OF THE EASTERLY BOUNDARY OF HOOD CANAL SHORES, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62, RECORDS OF KITSAP COUNTY;

ALSO

THAT PORTION OF GOVERNMENT LOT 4 IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING EASTERLY OF THE EASTERLY BOUNDARY OF HOOD CANAL SHORES, AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62, RECORDS OF KITSAP COUNTY;

ALSO

THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT PORTION CONTAINED IN PLAT OF SHORE WOODS, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 1 AND 2;

ALSO

THAT PORTION OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND OF GOVERNMENT LOT 1 IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON, LYING EASTERLY OF THE EASTERLY BOUNDARIES OF PLATS OF HOOD CANAL SHORES AS PER PLAT RECORDED IN VOLUME 8 OF PLATS, PAGE 62; AND HOOD CANAL SHORES NO. 2, AS PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 17, RECORDS OF KITSAP COUNTY; EXCEPT THAT PORTION THEREOF DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF LOT 48 OF HOOD CANAL SHORES NO. 2, S PER PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 17;

THENCE NORTH 8°50'36" WEST, ALONG THE EASTERLY LIMITS OF SAID LOT 48, A DISTANCE OF 150 FEET;

THENCE NORTH 81°09'24" EAST 85 FEET;  
THENCE SOUTH 8°50'36" EAST 150 FEET;  
THENCE SOUTH 81°09'24" WEST 85 FEET TO THE POINT OF BEGINNING;  
AND EXCEPT THAT PORTION THEREOF DESCRIBED AS FOLLOWS:

THAT PORTION OF THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER IN SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON CONVEYED TO J. ROBERT AND FRANCES B. SULTHOFF BY INSTRUMENT RECORDED UNDER ANDITOR'S FILE NO. 9405020261;

ALSO EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHEAST CORNER OF LOT 49 OF THE SAID PLAT OF HOOD CANAL SHORES NO. 2;

THENCE NORTH 17°07'37" WEST 90 FEET;

THENCE NORTH 72°52'23" EAST 85 FEET;

THENCE SOUTH 17°07'37" EAST 90 FEET;

THENCE SOUTH 12°34'07" EAST 185 FEET, MORE OR LESS, TO A POINT WHICH BEARS NORTH 8°50'36" WEST AND NORTH 81°09'24" EAST 85 FEET FROM THE SOUTHEAST CORNER OF LOT 48 OF SAID HOOD CANAL SHORES NO. 2;

THENCE SOUTH 81°09'24" WEST 25 FEET;

THENCE NORTH 12°34'07" WEST 180.22 FEET;

THENCE SOUTH 72°52'23" WEST 60 FEET TO THE POINT OF BEGINNING;

AND EXCEPT THAT PORTION THEREOF LYING WITHIN THE FOLLOWING DESCRIBED TRACT DESIGNATED AS TRACT "X":

BEGINNING AT THE NORTHEAST CORNER OF LOT 35 OF SAID HOOD CANAL SHORES NO. 2;

THENCE SOUTHERLY, ALONG THE EASTERLY BOUNDARY OF SAID LOT 35 TO THE SOUTHEAST CORNER THEREOF;

THENCE NORTH 59°26'54" EAST 470.00 FEET;

THENCE NORTH 30°33'06" WEST 259.93 FEET;

THENCE SOUTH 59°26'54" WEST 454.23 FEET TO THE POINT OF BEGINNING;

ALSO

THE EAST HALF OF SECTION 29, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;

EXCEPT PORTION LYING IN PLAT OF SHORE WOODS NO. 2, AS PER PLAT RECORDED IN VOLUME 12 OF PLATS, PAGES 44 AND 45, RECORDS OF KITSAP COUNTY;

AND EXCEPT PORTION LYING IN SAID TRACT "X" AFORESAID;

ALSO THE NORTH 60 FEET OF LOT 50, HOOD CANAL SHORES NO. 2, ACCORDING TO PLAT RECORDED IN VOLUME 9 OF PLATS, PAGE 17, RECORDS OF KITSAP COUNTY, WASHINGTON.

**PARCEL 37:**

THE NORTHEAST QUARTER OF THE NORTHEAST QUARTER;  
EXCEPT THE WEST AND NORTH 30 FEET;  
THE SOUTHEAST QUARTER OF THE NORTHEAST QUARTER;  
THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER;  
EXCEPT THE SOUTH 60 FEET CONVEYED TO KITSAP COUNTY FOR ROAD BY INSTRUMENT RECORDED UNDER AUDITOR'S FILE NO. 817693;  
AND THE SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER;  
EXCEPT A PLOT OF LAND 100 FEET BY 100 FEET STARTING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER;  
THENCE EAST 100 FEET;  
THENCE SOUTH 100 FEET;  
THENCE WEST 100 FEET;  
THENCE NORTH 100 FEET TO THE POINT OF BEGINNING;  
AND EXCEPT THAT PORTION DESCRIBED AS FOLLOWS:  
BEGINNING AT THE NORTHWEST CORNER OF SAID SOUTHEAST QUARTER OF THE SOUTHEAST QUARTER;  
THENCE EAST 627 FEET;  
THENCE SOUTH 418 FEET;  
THENCE WEST 627 FEET;  
THENCE NORTH 418 FEET; TO THE POINT OF BEGINNING;  
EXCEPT CEMETERY;  
ALL IN SECTION 32, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 38:**

THE WEST HALF OF THE EAST HALF OF SECTION 33, TOWNSHIP 28 NORTH, RANGE 2 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FEE NO. 817693.

**PARCEL 39:**

THE NORTH HALF OF THAT PART OF THE NORTH HALF OF THE SOUTHWEST QUARTER, SECTION 3, TOWNSHIP 23 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON, DESCRIBED AS FOLLOWS:  
BEGINNING AT A POINT ON THE WEST LINE OF SAID SECTION 3, A DISTANCE NORTH 0°00'20" EAST 1373.15 FEET FROM THE SOUTHWESTERLY CORNER OF SAID SECTION 3;  
THENCE ALONG THE WEST LINE OF SAID SECTION 3, NORTH 0°00'20" EAST 338.42 FEET;  
THENCE NORTH 86°55'21" EAST 1437.08 FEET;  
THENCE SOUTHERLY ALONG THE WESTERLY MARGIN OF THE OLD NAVY YARD HIGHWAY ON A CURVE TO THE LEFT HAVING AN INITIAL COURSE OF

SOUTH 11°04'23" WEST AND A RADIUS OF 413.00 FEET, A DISTANCE OF 50.30 FEET;  
THENCE SOUTH 4°04'40" WEST 283.29 FEET;  
THENCE SOUTH 86°37'13" WEST 1410.61 FEET TO THE POINT OF BEGINNING;  
EXCEPT ROADS;  
AND EXCEPT THE SOUTH 30 FEET OF THE EAST 400 FEET OF THE ABOVE DESCRIBED PROPERTY

**PARCEL 40:**

THE SOUTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 41:**

THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT ROAD.

**PARCEL 42:**

THE WEST HALF OF THE NORTHEAST 1/4;  
THE NORTHWEST 1/4;  
THE SOUTHWEST 1/4;  
THE WEST HALF OF THE SOUTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 28, TOWNSHIP 24 NORTH RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THAT PORTION CONVEYED TO KITSAP COUNTY BY DEED RECORDED UNDER AUDITOR'S FEE NO. 1057947;  
TOGETHER WITH AN EASEMENT FOR ROAD PURPOSES OVER, ALONG AND ACROSS ALL LOGGING ROADS CROSSING THE EAST HALF OF THE NORTHEAST 1/4 OF SAID SECTION 28, AS RESERVED IN DEED RECORDED SEPTEMBER 1, 1972, UNDER AUDITOR'S FEE NO. 1029691.

**PARCEL 43:**

THE NORTH HALF;  
THE EAST HALF OF THE SOUTHWEST 1/4;



THE SOUTHWEST 1/4 OF THE SOUTHWEST 1/4;  
AND THE NORTH HALF OF THE SOUTHEAST 1/4;  
ALL IN SECTION 29, TOWNSHIP 24 NORTH, RANGE 1 EAST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT PORTIONS CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY DEEDS RECORDED UNDER AUDITOR'S FEE NOS. 750383,  
924625, 981361, AND 9111150305.

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**PARCEL 44:**

THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 30, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 45:**

THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4;  
AND GOVERNMENT LOTS 1, 2, AND 3, IN SECTION 31, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT PANTHER LAKE COUNTY ROAD;

**PARCEL 46:**

THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
EXCEPT THAT PORTION OF THE SOUTH HALF THEREOF LYING EASTERLY OF PANTHER LAKE NORTH TO TAHUYEH COUNTY ROAD;  
THE SOUTHWEST 1/4;  
EXCEPT THAT PORTION THEREOF LYING SOUTHEASTERLY OF TIGER LAKE COUNTY ROAD;  
THAT PORTION OF THE WEST HALF OF THE SOUTHEAST 1/4 LYING NORTHERLY OF TIGER LAKE COUNTY ROAD;  
THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
AND THAT PORTION OF THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4 LYING WEST OF MISSION LAKE ROAD AND SOUTHERLY OF FEDENK COUNTY ROAD;  
ALL IN SECTION 32, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THOSE PORTIONS CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY DEEDS RECORDED UNDER AUDITOR'S FEE NO. 759947, 767382, AND 924624.

**PARCEL 47:**

THE EAST HALF;  
THE EAST HALF OF THE WEST HALF;  
THE WEST HALF OF THE SOUTHWEST 1/4;  
AND THE SOUTH HALF OF THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
ALL IN SECTION 33, TOWNSHIP 24 NORTH, RANGE 1 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THAT PORTION CONVEYED TO KITSAP COUNTY FOR ROAD PURPOSES BY INSTRUMENT RECORDED UNDER AUDITOR'S FEE NO. 1057947.

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**PARCEL 48:**

THE EAST HALF;  
THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 19, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE NORTH HALF OF THE NORTHEAST 1/4 OF THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4 THEREOF.

**PARCEL 49:**

THE EAST HALF;  
THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
ALL IN SECTION 20, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT COUNTY ROAD;  
AND EXCEPT THAT PORTION OF SAID SOUTHEAST 1/4 OF THE NORTHWEST 1/4 LYING WESTERLY OF DEWATTO ROAD.

**PARCEL 50:**

THE NORTHEAST 1/4 OF THE NORTHWEST 1/4 OF SECTION 20, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 51:**

ALL OF SECTION 21, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
AND EXCEPT THE WEST QUARTER OF THE NORTHWEST 1/4 OF THE NORTHWEST 1/4 THEREOF.

**PARCEL 52:**

THE NORTHWEST 1/4 OF THE NORTHEAST 1/4 OF SECTION 21, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 53:**

THE SOUTH HALF OF THE NORTHEAST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHWEST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
AND THE SOUTH HALF OF THE SOUTHEAST 1/4;  
ALL IN SECTION 22, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 54:**

THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
THE EAST HALF OF THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
AND THE NORTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 22, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 55:**

THE WEST HALF OF THE NORTHWEST 1/4;  
THE NORTHEAST 1/4 OF THE SOUTHWEST 1/4;  
AND THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 23, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON

**PARCEL 56:**

THE WEST HALF OF THE SOUTHWEST 1/4 OF SECTION 23, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 57:**

THE SOUTHWEST 1/4 OF THE SOUTHEAST 1/4 OF SECTION 24, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 58:**

THE WEST HALF;  
THE WEST HALF OF THE EAST HALF;  
THE NORTHEAST 1/4 OF THE NORTHEAST 1/4;  
AND THE SOUTHEAST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 25, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 59:**

ALL OF SECTION 26, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON

**PARCEL 60:**

ALL OF SECTION 27, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 61:**

ALL OF SECTION 28, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 62:**

THE EAST HALF OF SECTION 29, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT RIGHT-OF WAY FOR COUNTY ROAD.

**PARCEL 63:**

THE EAST HALF OF THE NORTHEAST 1/4; EXCEPT COUNTY ROAD NO 102;  
AND THE NORTHWEST 1/4 OF THE NORTHEAST 1/4;  
ALL IN SECTION 31, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 64:**

ALL OF SECTION 32, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON;  
EXCEPT COUNTY ROAD.

**PARCEL 65:**

ALL OF SECTION 33, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 66:**  
THE NORTHEAST 1/4;  
AND THE WEST HALF;  
ALL IN SECTION 34, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 67:**  
THE EAST HALF OF THE SOUTHEAST 1/4;  
THE NORTHWEST 1/4 OF THE SOUTHEAST 1/4;  
ALL IN SECTION 34, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 68:**  
ALL OF SECTION 35, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 69:**  
THE SOUTH HALF OF THE NORTHEAST 1/4;  
THE SOUTHEAST 1/4 OF THE NORTHWEST 1/4;  
THE EAST HALF OF THE SOUTHWEST 1/4;  
AND THE SOUTHEAST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

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**PARCEL 70:**  
THE NORTH HALF OF THE NORTH HALF;  
THE SOUTHWEST 1/4 OF THE NORTHWEST 1/4;  
AND THE WEST HALF OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 2 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.

**PARCEL 71:**  
THE EAST HALF;  
AND THE EAST HALF OF THE SOUTHWEST 1/4;  
ALL IN SECTION 36, TOWNSHIP 24 NORTH, RANGE 3 WEST, W.M., IN KITSAP COUNTY, WASHINGTON.  
PARCELS 1 THROUGH 71, INCLUSIVE ARE SITUATE IN THE COUNTY OF KITSAP, STATE OF WASHINGTON.

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## 8.1 MASON COUNTY, WASHINGTON

### LEGAL DESCRIPTIONS

Parcels 1-22A are all located in Mason, County, Washington:

**PARCEL 1:**  
All that portion, if any, of a tract of tidelands conveyed by the State of Washington to The Puget Mill Company in deed recorded August 21, 1984, in Volume V of Deeds, page 560, Auditor's File No. 7735, AND all that portion, if any, of a tract of tidelands conveyed by the State of Washington to The Puget Mill Company in deed recorded June 21, 1913, in Volume 28 of Deeds, page 131, Auditor's File No. 28335, which lie Southerly of the North line of Section six (6), Township twenty-two (22) North, Range one (1) West, W.M., extended Westerly, and which lie Easterly of the North and South centerline of said Section six (6) extended Northerly;

EXCEPTING therefrom, all that portion thereof conveyed to Elmer Beard, et ux, in Warranty Deed recorded March 1, 1934, Auditor's File No. 72452 and Correction Warranty Deed recorded April 4, 1934, Auditor's File No. 72658;

EXCEPTING therefrom, all that portion thereof conveyed to C.G. Nichols, et ux, in Warranty Deed recorded July 31, 1936, Auditor's File No. 78820; and,

EXCEPTING therefrom, all that portion thereof conveyed to Sam B. Theler, et ux, in Quit Claim Deed recorded September 7, 1939, Auditor's File No. 90369.

Parcel No. 12206 11 70430.

**PARCEL 2:**  
All of Section four (4), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼) of said Section four (4).

Parcel Nos. 12304 00 00000, 12304 41 00000, 12304 42 00000 and 12304 43 00000.

**PARCEL 3:**

All those portions of Government Lots one (1) and five (5), and of the Southeast quarter (SE ¼) of the Northeast quarter (NE ¼), lying Easterly of the Easterly right-of-way line of Tiger Mission Road, County Road No. 89870; the East half (E ½) of the Southeast quarter (SE ¼); All that portion of the West half (W ½) of the Southeast quarter (SE ¼), lying Easterly of the Easterly right-of-way line of Tiger Mission Road, County Road No. 89870 and lying Southerly of the Southerly right-of-way line of Bear Creek-Dewatto Road, County Road No. 79800; all that portion of Government Lot two (2), lying Westerly of the Westerly right-of-way line of Tiger Lake Road West, County Road No. 88910; AND all that portion of Government Lot three (3) lying Northerly of the Northerly right-of-way line of Tiger Lake

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Road West, County Road No. 88910 and lying Easterly of the Easterly right-of-way line of Bear Creek-Dewatto Road, County Road No. 79800, all in Section five (5), Township twenty-three (23) North, Range one (1) West, W.M.

Parcel Nos. 12305 11 00000, 12305 13 00000, 12305 14 00000, 12305 21 00000, 12305 22 00000, 12305 40 00000 and 12305 40 04000.

PARCEL 4:

All of Section eight (8), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom the West half (W ½) of the West half (W ½) of said Section eight (8), and excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel No. 12308 00 00000.

PARCEL 4A:

TOGETHER WITH a permanent easement for the construction, reconstruction, use and maintenance of a road or roads for access, 60 feet in width, as granted by the State of Washington in instrument recorded April 29, 1975, Auditor's File No. 299539.

PARCEL 5:

The West half (W ½) of the Northeast quarter (NE ¼); the Northwest quarter (NW ¼); the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼); AND all that portion of the Northeast quarter (NE ¼) of the Southwest quarter (SW ¼), lying Northerly of the Northerly right-of-way line of the Bear Creek-Dewatto Road, County Road No. 79800, excepting therefrom, all that portion thereof which lies Southerly of the Northerly line of a tract of land sold to Charles Benson in Real Estate Contract recorded December 20, 1939, Auditor's File No. 91522, all in Section nine (9), Township twenty-three (23) North, Range one (1) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel Nos. 12309 00 01000 and 12309 31 00000.

PARCEL 6:

The West half (W ½) of the Northeast quarter (NE ¼); the Northwest quarter (NW ¼); AND the North half (N ½) of the Southwest quarter (SW ¼), all in Section seventeen (17), Township twenty-three (23) North, Range one (1) West, W.M.

Parcel Nos. 12317 20 00000 and 12317 30 01000

PARCEL 7:

Government Lots two (2), three (3) and four (4), Section one (1), Township twenty-three (23) North, Range two (2) West, W.M.

Parcel Nos. 22301 12 00000 and 22301 20 00000.

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PARCEL 8:

Government Lots one (1), two (2), three (3) and four (4); the Southwest quarter (SW ¼) of the Northwest quarter (NW ¼); AND the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼), all in Section two (2), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel Nos. 22302 11 00000, 22302 12 00000, 22302 20 00000, 22302 23 00000 and 22302 32 00000.

PARCEL 9:

Government Lots one (1) and two (2), and the South half (S ½) of the Northeast quarter (NE ¼), all in Section three (3), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800.

Parcel Nos. 22303 10 00000 and 22303 13 00000

PARCEL 10:

Government Lots three (3) and four (4); the South half (S ½) of the Northwest quarter (NW ¼); AND the West half (W ½) of the Southwest quarter (SW ¼), all in Section four (4), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800, and excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22304 20 00000, 22304 20 00010 and 22304 30 00000.

PARCEL 11:

All of Section five (5), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Bear Creek-Dewatto Road, County Road No. 79800, and excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22305 11 00000, 22305 12 00000, 22305 13 00000, 22305 14 00000, 22305 21 00000, 22305 22 00000, 22305 23 00000, 22305 24 00000, 22305 31 00000, 22305 32 00000, 22305 33 00000, 22305 34 00000, 22305 41 00000, 22305 42 00000, 22305 43 00000 and 22305 44 00000.

PARCEL 12:

The South half (S ½) of the Northeast quarter (NE ¼); Government Lots one (1) through seven (7), both inclusive; the Southeast quarter (SE ¼) of the Northwest quarter (NW ¼); the Southeast quarter (SE ¼) of the Southwest quarter (SW ¼); AND the Northwest quarter (NW ¼) of the Southeast quarter (SE ¼), all in Section six (6), Township twenty-three (23) North, Range two (2) West, W.M., excepting therefrom right-of-way for Dewatto-Holly Road, County Road No. 76690.

Parcel Nos. 22306 10 00000, 22306 11 00000, 22306 12 00000, 22306 21 00000, 22306 22 00000, 22306 23 00000, 22306 24 00000, 22306 32 00000, 22306 33 00000, 22306 34 00000 and 22306 42 00000.

PARCEL 13:

All of Section seven (7), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼) of said Section seven (7), and excepting therefrom, those portions thereof particularly described as follows:

- 1) One square acre in the Northwest corner of the Northwest quarter (NW ¼) of the Southwest quarter (SW ¼), as dedicated to the public in instrument recorded June 6, 1930, Auditor's File No. 63808
- 2) The West 84.26 feet of the South 391.26 feet of the North 600 feet of Government Lot three (3), of said Section seven (7)

EXCEPTING from all the foregoing, right-of-way for Dewatto-Holly Road, County Road No. 76690.

Parcel Nos. 22307 10 00000, 22307 20 00000, 22307 22 00000, 22307 23 00000, 22307 31 00000, 22307 31 00020, 22307 32 00000, 22307 33 00000, 22307 34 00000, 22307 40 00000, and 22307 43 00000

PARCEL 14:

The Northeast quarter (NE ¼), excepting therefrom the Southeast quarter (SE ¼) of said Northeast quarter (NE ¼); the Northwest quarter (NW ¼); the Southwest quarter (SW ¼); AND the West half (W ½) of the Southeast quarter (SE ¼), all in Section eight (8), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22308 10 00000, 22308 20 00000, 22308 30 00000, 22308 30 00010 and 22308 40 00000.

PARCEL 15:

Government Lot two (2), AND the Northwest quarter (NW ¼), all in Section seventeen (17), Township twenty-three (23) North, Range two (2) West, W.M.; excepting therefrom right-of-way for Tahuya-Blacksmith Road, County Road No. 70670.

Parcel Nos. 22317 13 00000 and 22317 20 00000.

PARCEL 16:

The Northeast quarter (NE ¼) of the Northwest quarter (NW ¼), AND Government Lot one (1), all in Section eighteen (18), Township twenty-three (23) North, Range two (2) West, W.M.

Parcel Nos. 22318 21 00000 and 22318 22 00000.

PARCEL 17:

All of Section one (1), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32301 00 00000, 32301 20 00000

PARCEL 18:

The East half (E ½) of the Southeast quarter (SE ¼), AND the Southeast quarter (SE ¼) of the Northeast quarter (NE ¼), all in Section two (2), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel No. 32302 40 00000.

PARCEL 19:

The Southeast quarter (SE ¼) of the Northeast quarter (NE ¼); the Southeast quarter (SE ¼) of the Southwest quarter (SW ¼); the North half (N ½) of the Southeast quarter (SE ¼); AND the Southwest quarter (SW ¼) of the Southeast quarter (SE ¼); all in Section eleven (11), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32311 14 00000, 32311 34 00000, 32311 40 00000 and 32311 43 00000.

PARCEL 20:

The North half (N ½); the North half (N ½) of the Southwest quarter (SW ¼); AND the Southeast quarter (SE ¼), all in Section twelve (12), Township twenty-three (23) North, Range three (3) West, W.M.; excepting therefrom, all that portion of the East half (E ½) of said Southeast quarter (SE ¼), particularly described as follows:

BEGINNING at the East quarter corner of said Section twelve (12); thence West, along the North line of said Southeast quarter (SE ¼), 710.5 feet; thence South 550 feet; thence East 505.5 feet; thence South 95.5 feet; thence North 55°20' East, 80 feet; thence East 140 feet, to the East line of said Section twelve (12); thence North, along said East line, 600 feet, to the POINT OF BEGINNING.

PARCEL 21:

The West half (W ½) of the Northeast quarter (NE ¼); the Northeast quarter (NE ¼) of the Northwest quarter (NW ¼); AND the South half (S ½) of the Northwest quarter (NW ¼), all in Section fourteen (14), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel No. 32314 00 01000.

PARCEL 22:

The Northwest quarter (NW ¼) of the Northeast quarter (NE ¼); the Southeast quarter (SE ¼) of the Northwest quarter (NW ¼); the Northeast quarter (NE ¼) of the Southwest quarter (SW ¼); the Northwest quarter (NW ¼) of the Southeast quarter (SE ¼); AND the Southeast quarter (SE ¼) of the Southeast quarter (SE ¼), all in Section twenty-two (22), Township twenty-three (23) North, Range three (3) West, W.M.

Parcel Nos. 32322 00 00000 and 32322 44 00000.

PARCEL 22A:

TOGETHER WITH and SUBJECT TO a perpetual, non-exclusive easement for road and utility purposes, 60 feet in width, as described in instrument recorded December 21, 1990, Auditor's File No. 520273.

**CLALLAM COUNTY, WASHINGTON  
LEGAL DESCRIPTIONS**

Parcel A:

The west 396 feet of the Southwest Quarter of Section 33, Township 28 North, Range 2 West, W.M., Clallam County, Washington.

Parcel B:

The West half of the Northeast Quarter in Section 30 Township 30 North, Range 2 West, W.M., Clallam County, Washington.

Parcel C:

The North half of the Southwest Quarter of the Southwest Quarter and the Southwest Quarter of the Southwest Quarter of the Southeast Quarter;  
EXCEPT the South 30 feet, all in Section 35, Township 30 North, Range 5 West, W.M., Clallam County, Washington.

Parcel D:

The Southwest Quarter of the Southwest Quarter of the Southwest Quarter of Section 35, Township 30 North, Range 5 West, W.M., Clallam County, Washington.

Situated in the County of Clallam, State of Washington.

**Credit Agreement**

between

**Pope Resources, A Delaware Limited Partnership,  
As Borrower**

and

**Bank of America, N.A.,  
as Lender,**

**Dated as of March 27, 2001**

**Banc of America Securities LLC,  
as  
Sole Arranger**



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## **CREDIT AGREEMENT**

This CREDIT AGREEMENT ("Agreement") is entered into as of March 27, 2001 by and between POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP ("Borrower") and BANK OF AMERICA, N.A. ("Lender").

### **RECITAL**

Borrower has requested that Lender provide a revolving line of credit, and Lender is willing to do so on the terms and conditions set forth herein.

In consideration of the mutual covenants and agreements herein contained, the parties hereto covenant and agree as follows:

### **SECTION 1. DEFINITIONS AND ACCOUNTING TERMS**

**1.1. Defined Terms.** As used in this Agreement, the following terms shall have the meanings set forth below:

"Affiliate" means any Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, another Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 20% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Agreement" means this Credit Agreement, as amended, restated, extended, supplemented or otherwise modified in writing from time to time.

"Applicable Amount" means a per annum rate equal to:

- (a) with respect to Base Rate Loans, zero percent;
- (b) with respect to Offshore Rate Loans, two percent; and
- (c) with respect to the Commitment Fee, 0.25 percent.

"Applicable Payment Date" means, (a) as to any Offshore Rate Loan, the last day of the relevant Interest Period, any date that such Loan is prepaid or converted in whole or in part, and the Maturity Date; provided, however, that if any Interest Period for an Offshore Rate Loan exceeds three months, interest shall also be paid on the Business Day which falls every three months after the beginning of such Interest Period; and (b) as to any other Obligations, the last Business Day of each calendar quarter and the Maturity Date; provided, further, that interest accruing at the Default Rate shall be payable from time to time upon demand of Lender.

"Applicable Time" means Seattle time.

"Attorney Costs" means and includes all reasonable fees and disbursements of any law firm or other external counsel and the reasonable allocated cost of internal legal services and all disbursements of internal counsel.

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"Audited Financial Statements" means the audited consolidated balance sheet of Borrower and its Subsidiaries for the fiscal year ended December 31, 2000, and the related consolidated statements of income and cash flows for such fiscal year of Borrower.

"BAS" has the meaning assigned to such term in Section 2.6(b).

"Base Rate" means for any day a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1% and (b) the rate of interest in effect for such day as publicly announced from time to time by Lender as its "prime rate." Such rate is a rate set by Lender based upon various factors

including Lender's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in such rate announced by Lender shall take effect at the opening of business on the day specified in the public announcement of such change.

"Base Rate Loan" means a Loan which bears interest based on the Base Rate.

"Borrower" has the meaning set forth in the introductory paragraph hereto.

"Borrower Account" has the meaning assigned to such term in Section 2.8(b).

"Borrower Party," means Borrower or any Person other than Lender and any Affiliate of Lender from time to time party to a Loan Document.

"Borrowing Base Limit" means, as of any date of determination, a Dollar amount equal to the product of 0.35 *times* (a) the market value of the Plum Creek Property, as set forth in the appraisal dated March 2001 prepared by Atterbury Consultants, Inc., *plus* (b) the purchase price or, if an appraisal acceptable to Lender has been obtained, the appraised value of any unencumbered timberland acquired by Borrower following the Closing Date, *minus* (c) the Dollar amount of proceeds received by Borrower in connection with the sale of any Plum Creek Property following the Closing Date.

"Business Day" means any day other than a Saturday, Sunday, or other day on which commercial banks are authorized to close under the Laws of, or are in fact closed in, the state where Lender's Lending Office is located and, if such day relates to any Offshore Rate Loan, means any such day on which dealings in Dollar deposits are conducted by and between banks in the offshore Dollar interbank market.

"Cash Flow Coverage Ratio" means, for any period, the ratio of (a) Consolidated EBITDA for such period *minus* internally financed capital expenditures made by Borrower and its Subsidiaries during such period, *to* (b) the sum of (i) Consolidated Interest Charges during such period *plus* (ii) all scheduled payments of principal with respect to Consolidated Funded Indebtedness required to be made by Borrower and its Subsidiaries during such period.

"Change of Control" means, with respect to any Person, an event or series of events by which:

(a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such Person or its subsidiaries, or any Person acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan), becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person shall be deemed to have "beneficial ownership" of all securities that such person has the right to acquire, whether such right is exercisable immediately or only after the passage of time), directly or indirectly, of 50% or more of the membership interests of such Person; or

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(b) during any period of 12 consecutive months, a majority of the members of the board of directors or other equivalent governing body of such Person cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body.

"Closing Date" means the date on which all the conditions precedent in Section 4.1 are satisfied or waived by Lender.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means \$27,000,000, as such amount may be reduced or adjusted from time to time in accordance with the terms of this Agreement.

"Commitment Fee" has the meaning assigned to such term in Section 2.6(a).

"Compliance Certificate" means a certificate substantially in the form of Exhibit B, properly completed and signed by a Responsible Officer of Borrower.

"Consolidated EBITDA" means, for any period, for Borrower and its Subsidiaries on a consolidated basis, an amount equal to the sum of (a) Consolidated Net Income, (b) Consolidated Interest Charges, (c) the amount of taxes, based on or measured by income, used or included in the determination of such Consolidated Net Income, (d) the amount of depreciation, amortization, and depletion expense deducted in determining such Consolidated Net Income, and (e) the cost basis of land sold.

"Consolidated Funded Indebtedness" means, as of any date of determination, for Borrower and its Subsidiaries on a consolidated basis, the sum of (a) the outstanding principal amount of all obligations and liabilities, whether current or long-term, for borrowed money (including Obligations hereunder), (b) that portion of obligations with respect to capital leases that are capitalized in the consolidated balance sheet of Borrower and its Subsidiaries, and (c) without duplication, all Guaranty Obligations with respect to Indebtedness of the type specified in subsections (a) and (b) above of Persons other than Borrower or any Subsidiary.

"Consolidated Interest Charges" means, for any period, for Borrower and its Subsidiaries on a consolidated basis, the sum of (a) all interest, premium payments, fees, charges and related expenses of Borrower and its Subsidiaries in connection with Consolidated Funded Indebtedness (including capitalized interest) or in connection with the deferred purchase price of assets, in each case to the extent treated as interest in accordance with GAAP, and (b) the portion of rent expense of Borrower and its Subsidiaries with respect to such period under capital leases that is treated as interest in accordance with GAAP.

"Consolidated Net Income" means, for any period, for Borrower and its Subsidiaries on a consolidated basis, the net income of Borrower and its Subsidiaries from continuing operations after extraordinary items (excluding gains or losses from Dispositions of assets) for that period.

"Continuation" and "Continue" mean, with respect to any Offshore Rate Loan, the continuation of such Offshore Rate Loan as an Offshore Rate Loan on the last day of the Interest Period for such Loan.

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“Contractual Obligation” means, as to any Person, any provision of any security issued by such Person or of any agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

“Conversion” and “Convert” mean, with respect to any Loan, the conversion of such Loan from or into another type of Loan.

“Debt to Capitalization Ratio” means, as of any date of determination, the ratio of Consolidated Funded Indebtedness as of such date to the sum of Total Capitalization as of such date *plus* Consolidated Funded Indebtedness as of such date.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States of America or other applicable jurisdictions from time to time in effect affecting the rights of creditors generally.

“Default” means any event that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

“Default Rate” means an interest rate equal to the Base Rate *plus* the Applicable Amount, if any, applicable to Base Rate Loans *plus* 2% per annum; provided, however, that with respect to an Offshore Rate Loan, the Default Rate shall be an interest rate equal to the interest rate (including any Applicable Amount) otherwise applicable to such Loan *plus* 2% per annum, in each case to the fullest extent permitted by applicable Laws.

“Determination Period” means, as of any date of determination, the period consisting of the twenty consecutive trading days prior to such determination date on which at least 500 shares of Borrower’s partnership units were traded on the NASDAQ National Market System.

“Disposition” or “Dispose” means the sale, transfer, license or other disposition (including any sale and leaseback transaction) of any property by any Person, including any sale, assignment, transfer or other disposal with or without recourse of any notes or accounts receivable or any rights and claims associated therewith.

“Dollar” and “\$” means lawful money of the United States of America.

“Environmental Laws” means all Laws relating to environmental, health, safety and land use matters applicable to any property.

“ERISA” means the Employee Retirement Income Security Act of 1974 and any regulations issued pursuant thereto, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) under common control with Borrower within the meaning of Section 414(b) or (c) of the Code (and Sections 414(m) and (o) of the Code for purposes of provisions relating to Section 412 of the Code).

“ERISA Event” means (a) a Reportable Event with respect to a Pension Plan; (b) a withdrawal by Borrower or any ERISA Affiliate from a Pension Plan subject to Section 4063 of ERISA during a plan year in which it was a substantial employer (as defined in Section 4001(a)(2) of ERISA) or a cessation of operations that is treated as such a withdrawal under Section 4062(e) of ERISA; (c) a complete or partial withdrawal by Borrower or any ERISA Affiliate from a Multiemployer Plan or notification that a Multiemployer Plan is in reorganization; (d) the filing of a notice of intent to terminate, the treatment of a Plan amendment as a termination under Sections 4041 or 4041A of ERISA, or the commencement of proceedings by the PBGC to

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terminate a Pension Plan or Multiemployer Plan; (e) an event or condition which might reasonably be expected to constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Pension Plan or Multiemployer Plan; or (f) the imposition of any liability under Title IV of ERISA, other than PBGC premiums due but not delinquent under Section 4007 of ERISA, upon Borrower or any ERISA Affiliate.

“Eurodollar Reserve Percentage” means, for any day during any Interest Period, the reserve percentage (expressed as a decimal, rounded upward to the next 1/100th of 1%) in effect on such day applicable to Lender under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirement (including any emergency, supplemental or other marginal reserve requirement) with respect to Eurocurrency funding (currently referred to as “Eurocurrency liabilities”). The Offshore Rate for each outstanding Offshore Rate Loan shall be adjusted automatically as of the effective date of any change in the Eurodollar Reserve Percentage. The determination of the Eurodollar Reserve Percentage and the Offshore Base Rate by Lender shall be conclusive in the absence of manifest error.

“Event of Default” means any of the events specified in Section 8.

“Extension of Credit” means the borrowing, Conversion or Continuation of any Loan (collectively, the “Extensions of Credit”).

“Federal Funds Rate” means, for any day, the rate per annum (rounded upwards to the nearest 1/100 of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate charged to Lender on such day on such transactions as determined by Lender.

“GAAP” means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or such other principles as may be approved by a significant segment of the accounting profession, that are applicable to the circumstances as of the date of determination, consistently applied. If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth in any Loan Document, and either Borrower or Lender shall so request, Lender and Borrower shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP (subject to the approval of Lender), provided that, until so amended, (a) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (b) Borrower shall provide to Lender financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

“Governmental Authority” means (a) any international, foreign, federal, state, county or municipal government, or political subdivision thereof, (b) any governmental or quasi-governmental agency, authority, board, bureau, commission, department, instrumentality, central bank or public body, or (c) any court, administrative tribunal or public utility.

“Guaranty Obligation” means, as to any Person, any (a) guaranty by such Person of Indebtedness of, or other obligation payable or performable by, any other Person or (b) assurance, agreement, letter of responsibility, letter of awareness, undertaking or arrangement given by such Person to an obligee of any other Person with respect to the payment or performance of an obligation by, or the financial condition of, such other

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Person, whether direct, indirect or contingent, including any purchase or repurchase agreement covering such obligation or any collateral security therefor, any agreement to provide funds (by means of loans, capital contributions or otherwise) to such other Person, any agreement to support the solvency or level of any balance sheet item of such other Person or any “keep-well” or other arrangement of whatever nature given for the purpose of assuring or holding harmless such obligee against loss with respect to any obligation of such other Person; provided, however, that the term Guaranty Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guaranty Obligation shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, covered by such Guaranty Obligation or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the Person in good faith.

“Hood Canal Property” means the real property legally described in (1) Exhibit A to Schedule A to the Commitment for Title Insurance issued by Transnation Title Insurance Company as of 8:30 a.m. on February 14, 2001 (File No. 50-1004829), (2) Schedule A to the commitment for title insurance issued by Jefferson Title Company as of 8:00 a.m. on February 12, 2001 (Order No. 56684R), (3) Exhibit A to Schedule A to the Commitment for Title Insurance issued by Mason County Title Company as of 8:00 a.m. on March 9, 2001 (Order Number 83332), and (4) Schedule A to the commitment for title insurance issued by Clallam Title Company as of 8:00 a.m. on March 9, 2001 (Order No. 79790-R).

“Indebtedness” means, as to any Person at a particular time, all of the following:

- (a) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (b) any direct or contingent obligations of such Person arising under letters of credit (including standby and commercial), banker’s acceptances, bank guaranties, surety bonds and similar instruments;
- (c) net obligations under any Swap Contract in an amount equal to (i) if such Swap Contract has been closed out, the termination value thereof, or (ii) if such Swap Contract has not been closed out, the mark-to-market value thereof determined on the basis of readily available quotations provided by any recognized dealer in such Swap Contract;
- (d) whether or not so included as liabilities in accordance with GAAP, all obligations of such Person to pay the deferred purchase price of property or services, and indebtedness (excluding prepaid interest thereon) secured by a Lien on property owned or being purchased by such Person (including indebtedness arising under conditional sales or other title retention agreements), whether or not such indebtedness shall have been assumed by such Person or is limited in recourse;
- (e) lease payment obligations under capital leases or Synthetic Lease Obligations; and
- (f) all Guaranty Obligations of such Person in respect of any of the foregoing.

For all purposes of this Agreement, the Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, unless such Indebtedness is expressly made non-recourse to such Person except for customary exceptions acceptable to Requisite Lenders.

“Indemnified Liabilities” has the meaning set forth in Section 9.12.

“Indemnitees” has the meaning set forth in Section 9.12.

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“Intangible Assets” means assets that are considered to be intangible assets under GAAP, including customer lists, goodwill, computer software, copyrights, trade names, trade marks, patents, unamortized deferred charges, unamortized debt discount and capitalized research and development costs.

“Interest Period” means for each Offshore Rate Loan, (a) initially, the period commencing on the date such Offshore Rate Loan is disbursed or Continued or Converted into such Offshore Rate Loan and (b) thereafter, the period commencing on the last day of the preceding Interest Period, and ending, in each case, on the earlier of (x) the scheduled Maturity Date, or (y) one, two, three or six months thereafter; provided that:

- (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;
- (ii) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and
- (iii) unless Lender otherwise consents, there may not be more than six Interest Periods for Offshore Rate Loans in effect at any time.

“Investment” means, as to any Person, any acquisition or any investment by such Person, whether by means of the purchase or other acquisition of stock or other securities of any other Person or by means of a loan, creating a debt, capital contribution, guaranty or other debt or equity participation or interest

in any other Person, including any partnership and joint venture interests in such other Person. For purposes of covenant compliance, the amount of any Investment shall be the amount actually invested, without adjustment for subsequent increases or decreases in the value of such Investment.

“IRS” means the United States Internal Revenue Service.

“John Hancock Indebtedness” means (a) the Indebtedness in an aggregate initial principal amount of up to \$30,000,000 provided or to be provided to Borrower by John Hancock Life Insurance Co. in March or April of 2001, and (b) the Indebtedness in an aggregate initial principal amount of \$16,000,000 provided to Borrower by John Hancock Life Insurance Co. pursuant to a Promissory Note and related Timberland Deed of Trust and Security Agreement with Assignment of Rents, both dated as of April 29, 1992, between Borrower and John Hancock Life Insurance Co.

“Laws” or “Law” means all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Lending Office” means the office or offices of Lender described as such on Schedule 9.02, or such other office or offices as Lender may from time to time notify Borrower.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement (in the nature of compensating balances, cash collateral accounts or security interests), encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under

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the Uniform Commercial Code or comparable Laws of any jurisdiction), including the interest of a purchaser of accounts receivable.

“Loan” means any advance made as provided in Section 2 (collectively, the “Loans”).

“Loan Documents” means this Agreement and each Note, each Request for Extension of Credit, each Compliance Certificate, each certificate, each fee letter, and each other instrument, document and agreement from time to time delivered in connection with this Agreement.

“Market Capitalization” means, as of any date of determination, a Dollar amount equal to the product of (a) the average number of Borrower’s partnership units that are outstanding during the Determination Period with respect to such date of determination *multiplied by* (b) the average (rounded to the nearest penny) of the closing bid and ask prices (per partnership unit) of Borrower’s partnership units on the NASDAQ National Market System during such Determination Period, as reported in The Wall Street Journal.

“Material Adverse Effect” means any set of circumstances or events which (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, (b) is or could reasonably be expected to be material and adverse to the condition (financial or otherwise), business, assets, operations or prospects of any Borrower Party, or (c) materially impairs or could reasonably be expected to materially impair the ability of any Borrower Party to perform the Obligations.

“Maturity Date” means (a) September 27, 2002, or (b) such earlier date upon which the Commitment may be terminated in accordance with the terms of this Agreement.

“Minimum Amount” means, with respect to each of the following actions, the minimum amount and any multiples in excess thereof set forth opposite such action:

| <u>Type of Action</u>                                                             | <u>Minimum Amount</u> | <u>Multiples in excess thereof</u> |
|-----------------------------------------------------------------------------------|-----------------------|------------------------------------|
| Borrowing or prepayment of, or Conversion into, Base Rate Loans                   | \$ 100,000            | \$ 100,000                         |
| Borrowing, prepayment or Continuation of, or Conversion into, Offshore Rate Loans | \$ 250,000            | \$ 100,000                         |
| Reduction in Commitments                                                          | \$ 1,000,000          | \$ 1,000,000                       |

“Multiemployer Plan” means any employee benefit plan of the type described in Section 4001(a)(3) of ERISA.

“Negative Pledge” means a Contractual Obligation that restricts Liens on property.

“Note” means a promissory note made by Borrower in favor of Lender evidencing Loans made by Lender, substantially in the form of Exhibit D.

“Obligations” means all advances to, and debts, liabilities, obligations, covenants and duties of, any Borrower Party arising under any Loan Document, whether direct or indirect (including those acquired by assumption), absolute or contingent, due or to become due, now existing or hereafter arising and including interest that accrues after the commencement of any proceeding under any Debtor Relief Laws by or against any Borrower Party or any Subsidiary or Affiliate of any Borrower Party.

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“Offshore Base Rate” means, for any Interest Period:

(a) the rate per annum equal to the rate determined by Lender to be the offered rate that appears on the page of the Telerate screen that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period)

with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(b) in the event the rate referenced in the preceding subsection (a) does not appear on such page or service or such page or service shall cease to be available, the rate per annum equal to the rate determined by Lender to be the offered rate on such other page or other service that displays an average British Bankers Association Interest Settlement Rate for deposits in Dollars (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, determined as of approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period, or

(c) in the event the rates referenced in the preceding subsections (a) and (b) are not available, the rate per annum (rounded upward to the next 1/100th of 1%) determined by Lender as the rate of interest at which Dollar deposits for delivery on the first day of such Interest Period in same day funds in the approximate amount of the Offshore Rate Loan being made, Converted or Continued and with a term equivalent to such Interest Period would be offered by Lender's London Branch to major banks in the offshore Dollar market at their request at approximately 11:00 a.m. (London time) two Business Days prior to the first day of such Interest Period.

"Offshore Rate" means for any Interest Period with respect to any Offshore Rate Loan, a rate per annum determined by Lender pursuant to the following formula:

$$\text{Offshore Rate} = \frac{\text{Offshore Base Rate}}{1.00 - \text{Eurodollar Reserve Percentage}}$$

"Offshore Rate Loan" means a Loan bearing interest based on the Offshore Rate.

"Ordinary Course Dispositions" means:

- (a) Dispositions of obsolete or worn out property, whether now owned or hereafter acquired, in the ordinary course of business;
- (b) Dispositions of cash, cash equivalents, inventory, timber and other property in the ordinary course of business;
- (c) Dispositions of property to the extent that such property is exchanged for credit against the purchase price of similar replacement property, or the proceeds of such sale are reasonably promptly applied to the purchase price of such replacement property or where Borrower or any Subsidiary determine in good faith that the failure to replace such equipment will not be detrimental to the business of Borrower or such Subsidiary; and
- (d) Dispositions of assets or property by any Subsidiary to Borrower or another wholly-owned Subsidiary;

provided, however, that no such Disposition shall be for less than the fair market value of the property being disposed of.

"Ordinary Course Indebtedness" means:

- (a) intercompany Guaranty Obligations of Borrower or any Subsidiaries guarantying Indebtedness otherwise permitted hereunder of Borrower or any wholly-owned Subsidiary;
- (b) Indebtedness arising from the honoring of a check, draft or similar instrument against insufficient funds;
- (c) Ordinary Course Swap Obligations;
- (d) trade and other accounts payable in the ordinary course of business in accordance with customary trade terms and which are not overdue for a period of more than 60 days;
- (e) Indebtedness incurred under capital leases entered into for the acquisition of equipment, and other personal property, in the ordinary course of business; and
- (f) deferred taxes.

"Ordinary Course Investments" means Investments consisting of:

- (a) cash and cash equivalents;
- (b) advances to officers, directors and employees of Borrower and Subsidiaries for travel, entertainment, relocation and analogous ordinary business purposes;
- (c) Investments of any Subsidiary in Borrower or another Subsidiary;
- (d) extensions of credit to customers or suppliers of Borrower and Subsidiaries in the ordinary course of business and any Investments received in satisfaction or partial satisfaction thereof;
- (e) loans and other extensions of credit to, and other Investments in, Borrower's Subsidiaries up to an aggregate principal amount of \$3,000,000; and
- (f) Guaranty Obligations permitted by Section 7.1.

"Ordinary Course Liens" means:

(a) Liens for taxes not yet due or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person in accordance with GAAP;

(b) carriers', warehousemen's, mechanics', loggers', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings, if adequate reserves with respect thereto are maintained on the books of the applicable Person;

(c) pledges or deposits in connection with worker's compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

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(e) easements, rights-of-way, restrictions and other similar encumbrances affecting real property which, in the aggregate, are not substantial in amount, and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the applicable Person; and

(f) attachment, judgment or other similar Liens arising in connection with litigation or other legal proceedings (and not otherwise a Default hereunder) in the ordinary course of business that is currently being contested in good faith by appropriate proceedings, and for which adequate reserves have been set aside and no material property is subject to a material risk of loss or forfeiture.

“Ordinary Course Swap Obligations” means all obligations (contingent or otherwise) of Borrower or any Subsidiary existing or arising under any Swap Contract, provided that each of the following criteria is satisfied: (a) such obligations are (or were) entered into by such Person in the ordinary course of business for the purpose of directly mitigating risks associated with liabilities, commitments, investments, assets, or property held or reasonably anticipated by such Person, or changes in the value of securities issued by such Person and not for purposes of speculation or taking a “market view;” and (b) such Swap Contracts do not contain any provision (“walk-away” provision) exonerating the non-defaulting party from its obligation to make payments on outstanding transactions to the defaulting party.

“Organization Documents” means, (a) with respect to any corporation, the certificate or articles of incorporation and the bylaws; (b) with respect to any limited liability company, the articles or certificate of formation and operating agreement; and (c) with respect to any partnership, joint venture, trust or other form of business entity, the partnership or joint venture agreement and any agreement, instrument, filing or notice with respect thereto filed in connection with its formation with the secretary of state or other department in the state of its formation, in each case as amended from time to time.

“Outstanding Obligations” means, as of any date, and giving effect to making any Extensions of Credit requested on such date and all payments, repayments and prepayments made on such date, the aggregate outstanding principal amount of all Loans.

“PBGC” means the Pension Benefit Guaranty Corporation or any successor thereto established under ERISA.

“Pension Plan” means any “employee pension benefit plan” (as such term is defined in Section 3(2) of ERISA), other than a Multiemployer Plan, that is subject to Title IV of ERISA and is sponsored or maintained by Borrower or any ERISA Affiliate or to which Borrower or any ERISA Affiliate contributes or has an obligation to contribute, or in the case of a multiple employer plan (as described in Section 4064(a) of ERISA) has made contributions at any time during the immediately preceding five plan years.

“Person” means any individual, trustee, corporation, general partnership, limited partnership, limited liability company, joint stock company, trust, unincorporated organization, bank, business association, firm, joint venture, Governmental Authority, or otherwise.

“Plan” means any employee benefit plan maintained or contributed to by a Borrower Party or by any trade or business (whether or not incorporated) under common control with a Borrower Party as defined in Section 4001(b) of ERISA and insured by the Pension Benefit Guaranty Corporation under Title IV of ERISA.

“Plum Creek Property” means the real property legally described in Exhibit E.

“Port Gamble Environmental Issue” means the contamination of Borrower's property at Port Gamble, Washington, which is the subject of ongoing inquiry and oversight by the State of Washington Department of Ecology and remediation activity of Borrower and Pope & Talbot, Inc.

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“Port Ludlow Agreement” means the Real Estate Purchase and Sale Agreement entered into as of January 12, 2001 by and between HCV Partners LLC, Borrower, and Olympic Property Group LLC, Olympic Real Estate Development LLC, Olympic Real Estate Management, Inc. and Olympic Resorts LLC.

“Port Ludlow Property” means the real and personal property defined as the “Property” in the Port Ludlow Agreement.

“Publicly Traded” means, as of any date of determination, that Borrower's partnership units are beneficially owned by at least 500 Persons who are not affiliates of Borrower within the meaning of Rule 405 promulgated by the Securities and Exchange Commission pursuant to the Securities Act of 1933, as amended.

“Reportable Event” means any of the events set forth in Section 4043(b) of ERISA or the regulations thereunder, a withdrawal from a Plan described in Section 4063 of ERISA, or a cessation of operations described in Section 4062(e) of ERISA.

“Request for Extension of Credit” means, unless otherwise specified herein, a written request substantially in the form of Exhibit A, duly completed and signed by a Responsible Officer of Borrower and delivered by Requisite Notice.

“Requisite Notice” means a notice delivered in accordance with Section 9.2.

“Requisite Time” means, with respect to any of the actions listed below, the time and date set forth below opposite such action:

| Type of Action                                                                        | Applicable Time | Date of Action                                                                 |
|---------------------------------------------------------------------------------------|-----------------|--------------------------------------------------------------------------------|
| Delivery of Request for Extension of Credit for, or notice for:                       |                 |                                                                                |
| • Borrowing or prepayment of a Base Rate Loan                                         | 10:00 a.m.      | Same Business Day as such borrowing or prepayment                              |
| • Conversion into a Base Rate Loan                                                    | 10:00 a.m.      | 3 Business Days prior such Conversion                                          |
| • Borrowing, prepayment or Continuation of, or Conversion into, an Offshore Rate Loan | 11:00 a.m.      | 3 Business Days prior to such borrowing, prepayment Continuation or Conversion |
| • Voluntary reduction in or termination of Commitment                                 | 11:00 a.m.      | 5 Business Days prior to such reduction or termination                         |
| Payments to Borrower or Lender                                                        | 11:00 a.m.      | On date payment is due                                                         |

“Responsible Officer” means the chief executive officer, president, chief financial officer, treasurer or assistant treasurer of a Borrower Party. Any document or certificate hereunder that is signed by a Responsible Officer of a Borrower Party shall be conclusively presumed to have been authorized by all necessary corporate, partnership and/or other action on the part of such Borrower Party and such Responsible Officer shall be conclusively presumed to have acted on behalf of such Borrower Party.

“Restricted Payment” means:

(a) the declaration or payment of any dividend or distribution by Borrower or any Subsidiary, either in cash or property, on any shares of the capital stock of any class of Borrower or any Subsidiary (except dividends or other distributions payable solely in shares of capital stock of Borrower or any Subsidiary or payable by any Subsidiary to Borrower or to a wholly-owned Subsidiary);

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(b) the purchase, redemption or retirement by Borrower or any Subsidiary of any shares of its capital stock of any class or any warrants, rights or options to purchase or acquire any shares of its capital stock, whether directly or indirectly;

(c) any other payment or distribution by Borrower or any Subsidiary in respect of its capital stock, either directly or indirectly;

(d) any Investment other than an Investment otherwise permitted under any Loan Document; and

(e) the prepayment, repayment, redemption, defeasance or other acquisition or retirement for value prior to any scheduled maturity, scheduled repayment or scheduled sinking fund payment, of any Indebtedness not otherwise permitted under any Loan Document to be so paid, other than with respect to the John Hancock Indebtedness.

“Revolving Loan Limit” means (a) at all times prior to the sale of the Port Ludlow Property, the Commitment, and (b) at all times after the sale of the Port Ludlow Property, the lesser of (i) the Commitment or the (b) Borrowing Base Limit.

“Shareholders’ Equity” means, as of any date of determination for Borrower and its Subsidiaries on a consolidated basis, shareholders’ equity as of that date determined in accordance with GAAP.

“Subsidiary” of a Person means a corporation, partnership, joint venture, limited liability company or other business entity of which a majority of the shares of securities or other interests having ordinary voting power for the election of directors or other governing body (other than securities or interests having such power only by reason of the happening of a contingency) are at the time beneficially owned, or the management of which is otherwise controlled, directly, or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise specified, all references to a “Subsidiary” or to “Subsidiaries” in this Agreement shall refer to a Subsidiary or Subsidiaries of Borrower.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, as amended, restated, extended, supplemented or otherwise modified in writing from time to time, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Swap Termination Value” means, in respect of any one or more Swap Contracts, after taking into account the effect of any legally enforceable netting agreement relating to such Swap Contracts, (a) for any date on or after the date such Swap Contracts have been closed out and termination value(s) determined in accordance therewith, such termination value(s), and (b) for any date prior to the date referenced in clause (a) the amount(s) determined as the mark-to-market value(s) for such Swap Contracts, as determined based upon one or more mid-market or other readily available quotations provided by any recognized dealer in such Swap Contracts (which may include Lender).

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“Synthetic Lease Obligations” means all monetary obligations of a Person under (a) a so-called synthetic, off-balance sheet or tax retention lease, or (b) an agreement for the use or possession of property creating obligations which do not appear on the balance sheet of such Person but which, upon the insolvency or bankruptcy of such Person, would be characterized as the Indebtedness of such Person (without regard to accounting treatment).

“Threshold Amount” means \$3,000,000.

“Total Capitalization” means, as of any date of determination, (a) if Borrower’s partnership units are Publicly Traded, the Market Capitalization of Borrower as of such date, and (b) if Borrower’s partnership units are not Publicly Traded, Shareholders’ Equity as of such date *minus* the Intangible Assets of Borrower and its Subsidiaries as of such date.

“to the best knowledge of” means, when modifying a representation, warranty or other statement of any Person, that the fact or situation described therein is known by such Person (or, in the case of a Person other than a natural Person, known by any officer of such Person) making the representation, warranty or other statement, or with the exercise of reasonable due diligence under the circumstances (in accordance with the standard of what a reasonable Person in similar circumstances would have done) would have been known by such Person (or, in the case of a Person other than a natural Person, would have been known by an officer of such Person).

“type” of Loan means (a) a Base Rate Loan, and (b) an Offshore Rate Loan.

“Unfunded Pension Liability” means the excess of a Pension Plan’s benefit liabilities under Section 4001(a)(16) of ERISA, over the current value of that Pension Plan’s assets, determined in accordance with the assumptions used for funding the Pension Plan pursuant to Section 412 of the Code for the applicable plan year.

## 1.2. Use of Certain Terms.

(a) All terms defined in this Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto or thereto, unless otherwise defined therein.

(b) As used herein, unless the context requires otherwise, the masculine, feminine and neuter genders and the singular and plural include one another.

(c) The words “herein” and “hereunder” and words of similar import when used in any Loan Document shall refer to the Loan Documents as a whole and not to any particular provision thereof. The term “including” is by way of example and not limitation. References herein to a Section, subsection or clause shall, unless the context otherwise requires, refer to the appropriate Section, subsection or clause in this Agreement.

(d) The term “or” is disjunctive; the term “and” is conjunctive. The term “shall” is mandatory; the term “may” is permissive.

1.3. **Accounting Terms.** All accounting terms not specifically or completely defined in this Agreement shall be construed in conformity with, and all financial data required to be submitted by this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the Audited Financial Statements, except as otherwise specifically prescribed herein.

1.4. **Rounding.** Any financial ratios required to be maintained by Borrower pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the

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result to one place more than the number of places by which such ratio is expressed in this Agreement and rounding the result up or down to the nearest number (with a round-up if there is no nearest number) to the number of places by which such ratio is expressed in this Agreement.

1.5. **Exhibits and Schedules.** All exhibits and schedules to this Agreement, either as originally existing or as the same may from time to time be supplemented, modified or amended, are incorporated herein by this reference. A matter disclosed on any Schedule shall be deemed disclosed on all Schedules.

1.6. **References to Agreements and Laws.** Unless otherwise expressly provided herein, (a) references to agreements (including the Loan Documents) and other contractual instruments shall include all amendments, restatements, extensions, supplements and other modifications thereto (unless prohibited by any Loan Document), and (b) references to any Law shall include all statutory and regulatory provisions consolidating, amending, replacing, supplementing or interpreting such Law.

## SECTION 2. THE COMMITMENT AND EXTENSIONS OF CREDIT

### 2.1. The Commitment.

(a) Subject to the terms and conditions set forth in this Agreement, Lender agrees to make, Convert and Continue Loans until the Maturity Date in such amounts as Borrower may from time to time request; provided, however, that the Outstanding Obligations shall not exceed the Revolving Loan Limit at any time. Subject to the foregoing and the other terms and conditions hereof, Borrower may borrow, Convert, Continue, prepay and reborrow Loans as set forth herein without premium or penalty.

(b) Loans made by Lender shall be evidenced by one or more loan accounts or records maintained by Lender in the ordinary course of business. Upon the request of Lender, the Loans may be evidenced by one or more Notes, instead of or in addition to loan accounts. Lender may attach schedules to its Note(s) and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto. Such Notes, loan accounts and records shall be conclusive absent manifest error of the amount of such Loans and payments thereon. Any failure so to record or any error in doing so shall not, however, limit or otherwise affect the obligation of Borrower to pay any amount owing with respect to the Loans.

### 2.2. Borrowings, Conversions and Continuations of Loans.

(a) Borrower may irrevocably request a borrowing, Conversion or Continuation of Loans on any Business Day in a Minimum Amount therefor by delivering a Request for Extension of Credit therefor by Requisite Notice to Lender not later than the Requisite Time therefor. All borrowings, Conversions and Continuations of Loans shall constitute Base Rate Loans unless properly and timely otherwise designated as set forth in the prior sentence.

(b) Lender shall promptly notify Borrower of the interest rate applicable to any Offshore Rate Loan upon determination of same. Lender shall from time to time notify Borrower of any change in its prime rate used in determining the Base Rate promptly following the public announcement of such change. Upon satisfaction of the applicable conditions set forth in Section 4, all funds shall be credited in immediately available funds to Borrower by deposit of such funds into the Borrower Account (and funding of Loans pursuant to this Agreement shall be made solely in this manner).

(c) Except as otherwise provided herein, an Offshore Rate Loan may be Continued or Converted only on the last day of the Interest Period for such Offshore Rate Loan. During the existence of a Default or Event of Default, no Loans may be requested as, Converted into or Continued as Offshore Rate Loans, and Lender may demand that any or all of the then outstanding Offshore Rate Loans be Converted immediately into Base Rate Loans.

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(d) If a Loan is to be made on the same date that another Loan is due and payable, Borrower or Lender, as the case may be, shall, unless Lender otherwise requests, make available the net amount of funds giving effect to both such Loans and the effect for purposes of this Agreement shall be the same as if separate transfers of funds had been made with respect to each such Loan.

**2.3. Prepayments.** Upon Requisite Notice to Lender not later than the Requisite Time therefor, Borrower may at any time and from time to time voluntarily prepay Loans in part in the Minimum Amount therefor or in full without premium or penalty. If for any reason the Outstanding Obligations exceed the Revolving Loan Limit as in effect or as reduced or because of any limitation set forth in this Agreement or otherwise, Borrower shall immediately prepay Loans in an aggregate amount equal to such excess. Any prepayment of an Offshore Rate Loan shall be accompanied by all accrued interest thereon, together with the costs set forth in Section 3.5.

**2.4. Reduction or Termination of Commitment.** Upon Requisite Notice to Lender not later than the Requisite Time therefor, Borrower may at any time and from time to time, without premium or penalty, permanently and irrevocably reduce the Commitment in a Minimum Amount therefor to an amount not less than the Outstanding Obligations at such time or terminate the Commitment. Upon the earlier of the sale of the Port Ludlow Property or June 27, 2001, Borrower will permanently and irrevocably reduce the Commitment to \$17,000,000. Any reduction or termination of the Commitment pursuant to this Section 2.4 shall be accompanied by payment of all accrued and unpaid fees with respect to the portion of the Commitment being reduced or terminated.

## **2.5. Principal and Interest.**

(a) Except as otherwise provided hereunder, if not sooner paid, Borrower agrees to pay the outstanding principal amount of each Loan on the Maturity Date.

(b) Subject to subsection (c) below, and unless otherwise specified herein, Borrower shall pay interest on the unpaid principal amount of each Loan (before and after default, before and after maturity, before and after judgment, and before and after the commencement of any proceeding under any Debtor Relief Laws) from the date borrowed until paid in full (whether by acceleration or otherwise) on each Applicable Payment Date at a rate per annum equal to (i) in the case of Base Rate Loans, the sum of the Base Rate plus the Applicable Amount, and (ii) in the case of Offshore Rate Loans, the sum of the Offshore Rate plus the Applicable Amount.

(c) If any amount payable by any Borrower Party under any Loan Document is not paid when due (without regard to any applicable grace periods), it shall thereafter bear interest (after as well as before entry of judgment thereon to the extent permitted by law) at a fluctuating interest rate per annum at all times equal to the Default Rate to the fullest extent permitted by applicable Law. Accrued and unpaid interest on past due amounts (including interest on past due interest) shall be payable upon demand.

## **2.6. Fees.**

(a) **Commitment Fee.** Borrower shall pay to Lender a commitment fee (the "Commitment Fee") equal to the Applicable Amount times the actual daily amount by which the Revolving Loan Limit exceeds the Outstanding Obligations. The Commitment Fee shall accrue at all times from the Closing Date until the Maturity Date, prorated for portions of any calendar year in which the Commitment is in effect, and shall be payable quarterly in arrears on each Applicable Payment Date. The Commitment Fee shall be calculated quarterly in arrears, and if there is any change in the Applicable Amount during any quarter, the actual daily amount shall be computed and multiplied by the Applicable Amount separately for each period during such quarter that such Applicable Amount was in effect. The Commitment Fee shall accrue at all times, including at any time during which one or more conditions in Section 4 are not met.

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(b) **Advisory Fee.** On the Closing Date, Borrower shall pay to Banc of America Securities LLC ("BAS") an upfront advisory fee pursuant to a separate letter agreement between Borrower and BAS. Such upfront fee is for the advisory services provided by BAS prior to the Closing Date and is fully earned on the date paid.

**2.7. Computation of Interest and Fees.** Computation of interest on Base Rate Loans when the Base Rate is determined by Lender's "prime rate" shall be calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed. Computation of all other types of interest and all fees shall be calculated on the basis of a year of 360 days and the actual number of days elapsed, which results in a higher yield to Lender than a method based on a year of 365 or 366 days. Interest shall accrue on each Loan for the day on which the Loan is made, and shall not accrue on a Loan, or any portion thereof, for the day on which the Loan or such portion is paid, provided that any Loan that is repaid on the same day on which it is made shall bear interest for one day.

## **2.8. Making Payments.**

(a) Except as otherwise provided herein, all payments by Borrower shall be made to Lender at its Lending Office, and all payments by Lender shall be made to Lender in the deposit account from time to time designated by Borrower to Lender, in each case not later than the Requisite Time for such type of payment. All payments received after such Requisite Time shall be deemed received on the next succeeding Business Day. All payments shall be made in

immediately available funds in lawful money of the United States of America. All payments by Borrower shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff.

(b) On each date when the payment of any principal, interest or fees are due under this Agreement or under any Note, Borrower agrees to maintain on deposit in an ordinary checking account maintained by Borrower with Lender (as such account shall be designated by Borrower in a written notice to Lender from time to time, the "Borrower Account") an amount sufficient to pay such principal, interest or fees in full on such date. Borrower hereby authorizes Lender (i) to deduct automatically all principal, interest or fees when due under this Agreement or under any Note from the Borrower Account, and (ii) if and to the extent any payment of principal, interest or fees under this Agreement or any Note is not made when due, to deduct automatically any such amount from any or all of the accounts of Borrower maintained with Lender. Lender agrees to provide timely written notice to Borrower of any automatic deduction made pursuant to this Section 2.8(b), showing in reasonable detail the amounts of such deduction. Lender agrees to reimburse Borrower for amounts, if any, deducted from such accounts in excess of amounts due hereunder or under any other Loan Document.

(c) Subject to the definition of "Interest Period," if any payment to be made by any Borrower Party shall come due on a day other than a Business Day, payment shall instead be considered due on the next succeeding Business Day, and such extension of time shall be reflected in computing interest and fees.

**2.9. Funding Sources.** Nothing in this Agreement shall be deemed to obligate Lender to obtain the funds for any Loan in any particular place or manner or to constitute a representation by Lender that it has obtained or will obtain the funds for any Loan in any particular place or manner.

**2.10. General Partners' Liability.** The obligations of Borrower hereunder shall be nonrecourse as to the general partners of Borrower and their assets, and neither general partner shall have any liability to Lender hereunder or under any other Loan Document.

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### SECTION 3. TAXES, YIELD PROTECTION AND ILLEGALITY

#### 3.1. Taxes.

(a) Any and all payments by Borrower to or for the account of Lender under any Loan Document shall be made free and clear of and without deduction for any and all present or future taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and all liabilities with respect thereto, excluding taxes imposed on or measured by its net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which Lender is organized or maintains a lending office (all such non-excluded taxes, duties, levies, imposts, deductions, assessments, fees, withholdings or similar charges, and liabilities being hereinafter referred to as "Taxes"). If Borrower shall be required by any Laws to deduct any Taxes from or in respect of any sum payable under any Loan Document to Lender, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), Lender receives an amount equal to the sum it would have received had no such deductions been made, (ii) Borrower shall make such deductions, (iii) Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Laws, and (iv) within 30 days after the date of such payment, Borrower shall furnish to Lender the original or a certified copy of a receipt evidencing payment thereof.

(b) In addition, Borrower agrees to pay any and all present or future stamp, court or documentary taxes and any other excise or property taxes or charges or similar levies which arise from any payment made under any Loan Document or from the execution, delivery, performance, enforcement or registration of, or otherwise with respect to, any Loan Document (hereinafter referred to as "Other Taxes").

(c) If Borrower shall be required to deduct or pay any Taxes or Other Taxes from or in respect of any sum payable under any Loan Document to Lender, Borrower shall also pay to Lender, at the time interest is paid, such additional amount that Lender accurately computes to be necessary to preserve the after-tax yield (after factoring in all taxes, including taxes imposed on or measured by net income) Lender would have received if such Taxes or Other Taxes had not been imposed.

(d) Borrower agrees to indemnify Lender for the full amount of Taxes and Other Taxes (including any Taxes or Other Taxes imposed or asserted by any jurisdiction on amounts payable under this Section) paid by Lender, amounts payable under Section 3.1(c) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto.

**3.2. Illegality.** If Lender determines that any Laws have made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for Lender or its Lending Office to make, maintain or fund Offshore Rate Loans, or materially restricts the authority of Lender to purchase or sell, or to take deposits of, Dollars in the applicable offshore Dollar market, or to determine or charge interest rates based upon the Offshore Rate, then, on notice thereof by Lender to Borrower, any obligation of Lender to make Offshore Rate Loans shall be suspended until the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, Borrower shall, upon demand from Lender, prepay or Convert all Offshore Rate Loans, either on the last day of the Interest Period thereof, if Lender may lawfully continue to maintain such Offshore Rate Loans to such day, or immediately, if Lender may not lawfully continue to maintain such Offshore Rate Loans. Lender agrees to designate a different Lending Office if such designation will avoid the need for such notice and will not, in the good faith judgment of Lender, otherwise be materially disadvantageous to Lender.

**3.3. Inability to Determine Offshore Rate.** If, in connection with any Request for Extension of Credit involving any Offshore Rate Loan, Lender determines that (a) Dollar deposits are not being offered to banks in the applicable offshore dollar market for the applicable amount and Interest Period of the requested Offshore Rate Loan, (b) adequate and reasonable means do not exist for determining the underlying interest rate for such Offshore Rate Loan, or (c) such underlying interest rate does not adequately and fairly reflect the

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cost to Lender of funding such Offshore Rate Loan, Lender shall promptly notify Borrower. Thereafter, the obligation of Lender to make or maintain such Offshore Rate Loan shall be suspended until Lender revokes such notice. Upon receipt of such notice, Borrower may revoke any pending request for an Offshore Rate Loan or, failing that, be deemed to have converted such request into a request for a Base Rate Loan in the amount specified therein.

#### 3.4. Increased Cost and Reduced Return; Capital Adequacy.

(a) If Lender determines that any Laws:

(i) subject Lender to any Tax, duty, or other charge with respect to any Offshore Rate Loans or its obligation to make Offshore Rate Loans, or change the basis on which taxes are imposed on any amounts payable to Lender under this Agreement in respect of any Offshore Rate Loans;

(ii) shall impose or modify any reserve, special deposit, or similar requirement (other than the reserve requirement utilized in the determination of the Offshore Rate) relating to any extensions of credit or other assets of, or any deposits with or other liabilities or commitments of, Lender (including the Commitment); or

(iii) shall impose on Lender or on the offshore interbank market any other condition affecting this Agreement or any of such extensions of credit or liabilities or commitments;

and the result of any of the foregoing is to increase the cost to Lender of making, Converting into, Continuing, or maintaining any Offshore Rate Loans or to reduce the sum received or receivable by Lender under this Agreement with respect to any Offshore Rate Loans, then from time to time upon demand of Lender, Borrower shall pay to Lender such additional amounts as will compensate Lender for such increased cost or reduction.

(b) If Lender determines that any change in or the interpretation of any Laws have the effect of reducing the rate of return on the capital of Lender or compliance by Lender (or its Lending Office) or any corporation controlling Lender as a consequence of Lender's obligations hereunder (taking into consideration its policies with respect to capital adequacy and Lender's desired return on capital), then from time to time upon demand of Lender, Borrower shall pay to Lender such additional amounts as will compensate Lender for such reduction.

**3.5. Breakfunding Costs.** Upon demand of Lender from time to time, Borrower shall promptly compensate Lender for and hold Lender harmless from any loss, cost or expense incurred by it as a result of:

(a) any Continuation, Conversion, payment or prepayment of any Loan other than a Base Rate Loan on a day other than the last day of the Interest Period for such Loan (whether voluntary, mandatory, automatic, by reason of acceleration, or otherwise); or

(b) any failure by Borrower (for a reason other than the failure of Lender to make a Loan) to prepay, borrow, Continue or Convert any Loan other than a Base Rate Loan on the date or in the amount notified by Borrower;

including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Loan or from fees payable to terminate the deposits from which such funds were obtained. Borrower shall also pay any customary administrative fees charged by Lender in connection with the foregoing.

**3.6. Matters Applicable to all Requests for Compensation.** A certificate of Lender claiming compensation under this Section 3 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of clearly demonstrable error. In determining such amount, Lender may use

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any reasonable averaging and attribution methods. For purposes of this Section 3, Lender shall be deemed to have funded each Offshore Rate Loan at the Offshore Base Rate used in determining the Offshore Rate for such Loan by a matching deposit or other borrowing in the applicable offshore interbank market, whether or not such Offshore Rate Loan was in fact so funded.

**3.7. Survival.** All of Borrower's obligations under this Section 3 shall survive termination of the Commitment and payment in full of all Obligations.

#### SECTION 4. CONDITIONS PRECEDENT TO EXTENSIONS OF CREDIT

**4.1. Conditions of Initial Extension of Credit.** The obligation of Lender to make the initial Extension of Credit hereunder is subject to satisfaction of the following conditions precedent:

(a) Except as otherwise specified by Lender, Lender's receipt of the following, each of which shall be originals or facsimiles (followed promptly by originals) unless otherwise specified, each properly executed by a Responsible Officer of the signing Borrower Party, each dated on, or in the case of third-party certificates, recently before the Closing Date and each in form and substance satisfactory to Lender and its legal counsel:

(i) executed counterparts of this Agreement, sufficient in number for distribution to Lender and Borrower;

(ii) if requested by Lender, a Note executed by Borrower in favor of Lender, in a principal amount equal to the Commitment;

(iii) such certificates of resolutions or other action, incumbency certificates and/or other certificates of Responsible Officers of each Borrower Party as Lender may require to establish the identities of and verify the authority and capacity of each Responsible Officer thereof authorized to act as a Responsible Officer thereof;

(iv) such evidence as Lender may reasonably require to verify that each Borrower Party is duly organized or formed, validly existing, in good standing and qualified to engage in business in each jurisdiction in which it is required to be qualified to engage in business, including certified copies of each Borrower Party's Organization Documents, certificates of good standing and/or qualification to engage in business, tax clearance certificates, and the like;

(v) a certificate signed by a Responsible Officer of Borrower certifying (A) that the conditions specified in Sections 4.1(c) and (d) have been satisfied, and (B) that there has been no event or circumstance since the date of the Audited Financial Statements which has a Material Adverse Effect;

(vi) an opinion of counsel to Borrower substantially in the form of Exhibit D hereto; and

(vii) such other assurances, certificates, documents, consents or opinions as Lender reasonably may require.

(b) Any fees required to be paid on or before the Closing Date shall have been paid.

(c) The representations and warranties made by Borrower herein, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, shall be correct on and as of the Closing Date.

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(d) Each Borrower Party shall be in compliance with all the terms and provisions of the Loan Documents to which it is a party, and no Default or Event of Default shall have occurred and be continuing.

(e) Borrower shall have paid all Attorney Costs of Lender to the extent invoiced prior to or on the Closing Date, plus such additional amounts of Attorney Costs as shall constitute its reasonable estimate of Attorney Costs incurred or to be incurred by it through the closing proceedings (provided that such estimate shall not thereafter preclude final settling of accounts between Borrower and Lender).

**4.2. Conditions to all Extensions of Credit.** In addition to the continuing satisfaction of the conditions precedent set forth elsewhere in this Section 4 or in Section 2, the obligation of Lender to honor any Request for Extension of Credit is subject to the following conditions precedent:

(a) the representations and warranties of Borrower contained in this Agreement, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection herewith or therewith, shall be correct on and as of the date of such Extension of Credit, except to the extent that such representations and warranties specifically refer to any earlier date.

(b) no Default or Event of Default exists, or would result from such proposed Extension of Credit.

(c) Lender shall have timely received a Request for Extension of Credit by Requisite Notice by the Requisite Time therefor.

(d) Lender shall have received, in form and substance satisfactory to it, such other assurances, certificates, documents or consents related to the foregoing as Lender reasonably may require.

Each Request for Extension of Credit by Borrower shall be deemed to be a representation and warranty that the conditions specified in Sections 4.2(a) and (b) have been satisfied on and as of the date of such Extension of Credit.

## SECTION 5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Lender that:

**5.1. Existence and Qualification; Power; Compliance with Laws.** Each Borrower Party is a corporation, partnership or limited liability company duly organized or formed, validly existing and in good standing under the Laws of the state of its incorporation or organization, has the power and authority and the legal right to own and operate its properties, to lease the properties it operates and to conduct its business, is duly qualified and in good standing under the Laws of each jurisdiction where its ownership, lease or operation of properties or the conduct of its business requires such qualification, and is in compliance with all Laws except to the extent that noncompliance does not, individually or in the aggregate, have a Material Adverse Effect.

**5.2. Power; Authorization; Enforceable Obligations.** Each Borrower Party has the power and authority and the legal right to make, deliver and perform each Loan Document to which it is a party and Borrower has power and authority to borrow hereunder and has taken all necessary action to authorize the borrowings on the terms and conditions of this Agreement and to authorize the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party. No consent or authorization of, filing with, or other act by or in respect of any Governmental Authority, is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of this Agreement or any of the other Loan Documents. The Loan Documents have been duly

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executed and delivered by each Borrower Party, and constitute a legal, valid and binding obligation of each Borrower Party, enforceable against each Borrower Party in accordance with their respective terms.

**5.3. No Legal Bar.** The execution, delivery, and performance by each Borrower Party of the Loan Documents to which it is a party and compliance with the provisions thereof have been duly authorized by all requisite action on the part of such Borrower Party and do not and will not (a) violate or conflict with, or result in a breach of, or require any consent under (i) any Organization Documents of such Borrower Party or any of its Subsidiaries, (ii) any applicable Laws, rules, or regulations or any order, writ, injunction, or decree of any Governmental Authority or arbitrator, or (iii) any Contractual Obligation of such Borrower Party or any of its Subsidiaries or by which any of them or any of their property is bound or subject, (b) constitute a default under any such agreement or instrument, or (c) result in, or require, the creation or imposition of any Lien on any of the properties of such Borrower Party or any of its Subsidiaries.

**5.4. Financial Statements; No Material Adverse Effect.**

(a) The Audited Financial Statements (i) were prepared in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; (ii) fairly present the financial condition of Borrower and its Subsidiaries as of the date thereof and their results of operations for the period covered thereby in accordance with GAAP consistently applied throughout the period covered thereby, except as otherwise expressly noted therein; and (iii) show all material indebtedness and other liabilities, direct or contingent, of Borrower and its Subsidiaries as of the date thereof, including liabilities for taxes, material commitments and Indebtedness in accordance with GAAP consistently applied throughout the period covered thereby.

(b) Since the date of the Audited Financial Statements, there has been no event or circumstance that has a Material Adverse Effect.

**5.5. Litigation.** Other than the Port Gamble Environmental Issue, no litigation, investigation or proceeding of or before an arbitrator or Governmental Authority is pending or, to the knowledge of Borrower after due and diligent investigation, threatened by or against any Borrower Party or any of its Subsidiaries or against any of their properties or revenues which, if determined adversely, has a Material Adverse Effect.

**5.6. No Default.** Neither any Borrower Party nor any its Subsidiaries are in default under or with respect to any Contractual Obligation which has a Material Adverse Effect, and no Default or Event of Default has occurred and is continuing or will result from the consummation of this Agreement or any of the other Loan Documents, or the making of the Extensions of Credit hereunder.

**5.7. Ownership of Property; Liens.** Each Borrower Party and its Subsidiaries have valid fee or leasehold interests in all real property which they use in their respective businesses, and each Borrower Party and its Subsidiaries have good and marketable title to all their other property, and none of such property is subject to any Lien, except (1) for exceptions, limitations, defects, and third-party claims that, taken individually or in the aggregate, do not have a Material Adverse Effect and (2) as permitted in Section 7.2.

**5.8. Taxes.** Each Borrower Party and its Subsidiaries have filed all tax returns which are required to be filed, and have paid, or made provision for the payment of, all taxes with respect to the periods, property or transactions covered by said returns, or pursuant to any assessment received by such Borrower Party or its respective Subsidiaries, except (a) such taxes, if any, as are being contested in good faith by appropriate proceedings and as to which adequate reserves have been established and maintained, and (b) immaterial taxes; provided, however, that in each case no material item or portion of property of any Borrower Party or any of its Subsidiaries is in jeopardy of being seized, levied upon or forfeited.

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**5.9. Margin Regulations; Investment Company Act; Public Utility Holding Company Act.**

(a) No Borrower Party is engaged or will engage, principally or as one of its important activities, in the business of extending credit for the purpose of “purchasing” or “carrying” “margin stock” within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. No part of the proceeds of any Extensions of Credit hereunder will be used for “purchasing” or “carrying” “margin stock” as so defined or for any purpose which violates, or which would be inconsistent with, the provisions of Regulations T, U or X of such Board of Governors.

(b) No Borrower Party or any of its Subsidiaries (i) is a “holding company,” or a “subsidiary company” of a “holding company,” or an “affiliate” of a “holding company” or of a “subsidiary company” of a “holding company,” within the meaning of the Public Utility Holding Company Act of 1935, or (ii) is or is required to be registered as an “investment company” under the Investment Company Act of 1940.

**5.10. ERISA Compliance.**

(a) Each Plan is in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state Laws. Each Plan that is intended to qualify under Section 401(a) of the Code has received a favorable determination letter from the IRS or an application for such a letter is currently being processed by the IRS with respect thereto and, to the best knowledge of Borrower, nothing has occurred which would prevent, or cause the loss of, such qualification. Borrower and each ERISA Affiliate have made all required contributions to each Plan subject to Section 412 of the Code, and no application for a funding waiver or an extension of any amortization period pursuant to Section 412 of the Code has been made with respect to any Plan.

(b) There are no pending or, to the best knowledge of Borrower, threatened claims, actions or lawsuits, or action by any Governmental Authority, with respect to any Plan that has a Material Adverse Effect. There has been no prohibited transaction or violation of the fiduciary responsibility rules with respect to any Plan that has a Material Adverse Effect.

(c) (i) No ERISA Event has occurred or is reasonably expected to occur; (ii) no Pension Plan has any Unfunded Pension Liability; (iii) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability under Title IV of ERISA with respect to any Pension Plan (other than premiums due and not delinquent under Section 4007 of ERISA); (iv) neither Borrower nor any ERISA Affiliate has incurred, or reasonably expects to incur, any liability (and no event has occurred which, with the giving of notice under Section 4219 of ERISA, would result in such liability) under Section 4201 or 4243 of ERISA with respect to a Multiemployer Plan; and (v) neither Borrower nor any ERISA Affiliate has engaged in a transaction that could be subject to Section 4069 or 4212(c) of ERISA.

**5.11. Intangible Assets.** Each Borrower Party and its Subsidiaries own, or possess the right to use, all trademarks, trade names, copyrights, patents, patent rights, franchises, licenses and other intangible assets that are used in the conduct of their respective businesses as now operated, except to the extent that a failure to own or possess the right to use such items does not, individually or in the aggregate, have a Material Adverse Effect, and none of such items, to the best knowledge of Borrower, conflicts with the valid trademark, trade name, copyright, patent, patent right or intangible asset of any other Person to the extent that such conflict has a Material Adverse Effect.

**5.12. Compliance With Laws.** Each Borrower Party and its Subsidiaries are in compliance in all material respects with all Laws that are applicable to it.

**5.13. Environmental Compliance.** Each Borrower Party and its Subsidiaries conduct in the ordinary course of business a review of the effect of existing Environmental Laws and claims alleging

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potential liability or responsibility for violation of any Environmental Law on their respective businesses, operations and properties, and as a result thereof Borrower has reasonably concluded that, except for the Port Gamble Environmental Issue, such Environmental Laws and claims do not, individually or in the aggregate, have a Material Adverse Effect. Based on information obtained to date, the cost of remediation of the Port Gamble site is estimated by outside consultants to be \$10-12 million; Borrower is continuing to negotiate liability issues with Pope & Talbot, Inc., and Borrower’s current best estimate of net cost to Borrower of such remediation is \$2-3 million; and a total of \$2 million has been reserved for such remediation in the 2000 financial statements of Borrower.

**5.14. Insurance.** The properties of each Borrower Party and its Subsidiaries are insured with financially sound and reputable insurance companies not Affiliates of Borrower, in such amounts, with such deductibles and covering such risks as are customarily carried by companies engaged in similar

businesses and owning similar properties in localities where such Borrower Party or such Subsidiary operates.

**5.15. Disclosure.** No statement, information, report, representation, or warranty made by any Borrower Party in any Loan Document or furnished to Lender in connection with any Loan Document contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein or therein not misleading, and each Borrower Party has disclosed to Lender all facts and circumstances which can reasonably be expected to have a Material Adverse Effect.

## SECTION 6. AFFIRMATIVE COVENANTS

So long as any Obligation remains unpaid or unperformed, or any portion of the Commitment remains outstanding, Borrower shall, and shall (except in the case of Borrower's reporting covenants), cause each Subsidiary to:

**6.1. Financial Statements.** Deliver to Lender in form and detail satisfactory to Lender:

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of Borrower, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal year, and the related consolidated statements of income and cash flows for such fiscal year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, audited and accompanied by a report and opinion of an independent certified public accountant of nationally recognized standing reasonably acceptable to Lender, which report and opinion shall be prepared in accordance with GAAP and shall not be subject to any qualifications or exceptions as to the scope of the audit nor to any qualifications and exceptions not reasonably acceptable to Lender; and

(b) as soon as available, but in any event within 45 days after the end of each of the fiscal quarters of each fiscal year of Borrower, a consolidated balance sheet of Borrower and its Subsidiaries as at the end of such fiscal quarter, and the related consolidated statements of income and cash flows for such fiscal quarter and for the portion of Borrower's fiscal year then ended, setting forth in each case in comparative form the figures for the corresponding fiscal quarter of the previous fiscal year and the corresponding portion of the previous fiscal year, all in reasonable detail and certified by a Responsible Officer of Borrower as fairly presenting the financial condition, results of operations and cash flows of Borrower and its Subsidiaries in accordance with GAAP, subject only to normal year-end audit adjustments and the absence of footnotes.

**6.2. Certificates, Notices and Other Information.** Deliver to Lender in form and detail satisfactory to Lender:

(a) concurrently with the delivery of the financial statements referred to in Section 6.1(a), a certificate of its independent certified public accountants certifying such financial statements and stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default

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under the financial covenants set forth herein or, if any such Default or Event of Default shall exist, stating the nature and status of such event;

(b) concurrently with the delivery of the financial statements referred to in Sections 6.1(a) and (b), a duly completed Compliance Certificate signed by a Responsible Officer of Borrower;

(c) promptly after request by Lender, copies of any detailed audit reports, management letters or recommendations submitted to the board of directors (or the audit committee of the board of directors) of Borrower by independent accountants in connection with the accounts or books of Borrower or any Subsidiary, or any audit of any of them;

(d) promptly after the same are available, copies of each annual report, proxy or financial statement or other report or communication sent to the stockholders of Borrower, and copies of all annual, regular, periodic and special reports and registration statements which Borrower may file or be required to file with the Securities and Exchange Commission under Sections 13 or 15(d) of the Securities Exchange Act of 1934, and not otherwise required to be delivered to Lender pursuant hereto;

(e) promptly after the occurrence thereof, notice of any Default or Event of Default;

(f) notice of any material change in accounting policies or financial reporting practices by Borrower or any Subsidiary;

(g) promptly after the commencement thereof, notice of any litigation, investigation or proceeding affecting any Borrower Party where the amount claimed against the Borrower Party or the amount of potential loss exceeds the Threshold Amount, or in which injunctive relief or similar relief is sought, which relief, if granted, has a Material Adverse Effect;

(h) promptly after the occurrence thereof, notice of any Reportable Event with respect to any Plan or the intent to terminate any Plan, or the institution of proceedings or the taking or expected taking of any other action to terminate any Plan or withdraw from any Plan;

(i) promptly after the occurrence thereof, notice of any Material Adverse Effect;

(j) on or before July 31 and January 31 of each year, Borrower-prepared reports as of June 30 and December 31, respectively, detailing (i) the total net volume of timber harvested, by species and product, from each tract of real property owned by Borrower and its Subsidiaries, (ii) the number of acres and associated timber volumes destroyed by fire, insects, disease, storms or other causes, (iii) all improvements made to real property owned by Borrower, the number of acres affected by such improvements, and the location of such improvements by reference to plat or other legal description, and (iv) such other information as Lender may reasonably request;

(k) on a monthly basis, reports as to monthly sales and purchases of timberland and timber, by reference to acreage, timber volume, location and market value, in form and substance sufficient to enable Lender to calculate the Borrowing Base Limit; and

(l) promptly, such other data and information as from time to time may be reasonably requested by Lender.

**6.3. Payment of Taxes.** Pay and discharge when due all taxes, assessments, and governmental charges, Ordinary Course Liens or levies imposed on any Borrower Party or its Subsidiaries or on its income or profits or any of its property, except for any such tax, assessment, charge, or levy which is an Ordinary Course Lien under subsection (b) of the definition of such term.

**6.4. Preservation of Existence.** Preserve and maintain its existence, licenses, permits, rights, franchises and privileges necessary or desirable in the normal conduct of its business, except where failure to do so does not have a Material Adverse Effect.

**6.5. Maintenance of Properties.** Maintain, preserve and protect all of its material properties and equipment necessary in the operation of its business in good order and condition, subject to wear and tear in the ordinary course of business, and not permit any waste of its properties.

**6.6. Maintenance of Insurance.** Maintain liability and casualty insurance with financially sound and reputable insurance companies in such amounts with such deductibles and against such risks as is customary for similarly situated businesses.

**6.7. Compliance With Laws.**

(a) Comply with the requirements of all applicable Laws and orders of any Governmental Authority, noncompliance with which has a Material Adverse Effect.

(b) Conduct its operations and keep and maintain its property in compliance with all Environmental Laws, noncompliance with which has a Material Adverse Effect.

**6.8. Inspection Rights.** At any time during regular business hours, upon reasonable advance notice, and as often as reasonably requested, permit Lender, or any employee, agent or representative thereof, to examine, audit and make copies and abstracts from the Borrower Parties' records and books of account and to visit and inspect their properties and to discuss their affairs, finances and accounts with any of their officers and key employees, and, upon request, furnish promptly to Lender true copies of all financial information and internal management reports made available to their senior management.

**6.9. Keeping of Records and Books of Account.** Keep adequate records and books of account reflecting all financial transactions in conformity with GAAP, consistently applied, and in material conformity with all applicable requirements of any Governmental Authority having regulatory jurisdiction over Borrower or the applicable Subsidiary.

**6.10. Compliance with ERISA.** Cause, and cause each of its ERISA Affiliates to: (a) maintain each Plan in compliance in all material respects with the applicable provisions of ERISA, the Code and other federal or state law; (b) cause each Plan which is qualified under Section 401(a) of the Code to maintain such qualification; and (c) make all required contributions to any Plan subject to Section 412 of the Code.

**6.11. Compliance With Agreements.** Promptly and fully comply with all Contractual Obligations to which any one or more of them is a party, except for any such Contractual Obligations (a) the performance of which would cause a Default or Event of Default, (b) then being contested by any of them in good faith by appropriate proceedings, or (c) if the failure to comply therewith does not have a Material Adverse Effect.

**6.12. Use of Proceeds.** Use the proceeds of Extensions of Credit for (a) the purchase of the Plum Creek Property, (b) the purchase from time to time of other timberland, and (c) other lawful general corporate purposes not otherwise in contravention of this Agreement.

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**SECTION 7.  
NEGATIVE COVENANTS**

So long as any Obligations remain unpaid or unperformed, or any portion of the Commitment remains outstanding, Borrower shall not, nor shall it permit any Subsidiary to, directly or indirectly, without the prior written consent of Lender:

**7.1. Indebtedness.** Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness under the Loan Documents;

(b) The John Hancock Indebtedness and all other Indebtedness outstanding on the date hereof and listed on Schedule 7.01 and any refinancings, refundings, renewals or extensions thereof, provided that the amount of such Indebtedness is not increased at the time of such refinancing, refunding, renewal or extension except by an amount equal to the premium or other amount paid, and fees and expenses incurred, in connection with such refinancing and by an amount equal to any utilized commitments thereunder;

(c) Ordinary Course Indebtedness; and

(d) Unsecured Indebtedness in an aggregate principal amount not exceeding \$500,000 at any time.

**7.2. Liens and Negative Pledges.** Incur, assume or suffer to exist, any Lien or Negative Pledge upon any of its property, assets or revenues, whether now owned or hereafter acquired, except:

(a) Liens pursuant to any Loan Document;

(b) Liens on the Hood Canal Property that secure the John Hancock Indebtedness.



(c) Liens and Negative Pledges existing on the date hereof and listed on Schedule 7.01 and any renewals or extensions thereof, provided that the property covered thereby is not increased and any renewal or extension of the obligations secured or benefited thereby is permitted by Section 7.1(b);

(d) Ordinary Course Liens; and

(e) Other Liens securing Indebtedness in an aggregate principal amount not exceeding \$500,000 at any time.

**7.3. Fundamental Changes.** Merge or consolidate with or into any Person or liquidate, wind-up or dissolve itself, or permit or suffer any liquidation or dissolution or sell all or substantially all of its assets, except, that so long as no Default or Event of Default exists or would result therefrom:

(a) any Subsidiary may merge with (i) Borrower provided that Borrower shall be the continuing or surviving corporation, (ii) any one or more Subsidiaries, and (iii) any joint venture, partnership or other Person, so long as such joint venture, partnership and other Person will, as a result of making such merger and all other contemporaneous related transactions, become a Subsidiary; provided that when any wholly-owned Subsidiary is merging into another Subsidiary, the wholly-owned Subsidiary shall be the continuing or surviving Person or the surviving Person shall become, by virtue of the transaction, a wholly-owned Subsidiary; and

(b) any Subsidiary may sell all or substantially all of its assets (upon voluntary liquidation or otherwise) to Borrower or to another Subsidiary; provided that when any wholly-owned Subsidiary is selling

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all or substantially all of its assets to another Subsidiary, the Subsidiary acquiring such assets shall be a wholly-owned Subsidiary.

**7.4. Dispositions.** Make any Dispositions, except:

(a) Ordinary Course Dispositions;

(b) Dispositions permitted by Section 7.3;

(c) Dispositions of timberland in the ordinary course of business, provided that no Dispositions of the Plum Creek Property or other timberland acquired after the Closing Date shall occur unless, at the time of such Disposition, and after giving effect to the Disposition, (i) no Default or Event of Default has occurred and is continuing, (ii) the representations and warranties in this Agreement are true and correct as if made at such time, and (iii) no reduction of the Commitment will be required pursuant to Section 2.4.

(d) Disposition of property pursuant to the Port Ludlow Agreement;

(e) Disposition of the timber consulting business currently conducted by and through the Canadian Subsidiary of Borrower;

(f) additional Dispositions involving consideration not exceeding \$1,000,000 in the aggregate in any fiscal year of Borrower.

**7.5. Investments.** Make any Investments, except:

(a) Investments existing on the date hereof;

(b) Ordinary Course Investments;

(c) Investments permitted by Section 7.3; and

(d) additional Investments not exceeding \$1,000,000 in the aggregate in any fiscal year of Borrower.

**7.6. Lease Obligations.** Create or suffer to exist any obligations for the payment of rent for any property under lease or agreement to lease, except:

(a) leases in existence on the date hereof and any renewal, extension or refinancing thereof; and

(b) leases (other than capital leases) entered into or assumed by Borrower or any Subsidiary after the date hereof in the ordinary course of business.

**7.7. Restricted Payments.** Make any Restricted Payments, except that Borrower may declare and make distributions to its partners, or purchase, redeem or otherwise acquire its partnership units or options, warrants or similar rights with respect to such partnership units, provided that the aggregate Dollar amount of all such distributions, purchases, redemptions and acquisitions in any fiscal year does not exceed fifty percent (50%) of Consolidated Net Income for such fiscal year, excluding distributions to pay the reasonably estimated federal and state income tax payable by each unitholder of Borrower on such unitholder's share of the taxable income of Borrower (as calculated for federal income tax purposes as if all unitholders have the same basis in Borrower's assets as does Borrower itself); provided, however, that in no event shall Borrower declare or make distributions in any fiscal year, regardless of the type of or reason for such distributions, in excess of seventy-five percent (75%) of Consolidated Net Income for such year; and provided further, that Borrower may not

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purchase, redeem, or retire any outstanding partnership units if after giving effect to any such purchase, redemption, or retirement, Borrower would be in violation of any of the terms or covenants of this Agreement.

**7.8. ERISA.** At any time engage in a transaction which could be subject to Section 4069 or 4212(c) of ERISA, or permit any Pension Plan to (a) engage in any non-exempt "prohibited transaction" (as defined in Section 4975 of the Code); (b) fail to comply with ERISA or any other applicable Laws; or (c)

incur any material “accumulated funding deficiency” (as defined in Section 302 of ERISA), which, with respect to each event listed above, has a Material Adverse Effect.

**7.9. Change in Nature of Business.** Make any change in the nature of the business of any Borrower Party as conducted and as proposed to be conducted as of the date hereof, other than as a result of Dispositions in accordance with the provisions of Section 7.4 of this Agreement.

**7.10. Transactions with Affiliates.** Enter into any transaction of any kind with any Affiliate of Borrower other than arm’s-length transactions with Affiliates that are otherwise permitted hereunder.

**7.11. Hostile Acquisitions.** Use the proceeds of any Loan in connection with the acquisition of a voting interest of five percent or more in any Person if such acquisition is opposed by the board of directors or management of such Person unless (a) Borrower has given Lender five Business Days’ prior notice thereof and (b) Lender does not object to the use of the proceeds of such Loan for that purpose.

**7.12. Limitations on Upstreaming.** Agree to any restriction or limitation on the making of Restricted Payments or transferring of assets from any Subsidiary of Borrower to Borrower.

**7.13. Margin Regulations.** Use the proceeds of any Extensions of Credit hereunder for “purchasing” or “carrying” “margin stock” as so defined or for any purpose which violates, or which would be inconsistent with, the provisions of Regulations U or X of such Board of Governors.

**7.14. Financial Covenants.**

**(a) Cash Flow Coverage Ratio.** Permit Borrower’s Cash Flow Coverage Ratio to be less than 1.10 to 1.00 as of the end of: (i) the six months ending June 30, 2001, (ii) the three calendar quarter periods ending September 30, 2001, or (iii) any period of four consecutive calendar quarters ending on or after December 31, 2001.

**(b) Debt to Capitalization Ratio.** Permit the Debt to Capitalization Ratio as of the end of any fiscal quarter to be greater than 0.50:1.

**7.15. Timberland Acquisitions.** Purchase or otherwise acquire timberland, in one or a series of related transactions, for a purchase price of \$5,000,000 or more (whether paid in cash or otherwise), unless Borrower has obtained from an appraiser acceptable to Lender an appraisal of such timberland confirming that the fair market value of the timberland equals or exceeds the purchase price; provided, however, that if the aggregate purchase price of all unappraised purchases and other acquisitions of timberland following the Closing Date exceeds \$20,000,000, then Borrower shall obtain from an appraiser acceptable to Lender an appraisal of such timberland.

**7.16. Change in Auditors.** Change the certified public accountants auditing the books of Borrower except to certified public accountant of nationally recognized standing reasonably acceptable to Lender.

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**SECTION 8.  
EVENTS OF DEFAULT AND REMEDIES**

**8.1. Events of Default.** Any one or more of the following events shall constitute an Event of Default:

(a) Borrower fails to pay any principal on any Outstanding Obligation (other than fees) as and on the date when due; or

(b) Borrower fails to pay any interest on any Outstanding Obligations, or any fees due hereunder within three days after the date when due; or fails to pay any other fees or amount payable to Lender under any other Loan Document within five days after the date due; or

(c) Any default occurs in the observance or performance of any agreement contained in Section 6.1, 6.2, 6.4, 6.8 or 7; or

(d) The occurrence of an Event of Default (as such term is or may hereafter be specifically defined in any other Loan Document) under any other Loan Document; or any Borrower Party fails to perform or observe any other covenant or agreement (not specified in subsection (a), (b) or (c) above) contained in any Loan Document on its part to be performed or observed and such failure continues for 30 days; or

(e) Any representation or warranty in any Loan Document or in any certificate, agreement, instrument or other document made or delivered by any Borrower Party pursuant to or in connection with any Loan Document proves to have been materially incorrect when made or deemed made; or

(f) (i) Any Borrower Party (x) defaults in any payment when due of principal of or interest on any Indebtedness (other than Indebtedness hereunder) having an aggregate principal amount in excess of the Threshold Amount or (y) defaults in the observance or performance of any other agreement or condition relating to any Indebtedness (other than Indebtedness hereunder) or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur, the effect of which default or other event is to cause, or to permit the holder or holders of such Indebtedness (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to be demanded or become due (automatically or otherwise) prior to its stated maturity, or any Guaranty Obligation in such amount to become payable or cash collateral in respect thereof to be demanded, or any Borrower Party is unable or admits in writing its inability to pay its debts as they mature; or (ii) the occurrence under any Swap Contract of an Early Termination Date (as defined in such Swap Contract) resulting from (x) any event of default under such Swap Contract as to which Borrower or any Subsidiary is the Defaulting Party (as defined in such Swap Contract) or (y) the occurrence of any Termination Event under such Swap Contract (as defined therein) as to which Borrower or any Subsidiary is an Affected Party (as so defined) as a result of which, in either event, the Swap Termination Value owed by Borrower or such Subsidiary is greater than the Threshold Amount; or

(g) Any Loan Document, at any time after its execution and delivery and for any reason other than the agreement of Lender or satisfaction in full of all the Obligations, ceases to be in full force and effect or is declared by a court of competent jurisdiction to be null and void, invalid or unenforceable in any respect; or any Borrower Party denies that it has any or further liability or obligation under any Loan Document, or purports to revoke, terminate or rescind any Loan Document; or

(h) (i) A final judgment against any Borrower Party is entered for the payment of money in excess of the Threshold Amount after giving effect to the proceeds of any insurance available to the Borrower Party, or any non-monetary final judgment is entered against any Borrower Party which has a Material

the date of any proposed sale, or (ii) any writ or warrant of attachment or execution or similar process is issued or levied against all or any material part of the property of any such Person and is not released, vacated or fully bonded within 30 calendar days after its issue or levy; or

(i) Any Borrower Party or any of its Subsidiaries institutes or consents to the institution of any proceeding under Debtor Relief Laws, or makes an assignment for the benefit of creditors; or applies for or consents to the appointment of any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer for it or for all or any material part of its property; or any receiver, trustee, custodian, conservator, liquidator, rehabilitator or similar officer is appointed without the application or consent of that Person and the appointment continues undischarged or unstayed for 60 calendar days; or any proceeding under Debtor Relief Laws relating to any such Person or to all or any part of its property is instituted without the consent of that Person and continues undismissed or unstayed for 60 calendar days, or an order for relief is entered in any such proceeding; or

(j) (i) An ERISA Event occurs with respect to a Pension Plan or Multiemployer Plan which has resulted or could reasonably be expected to result in liability of Borrower under Title IV of ERISA to the Pension Plan, Multiemployer Plan or the PBGC in an aggregate amount in excess of the Threshold Amount; (ii) the aggregate amount of Unfunded Pension Liability among all Pension Plans at any time exceeds the Threshold Amount; or (iii) Borrower or any ERISA Affiliate fails to pay when due, after the expiration of any applicable grace period, any installment payment with respect to its withdrawal liability under Section 4201 of ERISA under a Multiemployer Plan in an aggregate amount in excess of the Threshold Amount; or

(k) There occurs any Change of Control;

(l) Borrower Parties and their respective Subsidiaries, taken together, incur aggregate obligations or other liability in excess of \$10 million in connection with the Port Gamble Environmental Issue (net of amounts paid or to be paid directly by Pope & Talbot, Inc., and any other third parties, and amounts reimbursed to Borrower by such parties); or

(m) Any set of circumstances or events occur that (a) has or could reasonably be expected to have any material adverse effect whatsoever upon the validity or enforceability of any Loan Document, or (b) materially impairs or could reasonably be expected to materially impair the ability of any Borrower Party to perform the Obligations.

**8.2. Remedies Upon Event of Default.** Without limiting any other rights or remedies of Lender provided for elsewhere in this Agreement, the Loan Documents, or by applicable Law, or in equity, or otherwise:

(a) Upon the occurrence of any Event of Default other than an Event of Default described in Section 8.1(i), Lender may terminate the Commitment and/or declare all or any part of the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents to be immediately due and payable, whereupon the same shall become and be immediately due and payable, without protest, presentment, notice of dishonor, demand or notice of any kind, all of which are expressly waived by Borrower.

(b) Upon the occurrence of any Event of Default described in Section 8.1(i), the Commitment and all other obligations of Lender under the Loan Documents shall automatically terminate without notice to or demand upon Borrower, which are expressly waived by Borrower, and the unpaid principal of all Loans, all interest accrued and unpaid thereon and all other amounts payable under the Loan Documents shall be immediately due and payable, without protest, presentment, notice of dishonor, demand or notice of any kind, all of which are expressly waived by Borrower.

(c) Upon the occurrence of any Event of Default, Lender, without notice to (except as expressly provided for in any Loan Document) or demand upon Borrower, which are expressly waived by Borrower (except as to notices expressly provided for in any Loan Document), may proceed to protect, exercise and enforce its rights and remedies under the Loan Documents against any Borrower Party and such other rights and remedies as are provided by Law or equity.

(d) The order and manner in which Lender's rights and remedies are to be exercised shall be determined by Lender in its sole and absolute discretion. Regardless of how Lender may treat payments for the purpose of its own accounting, for the purpose of computing the Obligations hereunder, payments shall be applied *first*, to costs and expenses (including Attorney Costs) incurred by Lender, *second*, to the payment of accrued and unpaid interest on the Loans to and including the date of such application, *third*, to the payment of the unpaid principal of the Loans, and *fourth*, to the payment of all other amounts (including fees) then owing to Lender under the Loan Documents. No application of payments will cure any Event of Default, or prevent acceleration, or continued acceleration, of amounts payable under the Loan Documents, or prevent the exercise, or continued exercise, of rights or remedies of Lender hereunder or thereunder or at Law or in equity.

## SECTION 9. MISCELLANEOUS

**9.1. Amendments; Consents.** No amendment, modification, supplement, extension, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, and no consent to any departure by any Borrower Party therefrom shall be effective unless in writing signed by Lender and any Borrower Parties party thereto, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

### **9.2. Requisite Notice; Effectiveness of Signatures and Electronic Mail.**

(a) **Requisite Notice.** Notices given in connection with any Loan Document shall be delivered to the intended recipient at the number and/or address set forth on Schedule 9.02 (or as otherwise specified from time to time by such recipient in writing to Lender) and shall be given by (i) irrevocable written notice or (ii) except as otherwise provided, irrevocable telephonic (not voicemail) notice. Such notices may be delivered, must be confirmed and shall be effective as follows:

|                           |                                                                              |
|---------------------------|------------------------------------------------------------------------------|
| Mail                      | Fourth Business Day after deposit in U.S. mail, first class postage pre-paid |
| Courier or hand delivery  | When signed for by recipient                                                 |
| Telephone (not voicemail) | When conversation completed (must be confirmed in writing)                   |
| Facsimile                 | When confirmed by telephone (not voicemail)                                  |
| Electronic Mail           | When delivered (usage subject to subsection (c) below)                       |

provided, however, that notices delivered to Lender pursuant to Section 2 shall not be effective until actually received by Lender; provided, further, that Lender may require that any notice be confirmed or followed by a manually-signed hardcopy thereof. Notices shall be in any form prescribed herein and, if sent by a Borrower Party, shall be made by a Responsible Officer of such Borrower Party. Notices delivered and, if required, confirmed in accordance with this subsection shall be deemed to have been delivered by Requisite Notice.

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**(b) Effectiveness of Facsimile Documents and Signatures.** Loan Documents may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable Law, have the same force and effect as manually-signed hardcopies and shall be binding on all Borrower Parties and Lender. Lender may also require that any such documents and signatures be confirmed by a manually-signed hardcopy thereof; provided, however, that the failure to request or deliver the same shall not limit the effectiveness of any facsimile document or signature.

**(c) Limited Usage of Electronic Mail.** Electronic mail and internet and intranet websites may be used to distribute routine communications, such as financial statements and other information, and to distribute agreements and other documents to be signed by Lender and Borrower Parties. No other legally-binding and/or time-sensitive communication or Request for Extension of Credit may be sent by electronic mail without the consent of, or confirmation to, the intended recipient in each instance.

**(d) Reliance by Lender.** So long as Lender is acting in good faith, Lender shall be entitled to rely and act upon any notices purportedly given by any Responsible Officer of Borrower and represented by such Responsible Officer to be on behalf of any Borrower Party even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. Borrower shall indemnify Lender- from any loss, cost, expense or liability as a result of relying on any notices purportedly given by given by any Responsible Officer of Borrower and represented by such Responsible Officer to be on behalf of any Borrower Party.

**9.3. Attorney Costs, Expenses and Taxes.** Borrower agrees (a) to pay or reimburse Lender for all costs and expenses incurred in connection with the development, preparation, negotiation and execution of the Loan Documents, and the development, preparation, negotiation and execution of any amendment, waiver, consent, supplement or modification to, any Loan Documents, and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including all Attorney Costs, and (b) to pay or reimburse Lender for all costs and expenses incurred in connection with any refinancing, restructuring, reorganization (including a bankruptcy reorganization) and enforcement or attempted enforcement, or preservation of any rights under any Loan Documents, and any other documents prepared in connection herewith or therewith, or in connection with any refinancing, or restructuring of any such documents in the nature of a “workout” or of any insolvency or bankruptcy proceeding, including Attorney Costs. The foregoing costs and expenses shall include all search, filing, recording, title insurance and appraisal charges and fees and taxes related thereto, and other out-of-pocket expenses incurred by Lender and the cost of independent public accountants and other outside experts retained by Lender. Any amount payable to Lender under this Section shall bear interest from the second Business Day following the date of demand for payment at the Default Rate. The agreements in this Section shall survive repayment of all Obligations.

**9.4. Successors and Assigns; Participations.** This Agreement and the other Loan Documents to which Borrower is a party will be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not assign or transfer any of its rights under this Agreement without the prior written consent of Lender and any such attempted assignment shall be void. Lender in its sole and absolute discretion may at any time, and from time to time, sell, assign (with the consent of Borrower other than during the existence of a Default or an Event of Default, which consent shall not be unreasonably withheld) or grant participations in all or a portion of the Commitment and/or the Obligations outstanding under this Agreement or any Loan Document. Borrower hereby acknowledges and agrees that any such assignment or participation will give rise to a direct obligation of Borrower to the assignee or participant upon written notice from Lender to Borrower. Borrower agrees to execute, and cause each other Borrower Party to execute, any documents reasonably requested by Lender in connection with any such assignment. All information provided by or on behalf of Borrower to Lender or its Affiliates may be furnished by Lender to its Affiliates and to any actual or proposed assignee or participant.

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**9.5. Set-Off.** In addition to any rights and remedies of Lender or any assignee or participant of Lender or any Affiliates thereof (each, a “Proceeding Party”) provided by law, upon the occurrence and during the continuance of any Event of Default, each Proceeding Party is authorized at any time and from time to time, without prior notice to Borrower, any such notice being waived by Borrower to the fullest extent permitted by law, to proceed directly, by right of set-off, banker’s lien, or otherwise, against any assets of the Borrower Parties which may be in the hands of such Proceeding Party (including all general or special, time or demand, provisional or other deposits and other indebtedness owing by such Proceeding Party to or for the credit or the account of Borrower) and apply such assets against the Obligations, irrespective of whether such Proceeding Party shall have made any demand therefor and although such Obligations may be unmaturred.

**9.6. No Waiver; Cumulative Remedies.** No failure by Lender to exercise, and no delay by Lender in exercising, any right, remedy, power or privilege hereunder, shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege under any Loan Document preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein or therein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by Law. Any decision by Lender not to require payment of any interest (including Default Interest), fee, cost or other amount payable under any Loan Document or to calculate any amount payable by a particular method on any occasion shall in no way limit or be deemed a waiver of Lender’s right to require full payment thereof, or to calculate an amount payable by another method that is not inconsistent with this Agreement, on any other or subsequent occasion.

**9.7. Usury.** Notwithstanding anything to the contrary contained in any Loan Document, the interest and fees paid or agreed to be paid under the Loan Documents shall not exceed the maximum rate of non-usurious interest permitted by applicable Law (the “Maximum Rate”). If Lender shall receive interest or a fee in an amount that exceeds the Maximum Rate, the excessive interest or fee shall be applied to the principal of the Outstanding Obligations or, if it exceeds the unpaid principal, refunded to Borrower. In determining whether the interest or a fee contracted for, charged, or received by Lender exceeds the Maximum Rate, Lender may, to the extent permitted by applicable Law, (a) characterize any payment that is not principal as an expense, fee, or premium rather than interest, (b) exclude voluntary prepayments and the effects thereof, and (c) amortize, prorate, allocate, and spread in equal or unequal parts the total amount of interest throughout the contemplated term of the Obligations.

**9.8. Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

**9.9. Integration.** This Agreement, together with the other Loan Documents and any letter agreements referred to herein, comprises the complete and integrated agreement of the parties on the subject matter hereof and supersedes all prior agreements, written or oral, on the subject matter hereof. In the event of any conflict between the provisions of this Agreement and those of any other Loan Document, the provisions of this Agreement shall control and govern; provided that the inclusion of supplemental rights or remedies in favor of Lender in any other Loan Document shall not be deemed a conflict with this Agreement. Each Loan Document was drafted with the joint participation of the respective parties thereto and shall be construed neither against nor in favor of any party, but rather in accordance with the fair meaning thereof. **ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

**9.10. Nature of Lender’s Obligations.** Nothing contained in this Agreement or any other Loan Document and no action taken by Lender pursuant hereto or thereto may, or may be deemed to, make Lender a partnership, an association, a joint venture or other entity with Borrower or any Affiliate of Borrower.

**9.11. Survival of Representations and Warranties.** All representations and warranties made hereunder and in any other Loan Document, certificate or statement delivered pursuant hereto or thereto or in

connection herewith or therewith shall survive the execution and delivery thereof. Such representations and warranties have been or will be relied upon by Lender, notwithstanding any investigation made by Lender or on its behalf.

**9.12. Indemnity by Borrower.** Whether or not the transactions contemplated hereby are consummated, Borrower agrees to indemnify, save and hold harmless Lender, its Affiliates and their respective officers, directors, employees, agents and attorneys-in-fact (collectively the “Indemnitees”) from and against: (a) any and all claims, demands, actions or causes of action that are asserted against any Indemnitee by any Person relating directly or indirectly to a claim, demand, action or cause of action that such Person asserts or may assert against any Borrower Party, any of their Affiliates or any of their officers or directors; (b) any and all claims, demands, actions or causes of action arising out of or relating to, the Loan Documents, any predecessor loan documents, the Commitment, the use or contemplated use of the proceeds of any Loan, or the relationship of any Borrower Party and Lender under this Agreement; (c) any administrative or investigative proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (a) or (b) above; and (d) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including Attorney Costs) that any Indemnitee suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, whether or not arising out of the negligence of an Indemnitee, whether or not an Indemnitee is a party to such claim, demand, action, cause of action or proceeding (all the foregoing, collectively, the “Indemnified Liabilities”); provided that no Indemnitee shall be entitled to indemnification for any loss caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Indemnitee. The agreements in this Section shall survive repayment of all Obligations.

**9.13. Nonliability of Lender.** Borrower acknowledges and agrees that:

(a) Any inspections of any property of Borrower made by or through Lender are for purposes of administration of the Loan Documents only, and Borrower is not entitled to rely upon the same (whether or not such inspections are at the expense of Borrower);

(b) By accepting or approving anything required to be observed, performed, fulfilled or given to Lender pursuant to the Loan Documents, Lender shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision or condition thereof, and such acceptance or approval thereof shall not constitute a warranty or representation to anyone with respect thereto by Lender;

(c) The relationship between Borrower and Lender is, and shall at all times remain, solely that of borrower and lender; Lender shall not under any circumstance be deemed to be in a relationship of confidence or trust or a fiduciary relationship with Borrower or its Affiliates, or to owe any fiduciary duty to Borrower or its Affiliates; Lender does not undertake or assume any responsibility or duty to Borrower or its Affiliates to select, review, inspect, supervise, pass judgment upon or inform Borrower or its Affiliates of any matter in connection with their property or the operations of Borrower or its Affiliates; Borrower and its Affiliates shall rely entirely upon their own judgment with respect to such matters; and any review, inspection, supervision, exercise of judgment or supply of information undertaken or assumed by Lender in connection with such matters is solely for the protection of Lender and neither Borrower nor any other Person is entitled to rely thereon; and

(d) Lender shall not be responsible or liable to any Person for any loss, damage, liability or claim of any kind relating to injury or death to Persons or damage to property caused by the actions, inaction or negligence of Borrower and/or its Affiliates and Borrower hereby indemnifies and holds Lender harmless from any such loss, damage, liability or claim.

**9.14. No Third Parties Benefited.** This Agreement is made for the purpose of defining and setting forth certain obligations, rights and duties of Borrower and Lender in connection with the Extensions of Credit, and is made for the sole benefit of Borrower and Lender, and Lender’s successors and assigns. Except as provided in Sections 9.4 and 9.12, no other Person shall have any rights of any nature hereunder or by reason hereof.

**9.15. Severability.** Any provision of the Loan Documents that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

**9.16. Confidentiality.** Lender and each participant shall use any confidential non-public information concerning the Borrower Parties and their Subsidiaries that is furnished to it by or on behalf of the Borrower Parties and their Subsidiaries in connection with the Loan Documents (collectively, “Confidential Information”) solely for the purpose of evaluating and providing products and services to them and administering and enforcing the Loan Documents, and it will hold the Confidential Information in confidence. Notwithstanding the foregoing, Lender may disclose Confidential Information (a) to its affiliates or any of its or its affiliates’ directors, officers, employees, auditors, counsel, advisors, or representatives (collectively, the “Representatives”) whom it determines need to know such information for the purposes set forth in this Section; (b) to any bank or financial institution or other entity to which Lender has assigned or desires to assign an interest or participation in the Loan Documents or the Obligations, provided that any such foregoing recipient of such Confidential Information agrees to keep such Confidential Information confidential as specified herein; (c) to any governmental agency or regulatory body having or claiming to have authority to regulate or oversee any aspect of Lender’s business or that of its Representatives in connection with the exercise of such authority or claimed authority; (d) to the extent necessary or appropriate to effect or preserve Lender’s or any of its Affiliates’ security (if any) for any Obligation or to enforce any right or remedy or in connection with any claims asserted by or against Lender or any of its Representatives; and (e) pursuant to any subpoena or any similar legal process. For purposes hereof, the term “Confidential Information” shall not include information that (x) is in Lender’s possession prior to its being provided by or on behalf of the Borrower Parties, provided that such information is not known by Lender to be subject to another confidentiality agreement with, or other legal or contractual obligation of confidentiality to, a Borrower Party, (y) is or becomes publicly available (other than through a breach hereof by Lender), or (z) becomes available to Lender on a nonconfidential basis, provided that the source of such information was not known by Lender to be bound by a confidentiality agreement or other legal or contractual obligation of confidentiality with respect to such information.

**9.17. Further Assurances.** Borrower and its Subsidiaries shall, at their expense and without expense to Lender, do, execute and deliver such further acts and documents as Lender from time to time reasonably requires for the assuring and confirming unto Lender of the rights hereby created or intended now or hereafter so to be, or for carrying out the intention or facilitating the performance of the terms of any Loan Document.

**9.18. Headings.** Section headings in this Agreement and the other Loan Documents are included for convenience of reference only and are not part of this Agreement or the other Loan Documents for any other purpose.

**9.19. Time of the Essence.** Time is of the essence of the Loan Documents.

**9.20. Governing Law.**

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF WASHINGTON APPLICABLE TO

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AGREEMENTS MADE AND TO BE PERFORMED ENTIRELY WITHIN SUCH STATE; PROVIDED THAT LENDER SHALL RETAIN ALL RIGHTS ARISING UNDER FEDERAL LAW.

(b) ANY LEGAL ACTION OR PROCEEDING WITH RESPECT TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE BROUGHT IN THE COURTS OF THE STATE OF WASHINGTON SITTING IN KING COUNTY OR OF THE UNITED STATES FOR THE WESTERN DISTRICT OF SUCH STATE, AND BY EXECUTION AND DELIVERY OF THIS AGREEMENT, EACH BORROWER PARTY AND LENDER CONSENTS, FOR ITSELF AND IN RESPECT OF ITS PROPERTY, TO THE NON-EXCLUSIVE JURISDICTION OF THOSE COURTS. EACH BORROWER PARTY AND LENDER IRREVOCABLY WAIVES ANY OBJECTION, INCLUDING ANY OBJECTION TO THE LAYING OF VENUE OR BASED ON THE GROUNDS OF *FORUM NON CONVENIENS*, WHICH IT MAY NOW OR HEREAFTER HAVE TO THE BRINGING OF ANY ACTION OR PROCEEDING IN SUCH JURISDICTION IN RESPECT OF ANY LOAN DOCUMENT OR OTHER DOCUMENT RELATED HERETO. EACH BORROWER PARTY AND LENDER WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS, WHICH MAY BE MADE BY ANY OTHER MEANS PERMITTED BY THE LAW OF SUCH STATE.

**9.21. Waiver of Right to Trial by Jury.** EACH PARTY TO THIS AGREEMENT HEREBY EXPRESSLY WAIVES ANY RIGHT TO TRIAL BY JURY OF ANY CLAIM, DEMAND, ACTION OR CAUSE OF ACTION ARISING UNDER ANY LOAN DOCUMENT OR IN ANY WAY CONNECTED WITH OR RELATED OR INCIDENTAL TO THE DEALINGS OF THE PARTIES HERETO OR ANY OF THEM WITH RESPECT TO ANY LOAN DOCUMENT, OR THE TRANSACTIONS RELATED THERETO, IN EACH CASE WHETHER NOW EXISTING OR HEREAFTER ARISING, AND WHETHER FOUNDED IN CONTRACT OR TORT OR OTHERWISE; AND EACH PARTY HEREBY AGREES AND CONSENTS THAT ANY SUCH CLAIM, DEMAND, ACTION OR CAUSE OF ACTION SHALL BE DECIDED BY COURT TRIAL WITHOUT A JURY, AND THAT ANY PARTY TO THIS AGREEMENT MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE SIGNATORIES HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

*IN WITNESS WHEREOF*, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

By: POPE MGP, INC., a Delaware corporation, as  
Managing General Partner

By: /s/ Thomas M. Ringo

Its: Vice President and CFO

**BANK OF AMERICA, N.A.**

By:                     /s/ John N. Austenson                    

Name: John N. Austenson

Title: Senior Vice President

**EXHIBIT A**

**FORM OF REQUEST FOR EXTENSION OF CREDIT**

Date:

To: Bank of America, N.A. ("Lender")

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of March 27, 2001 between Pope Resources, A Delaware Limited Partnership ("Borrower"), and Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned hereby requests (select one):

- A Loan
- A Conversion or Continuation of A Loan

1. On (a Business Day).

2. In the amount of \$ .

3. Comprised of [type of Loan requested]

4. For Offshore Rate Loans: with an Interest Period of months.

The foregoing request complies with the requirements of Section 2.1 of the Agreement. The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the above date, before and after giving effect and to the application of the proceeds therefrom:

(a) The representations and warranties made by Borrower in the Agreement, or which are contained in any certificate, document or financial or other statement furnished at any time under or in connection therewith, are and will be correct on and as of the date of this Extension of Credit, except to the extent that such representations and warranties specifically refer to any earlier date; and

(b) no Default or Event of Default has occurred and is continuing on the date hereof or after giving effect to this Extension of Credit.

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

By: POPE MGP, INC., a Delaware corporation, as  
Managing General Partner

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT B**

**FORM OF COMPLIANCE CERTIFICATE**

Financial Statement Date: ,

To: Bank of America, N.A. ("Lender")

Ladies and Gentlemen:

Reference is made to that certain Credit Agreement dated as of March 27, 2001 between Pope Resources, A Delaware Limited Partnership ("Borrower") and Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

The undersigned Responsible Officer hereby certifies as of the date hereof that he is the of Borrower, and that, as such, he is authorized to execute and deliver this Certificate to Lender on the behalf of Borrower, and that:

*[Use following for fiscal year-end financial statements]*

1. Attached hereto as Schedule 1 are the year-end audited financial statements required by Section 6.1(a) of the Agreement for the fiscal year of Borrower ended as of the above date, together with the report and opinion of an independent certified public accountant required by such section.

[Use following for fiscal **quarter-end** financial statements]

1. Attached hereto as Schedule 1 are the unaudited financial statements required by Section 6.1(b) of the Agreement for the fiscal quarter of Borrower ended as of the above date. Such financial statements fairly present the financial condition, results of operations and changes in financial position of Borrower and its Subsidiaries in accordance with GAAP as at such date and for such periods, subject only to normal year-end audit adjustments and the absence of footnotes.

2. The undersigned has reviewed and is familiar with the terms of the Agreement and has made, or has caused to be made under his supervision, a detailed review of the transactions and conditions (financial or otherwise) of Borrower during the accounting period covered by the attached financial statements.

3. A review of the activities of the Borrower Parties during such fiscal period has been made under my supervision with a view to determining whether during such fiscal period the Borrower Parties performed and observed all their respective Obligations under the Loan Documents, and

[select one:]

[to the best knowledge of the undersigned during such fiscal period, Borrower performed and observed each covenant and condition of the Loan Documents applicable to it.]

—or—

[the following covenants or conditions have not been performed or observed and the following is a list of each such Default or Event of Default and its nature and status:]

4. The following financial covenant analyses and information set forth on Schedule 2 attached hereto are true and accurate on and as of the date of this Certificate.

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IN WITNESS WHEREOF, the undersigned has executed this Certificate as of

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

By: POPE MGP, INC., a Delaware corporation, as  
Managing General Partner

By: \_\_\_\_\_

Its: \_\_\_\_\_

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For the Quarter/Year ended

(“Statement Date”)

**SCHEDULE 2**

to the Compliance Certificate

(\$ in 000's)

**I. Section 7.14(a) — Cash Flow Coverage Ratio.**

|    |                                                                                                            |      |
|----|------------------------------------------------------------------------------------------------------------|------|
| A  | Consolidated EBITDA for four consecutive fiscal quarters ending on above date (“ <u>Subject Period</u> ”): |      |
| 1. | Consolidated Net income for Subject Period:                                                                | \$   |
| 2. | Consolidated Interest Charges for Subject Period:                                                          | \$   |
| 3. | Provision for income taxes for Subject Period:                                                             | \$   |
| 4. | Depreciation expenses for Subject Period:                                                                  | \$   |
| 5. | Depletion expenses for Subject Period:                                                                     | \$   |
| 6. | Amortization expenses for intangibles for Subject Period:                                                  | \$   |
| 7. | Cost of Land Sold:                                                                                         | \$   |
| 8. | Consolidated EBITDA (Lines I.A.1 + 2 + 3 + 4 + 5 + 6 + 7):                                                 | \$   |
| B. | Internally financed capital expenditures:                                                                  | \$   |
| C. | Consolidated Interest Charges for Subject Period:                                                          | \$   |
| D. | Required principal payments for Subject Period                                                             | \$   |
| E. | Cash Flow Coverage Ratio ((Line I.A.6 - Line I.B) , (Line I.C + I.D)):                                     | to 1 |

Minimum required:

**1.1 to 1**

**II. Section 7.14(b) — Debt to Capitalization Ratio.**

|    |                                                     |    |
|----|-----------------------------------------------------|----|
| A. | Consolidated Funded Indebtedness at Statement Date: | \$ |
|----|-----------------------------------------------------|----|



|                                                                                                            |               |
|------------------------------------------------------------------------------------------------------------|---------------|
| B. Market Capitalization at Statement Date:                                                                | \$            |
| C. Sum of Consolidated Funded Indebtedness Plus Market Capitalization at Statement Date (Line II.A + II.B) | \$            |
| D. Debt to Capitalization Ratio (Line II.A , Line II.C):                                                   | to 1          |
| <i>Maximum permitted:</i>                                                                                  | <b>0.50:1</b> |

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**III. Calculation of Revolving Loan Limit.**

|                                                                 |              |
|-----------------------------------------------------------------|--------------|
| A. Prior to Sale of Port Ludlow Property                        |              |
| Commitment at Statement Date                                    | \$           |
| B. After Sale of Port Ludlow Property                           |              |
| 1. Commitment at Statement Date                                 | \$           |
| 2. Borrowing Base Limit                                         |              |
| a. Market Value of Plum Creek Property                          | \$54,241,000 |
| b. Value of unencumbered timberland Acquired after Closing Date | \$           |
| c. Proceeds from sale of Plum Creek since Closing Date          | \$           |
| d. Sum (III.B.2.a + III.B.2.b + III.B.2.c)                      | \$           |
| e. Borrowing Base Limit (III.B.2.d x 0.35)                      | \$           |
| 3. Revolving Loan Limit<br>(lesser of III.B.1 or III.B.2.e)     | \$           |

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**EXHIBIT C**

**PROMISSORY NOTE**

\$27,000,000 March 27, 2001

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to the order of BANK OF AMERICA, N.A. ("Lender"), on the Maturity Date (as defined in the Credit Agreement referred to below) the principal amount of Twenty Seven Million Dollars (\$27,000,000), or such lesser principal amount of Loans (as defined in the Credit Agreement referred to below) payable by Borrower to Lender on such Maturity Date under that certain Credit Agreement dated as of March 27, 2001 between Borrower and Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates, and payable at such times as are specified in the Agreement. All payments of principal and interest shall be made to Lender in United States Dollars in immediately available funds at Lender's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the "Note" referred to in the Agreement. Reference is hereby made to the Agreement for rights and obligations of payment and prepayment, events of default and the right of Lender to accelerate the maturity hereof upon the occurrence of such events. Loans made by Lender shall be evidenced by one or more loan accounts or records maintained by Lender in the ordinary course of business. Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Borrower agrees to pay all collection expenses, court costs and Attorney Costs (whether or not litigation is commenced) which may be incurred by Lender in connection with the collection or enforcement of this Note.

**THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

By: POPE MGP, INC., a Delaware corporation, as  
Managing General Partner

By: \_\_\_\_\_

**LOANS AND PAYMENTS WITH RESPECT THERETO**

| <u>Date</u> | <u>Type of Loan Made</u> | <u>Amount of Loan Made</u> | <u>End of Interest Period</u> | <u>Amount of Principal or Interest Paid This Date</u> | <u>Outstanding Principal Balance This Date</u> | <u>Notation Made By</u> |
|-------------|--------------------------|----------------------------|-------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------------|
|-------------|--------------------------|----------------------------|-------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------------|

**FORM OF OPINION OF COUNSEL**

**EXHIBIT D**

**PLUM CREEK PROPERTY**

**EXHIBIT E**

**Clark County**

Township 5 North, Range 4 East, W.M.

Section 15: W1/2SW1/4

Township 6 North, Range 2 East, W.M.

Section 25: N1/2SW1/4

**Cowlitz County**

Township 6 North, Range 1 East, W.M.

Section 5: SE1/4SW1/4, SW1/4SE1/4

Township 6 North, Range 2 East, W.M.

Section 1: SW1/4

Section 3: All Fractional

Section 5: All Fractional

Section 9: NW1/4NE1/4, NE1/4NW1/4

Township 6 North, Range 3 East, W.M.

Section 23: N1/2SE1/4

Section 25: Lots 1, NW1/4NE1/4, N1/2NW1/4

Township 7 North, Range 3 East, W.M.

Section 21: SW1/4NE1/4, SE1/4NW1/4

Section 31: S1/2SE1/4

Township 8 North, Range 3 East, W.M.

Section 13: All Fractional

Section 21: All Fractional

Section 23: All

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**Skamania County**

Township 6 North, Range 5 East, W.M.

Section 1: All Fractional

Section 2: All Fractional

Section 3: All Fractional

Section 11: All Fractional

Section 12: All

Section 13: N1/2

Township 6 North, Range 6 East, W.M.

Section 1: All Fractional

Section 2: All Fractional

Section 3: All Fractional

Section 4: Lots 1, 2, 3, S1/2NE1/4, SE1/4NW1/4, E1/2SW1/4, S1/2SW1/4SW1/4, SE1/4

Section 5: S1/2SE1/4SE1/4, Lot 3, 4, S1/2NW1/4, W1/2SW1/4

Section 6: Lots 1, 2, 3, 6, 7, 8, 10, 12, S1/2NE1/4, SE1/4NW1/4, E1/2SW1/4, SE1/4

Section 7: All Fractional

Section 8: NE1/4NE1/4, S1/2NE1/4, NW1/4NW1/4, S1/2NW1/4, S1/2

Section 9: All

Section 10: All

Section 11: All

Section 12: N1/2, N1/2S1/2

Township 7 North, Range 5 East, W.M.

Section 24: N1/2, SW1/4

Township 7 North, Range 6 East, W.M.

Section 3: All Fractional

Section 4: All Fractional

Section 5: All Fractional

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Section 6: All Fractional

- Section 7: All Fractional
- Section 8: NE1/4, W1/2E1/2NW1/4NW1/4, W1/2W1/2NW1/4,  
NW1/4NE1/4SW1/4NW1/4, SE1/4NE1/4SW1/4NW1/4, SE1/4SW1/4NW1/4,  
S1/2N1/2SE1/4NW1/4, S1/2SE1/4NW1/4 and S1/2
- Section 9: All
- Section 10: All
- Section 11: W1/2
- Section 14: N1/2NE1/4
- Section 15: All
- Section 16: All
- Section 17: All
- Section 18: Lots 1-4, E1/2W1/2, N1/2NE1/4, SW1/4SE1/4, SW1/4NE1/4 EXCEPT that portion conveyed to Marshall and Melba Moore by deed recorded in Book 194, Page 10
- Section 19: All Fractional
- Section 20: All
- Section 21: All
- Section 22: All
- Section 23: Lots 1, 2, W1/2, W1/2SE1/4
- Section 27: All, EXCEPTING from said Section 27 the following described tracts:  
  
That portion conveyed to Swift Creek Estates by deed recorded under Auditor's File No. 99965, Book 85, Page 66, described as follows: Beginning at the Southeast corner of said Section 27; thence North 0<sup>0</sup>04'20" East 60.96 feet, more or less, along the Easterly line of said Section 27 to the Southerly right of way boundary of the Lewis River road, commonly called the N-90 Road; thence South 86<sup>0</sup>17'00" West 569.87 feet, more or less, along said Southerly right of way boundary; thence South 3<sup>0</sup>43'00" East 25 feet, more or less, to a point on the Southerly line of said Section 27; thence South 89<sup>0</sup>48'15" East 566 feet, more or less, along said Southerly line to the Point of Beginning. ALSO EXCEPTING that portion of the E1/2SE1/4 of said Section 27, being that certain Short Plat as recorded in Skamania County on November 3, 1987, in Book 3 of Short Plats, page 125, recorded under Auditor's File No. 104203
- Section 28: All, EXCEPTING from said Section 28 the following described tracts: Beginning at a point on the West line of said Section 28 which is South 0<sup>0</sup>16'55" East a distance of 1,674.98 feet

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from the West quarter section corner thereof and running thence South 25<sup>0</sup>37' East 498.22 feet; thence South 47<sup>0</sup>34'30" East 595.58 feet; thence North 59<sup>0</sup>33'30" East 240.47 feet; thence South 40<sup>0</sup>26' East 296.84 feet; thence South 89<sup>0</sup>49'45" West 1,050.02 feet to the Southwest corner of said Section 28; and thence North 0<sup>0</sup>16'55" West 958.19 feet to the Point of Beginning. ALSO EXCEPTING, Beginning at a point on the South line of said Section 28 which is North 89<sup>0</sup>49'45" East 2,006.72 feet from the Southwest corner thereof; and running thence North 78<sup>0</sup>19'30" East 237.50 feet; thence North 33<sup>0</sup>28' East 235.01 feet; thence North 63<sup>0</sup>23' East 464.47 feet; thence North 21<sup>0</sup>05'30" East 360.93 feet; thence North 17<sup>0</sup>30'30" East 212.97 feet; thence North 57<sup>0</sup>42' East 110.31 feet; thence South 16<sup>0</sup>09'30" East 375.99 feet; thence South 10<sup>0</sup>31'30" East 336.26 feet; thence South 31<sup>0</sup>11' West 416.74 feet to a point on the South line of said Section 28, which is South 89<sup>0</sup>52'30" West 2,259.98 feet from the Southeast corner thereof; thence South 89<sup>0</sup>52'30" West 380.01 feet to the South quarter corner of said Section 28; and thence South 89<sup>0</sup>49'45" West 634.99 feet to the Point of Beginning.

- Section 29: All, EXCEPT that portion conveyed to Pacific Power and Light Co. by deed recorded under Auditor's File No. 55342, Book 46, Page 115, described as lying South and West and below the 1,000 foot
- Section 33: All, EXCEPT that portion conveyed to Pacific Power and Light Co. by deed recorded under Auditor's File No. 55342, Book 48, Page 115, described as those portions lying below the 1,000 foot.
- Section 35: That part of fractional section lying Southeasterly of the Swift Creek Reservoir and being above the 1,000 contour

## Lewis County

### Township 12 North, Range 4 East, W.M.

- Section 1: Government Lots 1, 2, 3, 4, S1/2NE1/4, NE1/4SE1/4; ALSO that portion of the SW1/4NW1/4 lying within a 100 foot strip of land, being 50

feet on either side of the centerline of the main track of the former Chicago, Milwaukee and St. Paul Railway Company

- Section 2: The South 85 feet of the SE1/4SE1/4, lying West of U.S. Highway 12 and described in Deed recorded under Auditor's File No. 8905420
- Section 3: SE1/4SW1/4, S1/2SE1/4
- Section 9: NE1/4NE1/4, that portion of the NW1/4NE1/4 lying Southeasterly of Highland Valley Road, S1/2NE1/4, SE1/4NW1/4, S1/2 EXCEPT the North 189 feet of the NW1/4NE1/4
- Section 11: All of said section lying Southwesterly of U.S. Highway 12
- Section 17: All
- Section 19: Government Lot 7 EXCEPT approximately 44.48 acres conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, lying Southwesterly of the following described line:

Beginning at the mid-point of the North line of said subdivision; thence South 44<sup>00</sup>'43" East 927.54 feet, more or less, to a point on the East line of said

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- subdivision which is South 0046'39" West a distance of 659.48 feet from the Northeast corner thereof and the terminus of said line
- Section 21: All
- Section 27: N1/2, N1/2SW1/4, SW1/4SE1/4, and that portion of the SE1/4SW1/4 EXCEPT approximately 13.80 acres in the SE1/4SW1/4 conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, Southwesterly of the following described line:

Beginning at a point on the West line of said subdivision South 1<sup>031</sup>'07" West 550 feet from the Northwest corner of said subdivision; thence South 74<sup>032</sup>'05" East 412.11 feet; thence South 53<sup>007</sup>'46" East 1,107.12 feet, more or less, to the Southeast corner of said subdivision and the terminus of said line.

- Section 28: That portion of the NE1/4 of said section lying Northeasterly of the following described line:

Beginning at the Northwest corner of the SW1/4NE1/4; thence Southeasterly to the Southeast corner of said subdivision and the terminus of said line.

- Section 35: E1/2NW1/4, NE1/4 and Government Lot 4 EXCEPT approximately 13.34 acres in the E1/2NW1/4 conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, lying Westerly of the following described line:

Beginning at a point on the West line of said Subdivision, North 1<sup>015</sup>'10" East 350.00 feet from the Southwest corner of said Subdivision; thence South 53<sup>036</sup>'43" East 611.40 feet, more or less, to a point on the South line of the NE1/4NW1/4, South 88<sup>031</sup>'54" East 500 feet from the Southwest corner thereof; thence South 25<sup>047</sup>'11" West 722.49 feet; thence South 33<sup>027</sup>'52" East 802.76 feet, more or less, to the mid-point of the South line of the SE1/4NW1/4, said point lying South 88<sup>033</sup>'50" East 657.21 feet, more or less, from the Southwest corner thereof, and the terminus of said line.

EXCEPT ALSO approximately 1.51 acres in the SW1/4NE1/4 conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, described as that portion of the SW1/4NE1/4 of said section lying Southerly of a line drawn 50 feet Northerly of and parallel to the South line of said subdivision;

- : EXCEPT ALSO approximately 29.75 acres in Government Lot 4 conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, described as lying Southwesterly of the following described line

BEGINNING at the Northwest corner of said Lot 4, said corner lying North 88<sup>033</sup>'50" West 1,318.76 feet, more or less, from the East quarter corner of said Section; thence South 62<sup>003</sup>'43" East 1,473.23 feet, more or less, to the mid-point of the East line of said Lot 4, said mid-point lying South 1<sup>028</sup>'00" West 657.40 feet, more or less, from the East quarter corner of said Section, and the terminus of said line.

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Township 12 North, Range 5 East, W.M.

- Section 1: W1/2, NE1/4, N1/2SE1/4 and the SE1/4SE1/4
- Section 3: All, TOGETHER WITH an easement for ingress and egress as described in instruments recorded under Auditor's File Nos. 680424 and 697932
- Section 5: All, TOGETHER WITH an easement for ingress and egress over a 60 foot wide strip as described in instrument recorded July 11, 1989 under Auditor's File No. 8905781

Section 7: NE1/4, NE1/4SE1/4, E1/2E1/2NW1/4SE1/4, and the North 7 acres of the

W1/2E1/2NW1/4SE1/4;

TOGETHER WITH an easement for ingress and egress over a 60 foot wide strip as described in instrument recorded January 16, 1976, under Auditor's File No. 810668.

ALSO, that portion of the SE1/4SE1/4 lying within a 100 wide strip of land being

50 feet on either side of the centerline of the main tract of the Northern Pacific

Railway Company.

Section 9: All, TOGETHER WITH an easement for ingress and egress over an existing 50 foot wide road as described in instrument recorded June 4, 1995 under Auditor's File No. 680424

Section 11: All

Section 17: E1/2, NE1/4NW1/4, S1/2SW1/4, EXCEPT approximately 7.36 acres conveyed to State of Washington for highway right-of-way by deed recorded October 2, 1951 under Auditor's number 495492

Section 21: W1/2NW1/4, NE1/4NW1/4, NW1/4NE1/4

Section 23: E1/2NE1/4, SE1/4

Section 27: S1/2 EXCEPT approximately 17.39 acres in Government Lot 6 conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066, described as lying Northwesterly of a line running from the Southwest corner of said subdivision to the Northeast corner thereof.

Section 29: Part of the W1/2 and the SW1/4NE1/4 lying Westerly of the following described line:

BEGINNING at the Southwest corner of said section; thence North  $0^{\circ}40'48''$  East along the West line of said Section 29, 657.57 feet, more or less, to the mid-point of the West line of the SW1/4SW1/4; thence North  $46^{\circ}40'01''$  East, 924.79 feet, more or less, to the mid-point of the North line of said SW1/4SW1/4, said mid-point lying South  $88^{\circ}01'41''$  East, 665.28 feet, more or less, from the West line of said section; thence South  $88^{\circ}01'41''$  East 665.27 feet, more or less, along the North line of said SW1/4SW1/4 to the Northeast corner of said SW1/4SW1/4; thence North  $15^{\circ}41'30''$  East 1323.48 feet, more or less, to the mid-point of the North line of the NW1/4NE1/4SW1/4, said mid-point lying South  $87^{\circ}01'58''$  East 1674.35 feet, more

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or less, from the West quarter corner of said section; thence North  $47^{\circ}44'40''$  East 1388.55 feet, more or less, to the mid-point of the West line of the NW1/4SW1/4NE1/4, said mid-point lying South  $1^{\circ}25'18''$  West 1643.35 feet, more or less, from the North quarter corner of said section; thence North  $47^{\circ}43'14''$  East, 461.26 feet, more or less, to the mid-point of the North line of the NW1/4SW1/4NE1/4, said mid-point lying North  $86^{\circ}51'49''$  West 2335.44 feet, more or less, from the East line of said Section.

ALSO that portion of the SE1/4NE1/4 and the SE1/4, lying Easterly of the following described line:

BEGINNING at the Northeast corner of the Southeast quarter of the Northeast quarter of said section; thence South  $1^{\circ}25'32''$  West along the East line of said section 292.83 feet, more or less, to a point lying South  $1^{\circ}25'32''$  West 1599.64 feet from the Northeast corner of said section; thence South  $35^{\circ}33'14''$  West 361.95 feet; thence South  $52^{\circ}00'02''$  West 291.51 feet; thence South  $60^{\circ}39'32''$  West 804.00 feet; thence South  $70^{\circ}31'07''$  West 229.95 feet, more or less, to the Southwest corner of the SE1/4NE1/4, said Southwest corner lying North  $87^{\circ}01'58''$  West 1334.38 feet, more or less, from the East quarter corner of said Section; thence South  $67^{\circ}41'02''$  West 283.37 feet; thence South  $25^{\circ}18'10''$  West 424.57 feet; thence South  $3^{\circ}34'36''$  East 528.26 feet; thence South  $21^{\circ}39'45''$  East 268.99 feet, more or less to a point on the South line of the N1/2SE1/4, North  $86^{\circ}12'25''$  West 1614.99 feet from the East line of said section, said point lying North  $86^{\circ}12'25''$  West 280.00 feet, more or less, from the Southeast corner of the NW1/4SE1/4; thence South  $10^{\circ}54'23''$  West 648.57 feet; thence South  $32^{\circ}05'31''$  West 524.38 feet; thence South  $2^{\circ}36'38''$  East 173.03 feet, more or less, to a point on the South line of said section, said point lying South  $85^{\circ}22'57''$  East 692.99 feet from the South quarter corner of said section;

EXCEPT Government Lots 1 and 2;

EXCEPT ALSO that portion of the NE1/4SE1/4 of said section lying Southeasterly of the following described line:

BEGINNING at the East quarter corner of said section, said corner lying South  $1^{\circ}25'32''$  West 2613.63 feet, more or less, from the Northeast corner of said section; thence South  $28^{\circ}57'37''$  West 1442.66 feet, more or less, the mid-point of the South line of said subdivision, said mid-point lying North  $86^{\circ}12'25''$  West 667.49 feet, more or less, from the Southeast corner of said subdivision.

Section 31: NW1/4NE1/4, E1/2NW1/4 EXCEPT approximately 38.73 acres conveyed to the City of Tacoma by deed recorded under Auditor's File No. 707066 described as follows:

(1) that portion of the SE1/4NW1/4 of said section lying Southeasterly of the following described line:

BEGINNING at the Southwest corner of said subdivision; thence North 46<sup>0</sup>17'26" East 927.92 feet; thence North 22<sup>0</sup>40'37" East 702.33 feet, more or less, to a point on the North line of said subdivision, said point lying North 88<sup>0</sup>22'25" West 400.00 feet from the Northeast corner of said subdivision.

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(2) that portion of the NE1/4NW1/4 of said section described as follows:

BEGINNING at the Southeast corner of said subdivision; thence North 88<sup>0</sup>22'25" West 400.00 feet along the South line of said subdivision; thence North 0<sup>0</sup>36'52" East 654.67 feet; thence South 57<sup>0</sup>08'03" East 472.87 feet, more or less, to a point on the East line of said subdivision, said point lying North 0<sup>0</sup>36'43" East 409.39 feet from the Southeast corner of said subdivision, thence South 0<sup>0</sup>36'43" West 409.39 feet along the East line of said subdivision to the Southeast corner of said subdivision.

(3) Those portions of the NW1/4NE1/4 of said section described as follows:

BEGINNING at the Southwest corner of said subdivision; thence North 0<sup>0</sup>36'43" East along the West line of said subdivision 409.39 feet; thence South 57<sup>0</sup>08'03" East 781.10 feet, more or less, to the mid-point of the South line of said subdivision; thence North 88<sup>0</sup>44'26" West along the South line of said subdivision 660.61 feet, more or less, to the Southwest corner of said subdivision.

(4) That portion of said subdivision lying Easterly of a line projected from the Northeast corner of said subdivision South 27<sup>0</sup>47'59" West 729.92 feet; thence South 0<sup>0</sup>53'39" West 653.02 feet, more or less, to the mid-point of the South line of the Southeast quarter of said NW1/4NE1/4, said mid-point lying North 88<sup>0</sup>44'26" West 330.30 feet, more or less, from the Southeast corner of the NW1/4NE1/4.

Township 12 North, Range 6 East, W.M.

Section 1: All

Section 3: All, TOGETHER WITH an easement for ingress and egress over a 50 foot wide strip as described in instrument recorded November 23, 1964 under Auditor's File No. 672210

Section 5: Government Lots 1, 2, 3, 4, SE1/4NE1/4, N1/2SW1/4NE1/4, S1/2NW1/4, W1/2SW1/4, W1/2NE1/4SW1/4, NE1/4NE1/4SW1/4

Section 10: NE1/4NE1/4 and that portion of the NW1/4NW1/4 described as follows:

BEGINNING at the Northeast corner of a tract conveyed to Lewis County by deed recorded March 26, 1938 under Auditor's File No. 314452; thence North 47<sup>0</sup>32'30" West along the Northerly line of said tract 285 feet; thence North 337 feet; thence East 209 feet to the East line of said NW1/4NW1/4; thence North along said East line 104.5 feet to the True Point of Beginning; thence continuing North along said East line 360 feet, more or less, to the North line of said subdivision; thence West along said North line 209 feet; thence South parallel with the East line of said subdivision to a point West of the True Point of Beginning; thence East to the True Point of Beginning.

Section 11: N1/2

Township 12 North, Range 7 East, W.M.

Section 27: SW1/4NE1/4NE1/4, SE1/4NE1/4

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Township 13 North, Range 4 East, W.M.

Section 35: That portion of the NE1/4NE1/4 lying Northerly of State Route No. 7, as recorded under Auditor's File No. 789588; ALSO that portion of the N1/2SW1/4NE1/4, NE1/4NW1/4, S1/2NW1/4 and SW1/4 lying Westerly of State Route 7, as recorded under Auditor's File No. 789588; ALSO the West 30 feet of NE1/4SE1/4, N1/2SE1/4SE1/4, SE1/4SE1/4SE1/4 and the West 30 feet of SW1/4SE1/4SE1/4 EXCEPT Klasey Road

Township 13 North, Range 5 East, W.M.

Section 3: All

Section 7: W1/2, NE1/4, that portion of the SE1/4 lying Northerly of State Route 7

Section 8: That portion of the NW1/4SW1/4 lying Northwesterly of Highway No. 7

Section 9: All

Section 17: S1/2, S1/2NW1/4, NE1/4

Section 29: S1/2, NE1/4

Section 31: All, TOGETHER WITH an easement for ingress and egress over those 60 foot wide strips as described in instrument recorded July 11, 1989 under Auditor's File No. 8905781

Section 32: NE1/4

Section 33: All

Section 34: S1/2NW1/4, N1/2SW1/4, NW1/4SE1/4

Section 35: S1/2, S1/2N1/2, NE1/4NE1/4

Township 14 North, Range 6 East, W.M.

Section 1: NE1/4SW1/4, SE1/4

Township 14 North, Range 7 East, W.M.

Section 6: Government Lot 8

Township 15 North, Range 7 East, W.M.

Section 33: Those portions of the SW1/4NW1/4, SW1/4, S1/2SE1/4 lying Southerly of the Nisqually River

**Pierce County**

Township 15 North, Range 6 East, W.M.

Section 25: N1/2N1/2 and that portion of the SW1/4NW1/4 lying Northerly of the North line of Mt. Tacoma Canyon Road; ALSO part of the E1/2W1/2SE1/4NE1/4 as conveyed by Bargain and Sale Deed recorded under Auditor's File No. 2060187 described as follows:

BEGINNING at a point on the North line of the Mountain Road, 738 feet West of the East line of said Section 25; thence West 252 feet; Thence North Parallel with the East line of said Section 25 to the North line of the SE1/4NE1/4; thence East 330 feet; Thence South to a point 220 feet North and 78 feet East of the Point of Beginning; thence West 78 feet; thence South 220 feet to the point of beginning;

EXCEPT that portion conveyed to the State of Washington by Quit Claim Deed recorded under Recording No. 9604120400.

Township 15 North, Range 7 East, W.M.

Section 35: Parts of NE1/4SW1/4, S1/2SE1/4, lying Northerly of the Nisqually River

**EXISTING INDEBTEDNESS, LIENS AND NEGATIVE PLEDGES**

| INDEBTEDNESS                                                     |    | Principal Amt Owed<br>@ March 27, 2001 |
|------------------------------------------------------------------|----|----------------------------------------|
| <b>DEBTHOLDER</b>                                                |    |                                        |
| JOHN HANCOCK LIFE INSURANCE CO.                                  | \$ | 12,864,764                             |
| JOHN HANCOCK LIFE INSURANCE CO. (anticipated to fund by 3/30/01) | \$ | 30,000,000                             |
| <b>LOCAL IMPROVEMENT DISTRICT (LID) OBLIGATIONS:</b>             |    |                                        |
| GIG HARBOR                                                       |    | 114,280                                |
| EVERETT                                                          |    | 44,970                                 |
| SEABECK                                                          |    | 35,176                                 |

**LETTERS OF CREDIT**

| ISSUED BY       | BENEFICIARY                                       | AMOUNT |
|-----------------|---------------------------------------------------|--------|
| BANK OF AMERICA | CANADIAN INTERNATIONAL DEVELOPMENT AGENCY (CIDA ) | C\$    |



## LEASE AND SURFACE MINING BONDS

| BOND#            | TYPE OF BOND   | PURPOSE           | NAME                     | PERMIT #  | LEASE #    | Prem. Renewal Date | BOND \$       |
|------------------|----------------|-------------------|--------------------------|-----------|------------|--------------------|---------------|
| 1675838          | SURFACE MINING |                   | CHAMBERS<br>CONSTRUCTION |           |            | 06/28/2001         | 5,000         |
| 1566868          | SURFACE MINING |                   | BEAVER VALLEY            | 70-012769 |            | 01/11/2002         | 8,000         |
| 1673713          | SURFACE MINING |                   | BEAVER VALLEY            | 1106      |            | 02/27/2002         | 36,000        |
| 1673712          | LEASE BOND     | FOR TIDE<br>LANDS | LUDLOW MARINA            |           | 320-012407 | 02/01/2002         | 16,000        |
| <b>SUB TOTAL</b> |                |                   |                          |           |            |                    | <b>65,000</b> |

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## CONSTRUCTION BONDS

| BOND#              | TYPE OF BOND           | PURPOSE                                            | NAME                           | PERMIT # | LEASE # | Prem. Renewal Date | BOND \$        |
|--------------------|------------------------|----------------------------------------------------|--------------------------------|----------|---------|--------------------|----------------|
| 1675832            | PERFORMANCE            | CONTRACTOR<br>SURETY                               | STATE OF WA                    |          |         | 06/01/2001         | 6,000          |
| 191573S            | PERFORMANCE            | SUBDIVISION<br>IMPROVEMENTS                        | SEABECK<br>HEIGHTS             |          |         | 06/13/2001         | 37,746         |
| 1564984            | LICENSE/PERMIT         | SEABECK<br>HEIGHTS                                 |                                |          |         | 09/17/2001         | 2,500          |
| 1719235            | PERFORMANCE            | MURRELET<br>SURVEYS                                | CITY OF<br>MONTESANO           |          |         | 03/07/2001         | 1,000          |
| 1836606            | PERFORMANCE            | DNR CONTRACT                                       | WA ST DNR                      |          |         | 08/08/2001         | 5,094          |
| 1837343            | Permit Bond — Aberdeen | Road Construction                                  | WA St DOT                      |          |         | 10/05/2000         | 2,500          |
| 1721597            | Performance Bond       | Sewer Line Borgen<br>Blvd.                         | City of Gig Harbor             |          |         | 07/26/2000         | 39,306         |
| 1838144            | Performance Bond       | Street, Storm, Swr,<br>Wtr, & Signs                | Timberton Village<br>Phase III |          |         | 01/23/2002         | 90,800         |
| 1839742            | Maintenance Bond       | Completed Work                                     | City of Gig Harbor             |          |         | 02/22/2002         | 5,783          |
| CK#0500130666      | Performance Bond       | Cashiers Ck in Leu of<br>Sewer work<br>performance | City of Gig Harbor             |          |         | N/A Issued 02/28   | 750            |
| <b>SUB TOTAL</b>   |                        |                                                    |                                |          |         |                    | <b>191,479</b> |
| <b>TOTAL BONDS</b> |                        |                                                    |                                |          |         |                    | <b>256,479</b> |

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NOTARY BONDS  
As of 02/28/01

| BOND#            | ASSIGNEE           | EXPIRATION DATE | BOND \$        |
|------------------|--------------------|-----------------|----------------|
| 5851095          | Mary Corbett       | 02/27/2004      | 10,000         |
| 5863199          | Cynde Mayson       | 04/01/2004      | 10,000         |
| 5863209          | Michelle Wilcox    | 04/04/2004      | 10,000         |
| 5904342          | Pam Grove          | 05/07/2001      | 10,000         |
| 5930195          | Fay Schultz        | 01/23/2002      | 10,000         |
| 5930280          | Wendy Battaglino   | 04/09/2002      | 10,000         |
| 5930281          | Craig Jones        | 04/10/2002      | 10,000         |
| 5939523          | Michael Morgan     | 06/04/2002      | 10,000         |
| 5939542          | Dani Aldana        | 06/23/2002      | 10,000         |
| 5939590          | Miriam Villiard    | 08/21/2002      | 10,000         |
| 593596           | Jacqueline McClurg | 09/14/2002      | 10,000         |
| 5812134          | Penny Henderson    | 02/05/2003      | 10,000         |
| 6055822          | D. Susan Schroader | 08/01/2004      | 10,000         |
| 6103299          | Ember Krumwied     | 01/24/2005      | 10,000         |
| <b>SUB TOTAL</b> |                    |                 | <b>140,000</b> |

NON EMPLOYEE

|                  |                |            |         |
|------------------|----------------|------------|---------|
| *5897967         | Gwynne Bennett | 03/01/2001 | 10,000  |
| *5904342         | Pam Grove      | 05/07/2001 | 10,000  |
| *5915444         | Noreen James   | 10/01/2001 | 10,000  |
| <b>SUB TOTAL</b> |                |            | 30,000  |
| <b>TOTAL ORM</b> |                |            | 140,000 |
| <b>TOTAL ALL</b> |                |            | 170,000 |

\* Per PS&F these people are no longer our employees, therefore there is no liability to us.

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Letters of Credit

As of 02/28/01

| Letter # | Issued By       | Expiration Date  | Amount     | Project | Purpose                                              |
|----------|-----------------|------------------|------------|---------|------------------------------------------------------|
| 3020784  | Bank of America | December 2, 2002 | 113,760.00 | CIDA    | Canadian Government<br>- Contract <b>Canadian \$</b> |

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**SCHEDULE 9.02**

**NOTICE ADDRESSES AND LENDING OFFICE**

**BORROWER**

Pope Resources, A Delaware Limited Partnership  
P.O. Box 1780  
19245 10<sup>th</sup> Avenue N.E.  
Poulsbo, Washington 98370  
Attn: Chief Financial Officer  
Telephone: 360-697-6626  
Facsimile: 360-697-1156  
Electronic Mail: tomringo@orminc.com

With a copy to: Greg F. Adams  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, Washington 98101-1688

**LENDER**

Lending Office for Extensions of Credit and Payments:

**BANK OF AMERICA, N.A.**  
CLSC—Seattle Admin #94680  
P.O. Box 84448  
Seattle, Washington 98124  
Attn: Sharolynn K. Abbott  
Telephone: 206-358-8549  
Facsimile: 206-358-5614  
Electronic Mail: sharolynn.k.abbott@bankofamerica.com  
Account No. 7036787029  
Ref: Pope Resources  
ABA# 125000024

Notices (other than Requests for Extensions of Credit):

**BANK OF AMERICA, N.A.**  
800 Fifth Avenue, Floor 35  
Mail Code: WA1-501-35-01  
Seattle, Washington 98104  
Attn: John N. Austenson  
Telephone: 206-358-3986  
Facsimile: 206-358-3971  
Electronic mail: john.n.austenson@bankofamerica.com



## PROMISSORY NOTE

\$27,000,000

March 27, 2001

FOR VALUE RECEIVED, the undersigned (the "Borrower"), hereby promises to pay to the order of BANK OF AMERICA, N.A. ("Lender"), on the Maturity Date (as defined in the Credit Agreement referred to below) the principal amount of Twenty Seven Million Dollars (\$27,000,000), or such lesser principal amount of Loans (as defined in the Credit Agreement referred to below) payable by Borrower to Lender on such Maturity Date under that certain Credit Agreement dated as of March 27, 2001 between Borrower and Lender (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Agreement;" the terms defined therein being used herein as therein defined).

Borrower promises to pay interest on the unpaid principal amount of each Loan from the date of such Loan until such principal amount is paid in full, at such interest rates, and payable at such times as are specified in the Agreement. All payments of principal and interest shall be made to Lender in United States Dollars in immediately available funds at Lender's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Agreement.

This Note is the "Note" referred to in the Agreement. Reference is hereby made to the Agreement for rights and obligations of payment and prepayment, events of default and the right of Lender to accelerate the maturity hereof upon the occurrence of such events. Loans made by Lender shall be evidenced by one or more loan accounts or records maintained by Lender in the ordinary course of business. Lender may also attach schedules to this Note and endorse thereon the date, amount and maturity of its Loans and payments with respect thereto.

Borrower, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Note.

Borrower agrees to pay all collection expenses, court costs and Attorney Costs (whether or not litigation is commenced) which may be incurred by Lender in connection with the collection or enforcement of this Note.

**THIS NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF WASHINGTON. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, TO EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.**

**POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP**

By: POPE MGP, INC., a Delaware corporation, as Managing General Partner

By: /s/ Thomas M. Ringo  
Its: Vice President and CFO

**LOANS AND PAYMENTS WITH RESPECT THERETO**

| <u>Date</u> | <u>Type of Loan Made</u> | <u>Amount of Loan Made</u> | <u>End of Interest Period</u> | <u>Amount of Principal or Interest Paid This Date</u> | <u>Outstanding Principal Balance This Date</u> | <u>Notation Made By</u> |
|-------------|--------------------------|----------------------------|-------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------------|
|-------------|--------------------------|----------------------------|-------------------------------|-------------------------------------------------------|------------------------------------------------|-------------------------|

## REAL ESTATE PURCHASE AND SALE AGREEMENT

THIS REAL ESTATE PURCHASE AND SALE AGREEMENT (this "Agreement") is made and entered into as of this 20th day of November 2001, by and between POPE RESOURCES, a Delaware limited partnership ("Seller"), and WEYERHAEUSER COMPANY, a Washington corporation ("Buyer").

## RECITALS

A. Seller is the owner of that certain real property situated in Clark and Cowlitz Counties, Washington, consisting of approximately 3,750 acres of timberland, legally described on Exhibits A-1 and A-2 attached hereto (collectively Exhibit A) and incorporated herein by reference, together with all appurtenances, rights, privileges and easements thereunto belonging, and all improvements, timber, sand, rock, gravel and minerals therein or thereon (collectively, "Property"). The Property except the timber located therein or thereon is referred to herein as the "Land." The timber located within the boundaries of the Land is referred to herein as the "Timber." The Land and Timber together comprise the Property.

B. Buyer desires to acquire the Property from Seller and Seller desires to sell and convey the Property to Buyer on the terms and conditions herein contained.

## AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements of the parties herein contained, the parties agree as follows:

1. **Property.** Upon the terms and conditions hereinafter set forth, Seller agrees to convey to Buyer, and Buyer agrees to acquire and take from Seller, the Property. Buyer shall have the right to allocate the Timber and Land to itself and a subsidiary as separate Grantees, provided, however, that Buyer shall pay any increase in title insurance premiums attributable to such separate allocation.

2. **Purchase Price.** The "Purchase Price" to be paid by Buyer for the Property is Five Million Three Hundred Thousand and NO/100 Dollars (\$5,300,000.00). The Purchase Price will be deposited with Closing Agent (defined below) no later than the date required for Closing as hereinafter in Section 5 specified. Total purchase price shall be allocated between the Timber and Land as follows:

|        | Clark County | Cowlitz County  | Total           |
|--------|--------------|-----------------|-----------------|
| Timber | \$           | 4,000,000.00    | \$ 4,000,000.00 |
| Land   | \$ 80,000.00 | \$ 1,220,000.00 | \$ 1,300,000.00 |
| Total  | \$ 80,000.00 | \$ 5,220,000.00 | \$ 5,300,000.00 |

3. **Title to be Conveyed.** Seller represents to Buyer that Seller acquired title to the Property in October 2001 by one or more Special Warranty Deeds. Seller shall convey: (1) the Land to Buyer by Special Warranty Deeds in the form of Exhibit B attached hereto, and (2) the Timber to Buyer's affiliate and designee, Weyerhaeuser Raw Materials, Inc., a Delaware corporation, by Special Warranty Timber Deeds in the form of Exhibit C attached hereto

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(collectively, the "Deeds"); indefeasible title in fee simple to the Property, subject only to the Permitted Exceptions (defined below); provided, however, that Seller further warrants that the Property will be free and clear of any encumbrances or defects arising by, through or under Seller from the date of this Agreement to the date of Closing. On Closing, Seller also will assign to Buyer and Buyer will assume from Seller all of Seller's right, title, and interest in and to any leases, contracts, and permits relating to the Property, provided that such leases, contracts, and permits are disclosed to and approved by Buyer prior to Closing.

On Closing, Seller shall convey title subject to no interest, defect, restriction, encumbrance, contract, reservation, lien, exception or claim except (i) those set forth as Special Exceptions in the commitments for title insurance attached hereto as Exhibit D and incorporated herein by reference (the "Commitments"); (ii) rights reserved in federal patents or state deeds; (iii) temporary (i.e., for term less than one year) nonexclusive rights-of-way not inconsistent with the use of the Property for commercial forestland; (iv) building, use, zoning, environmental or protected species regulations or restrictions general to the district; (v) real estate taxes and assessments not yet due and payable, (vi) the general or standard printed exceptions contained in the owner's standard coverage policy of title insurance to be issued pursuant to the Commitments, and (vii) other matters against which no warranty is expressly given under the Deeds (collectively, the "Permitted Exceptions"). Seller hereby warrants to Buyer that it owns the Property in fee simple, free and clear of any and all claims, liens and encumbrances whatsoever, except the Permitted Exceptions. At Closing Seller shall assign, convey and warrant to Buyer all right, title and interest in, to and under the rights of ways and easements identified on the attached Exhibit E, free of any defects, liens and encumbrances except the Permitted Exceptions, in the form of the Assignment and Assumption Agreement (Access Rights and Easements) attached hereto as Exhibit F.

4. **Title Insurance.** The Commitments attached hereto as Exhibit D comprise the following preliminary commitments for an owner's standard coverage title insurance policy covering the Property:

| COUNTY  | TITLE COMPANY | COMMITMENT # |
|---------|---------------|--------------|
| Clark   | Commonwealth  | 00075584     |
| Cowlitz | Land America  | 128171       |

Buyer acknowledges receipt of copies of all special exceptions set forth in the Commitments. Buyer shall have 15 days from the date of this Agreement to disapprove any special exceptions shown in the Commitments by written notice to Seller. Special exceptions not objected to by the end of the 15 day period are deemed Permitted Exceptions. If any supplements to the Commitments are issued after the date of this Agreement, Buyer shall have five (5) business days after receipt of such Commitment supplement to notify Seller of its disapproval of any special exception(s) shown in such supplement that are not included in the Permitted Exceptions, and any such special exception(s), not disapproved by notice to Seller within such time period shall be deemed to be Permitted Exceptions. Neither Seller nor Buyer shall be required to close and this Agreement shall terminate if any such disapproved special exception(s), whether in the original or Commitment supplement, cannot be or is not removed by the date required for Closing; provided, however, that Buyer may elect to waive its objection to such disapproved exception(s) and close on the remaining terms; provided that Buyer may also elect to terminate this Agreement as to only the parcel or parcels that are subject to such disapproved special exception(s), and close as to the remaining parcel(s), so long as the parties can agree on the appropriate reduction in the Purchase Price on or before December 7, 2001.

Notwithstanding the foregoing, Seller shall remove on or before Closing all monetary liens attaching by, through or under Seller (except non-delinquent road, utility or similar assessments listed in any Commitment which are payable on an installment basis and which Buyer shall assume for the period from and after Closing). Exceptions to be discharged by Seller may be paid out of the Purchase Price at Closing.

As soon as available after Closing, Seller will provide to Buyer a standard coverage owner's policy of title insurance pursuant to the Commitments, dated as of the Closing date and insuring Buyer in the amount of the Purchase Price against loss or damage by reason of any defect in Buyer's title to the Property, subject only to the printed exclusions and general or standard printed exceptions appearing in the policy form and the Permitted Exceptions.

5. **Closing Date.** The transaction provided for by this Agreement shall be closed as provided herein not later than November 29, 2001.

6. **Closing Agent.** The closing for this transaction ("Closing") shall occur at the office of Transnation Title Insurance Company, Seattle, Washington (the "Closing Agent"). The Closing Agent's Escrow Number for this Closing is 669475 SP. As used herein, "Closing" means the date on which all appropriate documents necessary to close this transaction are recorded and funds necessary to close this transaction are paid.

7. **Costs of Closing.** Each party shall pay one-half of all escrow fees. At Closing, Seller shall pay the cost of the owner's standard coverage title insurance policy to be issued to Buyer in the aggregate amount of the Purchase Price and real estate excise taxes due on the transfer of the Property. Real property taxes and assessments for the calendar year in which Closing occurs and utilities constituting liens shall be prorated between the parties as of the date of Closing. At Closing, Buyer shall pay all recording fees and assume any real estate taxes and assessments with respect to any future calendar years.

If Buyer's acquisition of the Property results in a change in the forest, open space, timberland or similar non-ad valorem tax classification or designation applicable to the Property, Buyer shall pay at Closing any compensating tax and related interest and penalties resulting from such change in classification or designation, and indemnify Seller from such costs. Buyer shall be solely responsible for the payment of any taxes which may accrue at Closing or anytime thereafter by reason of any change in the zoning, land use classification or other tax classification of the Property; provided, however, that if any change in the tax classification or designation applicable to the Property or any portion thereof changes prior to, at or after Closing due to any deliberate act of Seller or due to the failure of Seller to cooperate with Buyer in Buyer's preparation and submittal prior to Closing of a timber management plan and notice of continuance acceptable to the applicable governmental authority, then Seller shall be solely responsible for payment of any compensating tax and related interest and penalties resulting therefrom, and Seller shall indemnify Buyer from such costs. The parties recognize that Buyer wishes to request a continuance of the forest or timberland tax classification or designation of the Property; if required in order to obtain such continuance prior to the required Closing date, the parties will sign and submit the real estate excise tax affidavits containing such request to the applicable county assessor's office in advance of the date of Closing. Seller agrees to cooperate with Buyer and sign the applicable real estate excise tax affidavits for the transaction prior to Closing as reasonably requested by Buyer in order to have Buyer's continuance request approved in time for Closing.

8. **Risk of Loss.** Risk of loss or damage by fire or other casualty shall be borne by Seller until the Closing occurs. Thereafter, Buyer shall bear the risk of loss on the Property. In the event of a casualty resulting in material loss of or damage to the Property prior to the Closing date, Buyer may terminate this Agreement by giving notice of such termination to Seller prior to

November 29, 2001, and in the event no such notice is given, Buyer shall accept the Property subject to such damage and close, without reduction in the Purchase Price; provided that Buyer may also elect to terminate this Agreement as to only the parcel or parcels that have been damaged by such casualty, and close as to the remaining parcel(s), so long as the parties can agree on the appropriate reduction in the Purchase Price on or before November 29, 2001.

If any material part of the Property is or becomes the subject of a condemnation proceeding prior to Closing, Buyer may, at its option, terminate this Agreement by giving notice of such termination to Seller prior to November 29, 2001; provided, however, that Buyer may elect to purchase the Property (or such portions thereof as have not been taken in the condemnation proceeding), in which case Buyer shall receive a cash payment at Closing equal to the total of any condemnation award received by or payable to Seller. Neither party is aware of any threatened or pending eminent domain proceeding affecting the Property or any portion thereof.

Each party agrees to notify the other of any casualty or eminent domain proceedings affecting the Property immediately after learning thereof.

9. **Limitation On Warranties.** All representations, warranties, covenants, agreements and indemnities made by Buyer or Seller in this Agreement, but excluding those made in the Deeds and Assignment and Assumption Agreements, shall expire and be null and void two (2) years after the date of Closing. Neither party shall be liable after Closing in money damages to the other party for any breach of any representation, warranty, covenant, agreement, or indemnity made herein except to the extent that the other party is suffers actual damages in excess of Twenty-five Thousand Dollars (US\$25,000.00) proximately caused by such breach.

Buyer accepts the Property "as is," subject only to the warranties included in the Deeds and Assignment and Assumption Agreements and such representations and warranties as are expressly set forth in this Agreement. Buyer expressly agrees that Seller makes no representations or warranties whatsoever concerning the release or existence of Hazardous Substances on the Property; provided, however, that Seller represents and warrants to Buyer that Seller has not, during its ownership of the Property, disposed of any Hazardous Substances into or onto the soils or waters of the Property, and that it has no actual current knowledge of any third party disposing of Hazardous Substances into or onto the soils or waters of the Property either before or during Seller's ownership or possession of the Property. As used in this Agreement, "actual knowledge" and "actual current knowledge" mean the actual current knowledge of Bill Mackelwich, Seller's Southwest Washington Area Manager, and John Shea, Seller's Director of Acquisitions. Representations and warranties made in this Agreement to the actual current knowledge of the maker are not intended to imply that the maker of the representation and warranty has investigated the matter, and neither party shall have any obligation to investigate the matters to which they give any representation and warranty to their actual current knowledge. As used in this Agreement, the term "Hazardous Substances" means any substance, waste or material defined or designated as hazardous, toxic or dangerous by the Comprehensive Environmental Response, Compensation and Liability Act, the Washington Model Toxic Control Act, or other applicable state or federal law.

Except as otherwise expressly set forth in this Agreement or as are contained in the Deeds or Assignment and Assumption Agreements, Seller makes no representations or warranties whatsoever with respect to the condition of the Property or the suitability of the Property for any use whatsoever or with respect to any permits or any environmental, building, land use, zoning or fire laws or regulations or compliance therewith or with respect to the existence of any protected species (or nests of protected species) on or near its property or compliance with any regulations pertaining thereto or the availability or existence of any access, water, sewer or utility rights.

To the best of Seller's actual current knowledge, the Property (i) is in full compliance in every respect with the Washington Forest Practices Act and will be in such compliance as of the Closing date, subject to those matters described on Exhibit G hereto, and (ii) is not subject to any encroachments, adverse possession rights or claim, leases, timber contracts, stumpage contracts, logging contracts, tenancies or rights of persons in possession, except as may be specifically identified in the special exceptions contained in the Commitment attached as Exhibit D and additional items from Seller's files detailed on Exhibit G, (iii) neither the entering into of this Agreement nor the consummation of the transaction contemplated hereby will constitute or result in a violation or breach by Seller of any judgment, order, writ, injunction or decree issued against or imposed upon Seller or the Property, (iv) there is no action, suit, proceeding or investigation pending or threatened before any agency, court or other governmental authority which relates to the Property or the use thereof except as set forth on the attached Exhibit G, (v) there are no violations of law existing or claimed with respect to the Property or any activity thereon, (vi) none of the Property is within or subject to a Habitat Conservation Plan, or subject to any Forest Practice Application(s) or timber harvest permit(s), except Forest Practice Application No. 2903532, a copy of which is available for review at Seller's office in Chehalis, Washington. Buyer hereby approves the contracts, leases, permits, adverse claims, and other matters described on Exhibit G hereto.

Seller warrants that it is not a "foreign person" for purposes of Section 1445 of the Internal Revenue Code. At Closing, Seller shall execute and deliver to Closing Agent an affidavit in order to meet the Foreign Investment and Real Property Tax Act requirement of Section 1445 of the Code.

Except for any representations and warranties expressly contained herein and/or any warranties contained in the Deeds or Assignment and Assumption Agreement, Buyer assumes the responsibility and risks of all defects to and conditions in the Property, including such defects and conditions, if any, that cannot be observed by inspection; provided, however, that Buyer does not waive any claims against any third party with respect to liability for any Hazardous Substances located in, on or under the Property. Buyer acknowledges that it has had the opportunity to inspect the Property and will be relying entirely thereon except as otherwise provided herein.

Effective at the Closing, Buyer waives, releases, acquits, and forever discharges Seller of and from any and all claims, actions, demands, rights, damages, costs of response or remedial action, or expenses whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, including claims of third parties, that now exist or that may arise in the future on account of or in connection with the condition of the Property, including without limitation any surface or subsurface contamination and claims for statutory or contractual right of contribution under any state or federal Hazardous Substance law or regulation and defects and conditions, if any, that cannot be observed by casual inspection. Buyer assumes the risk of all defects and conditions of the Property. Buyer acknowledges that it has had the opportunity to inspect the Property and is relying entirely thereon and on any consultants that buyer has retained.

Notwithstanding the foregoing, the releases and waivers given by Buyer to Seller under this Section 9 shall not apply to (a) the material breach by Seller of any covenant, representation, or warranty under this Agreement, and (b) any material defect in the condition of the Property arising after October 1, 2001, of which Seller had actual knowledge, Buyer had no actual knowledge, and Seller failed to disclose such defect to Buyer prior to Closing.

**10. Possession.** Seller shall deliver possession of the Property to Buyer on the date of Closing, subject to no tenancies whatsoever except as may be Permitted Exceptions and as may be disclosed on Exhibit G hereto.

**11. Section 1031 Exchange; No Assignment.** Either party hereto may assign its rights hereunder (or its rights hereunder as to any portion of the Property) to an exchange intermediary for the purpose of such party's participating in an Internal Revenue Code Section 1031 like-kind exchange. Each party agrees to cooperate with the other party if it elects to assign its rights hereunder (or portion of such rights) to an exchange intermediary for purposes of closing this transaction as part of an Internal Revenue Code Section 1031 like-kind exchange; provided that in connection with any such assignment or exchange, the cooperating party shall not be obligated to accept title to or convey any property other than the Property or incur any liability or financial obligation in excess of those it would incur if this transaction closed as a sale, nor shall the closing of this transaction be delayed beyond the date specified in Section 5 hereof on account of either party's participating in a like-kind exchange. Except as expressly provided above with respect to any assignment to an exchange intermediary, this Agreement shall not be assigned without the prior written consent of the other party, which may be withheld in such party's sole discretion.

**12. Miscellaneous.**

**12.1 Authority.** Each party represents and warrants to the other party hereto that at the date of execution hereof and at the date of the Closing, persons signing on behalf of such party have full power and authority to execute this Agreement and to perform such party's obligations under this Agreement and all agreements contemplated hereby. If the party or the person executing this Agreement for such party is a corporation or partnership, all necessary corporate or partnership actions to authorize the consummation of the transactions contemplated by this Agreement have been taken.

**12.2 Survival of Warranties.** All representations, warranties, covenants, agreements and indemnities set forth in or otherwise made pursuant to this Agreement shall survive and remain in effect for a period of two (2) years following the close of any escrow and the delivery and recording of the Deeds, and shall not be merged therein.

**12.3 Attorneys' Fees.** Should any legal action or proceeding be commenced by either party in order to enforce this Agreement or any provision hereof, or in connection with any alleged dispute, breach, default or misrepresentation in connection with any provision herein contained, or in any bankruptcy proceeding to obtain relief from stay or take other action to protect or enforce its rights and remedies hereunder, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs incurred in connection with such action or proceeding, including costs of pursuing or defending any legal action, discovery or negotiation and preparation of settlement arrangements, in addition to such other relief as may be granted.

**12.4 Notices.** Any request, notice or other communication to be given hereunder shall be in writing and transmitted by facsimile or delivered personally or by messenger or private mail courier service, or sent by registered or certified mail, return receipt requested, postage prepaid, as follows:

|                       |                                                                                                                       |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------|
| If to Pope Resources: | Olympic Resource Management<br>Attn: John Shea<br>19245 Tenth Avenue NE<br>Poulsbo, WA 98370<br>FAX No.: 360 697-1156 |
|-----------------------|-----------------------------------------------------------------------------------------------------------------------|

With a Copy to: Marco de Sa e Silva  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, WA 98101  
FAX No.: 206 628-7699

If to Weyerhaeuser: Weyerhaeuser Company  
16703 SE McGillivray Blvd., Suite 120  
Vancouver, WA 98683-3418  
Attn: Larry Johnson  
FAX No.: 360 891-3388

With a Copy to: Weyerhaeuser Company  
Law Department CH1J28  
PO Box 9777  
Federal Way WA 98063-9777  
Attn: David A. Young  
FAX No.: 253 924-3253

All notices shall be deemed effective upon receipt if delivered by machine-confirmed facsimile, personally or by messenger or private mail courier, otherwise on the earlier of actual receipt or the third (3rd) business day after deposit in the U.S. Mail in accordance with the above requirements. A party may change its address for purposes of receiving notice by giving at least ten days written notice to the other party.

**12.5 Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which counterparts together shall constitute the same instrument which may be sufficiently evidenced by one counterpart with signature pages bearing all signatures attached. Execution of this Agreement at different times and places by the parties shall not affect the validity thereof, so long as all the parties hereto execute a counterpart of this Agreement.

**12.6 Entire Agreement; Additional Documents.** This Agreement constitutes the entire agreement and understanding of the parties with respect to the subject matter, and supersedes all prior negotiations and representations. This Agreement may not be modified except in writing signed by the parties. The parties hereto agree to execute any additional documents reasonably necessary to effectuate the provisions and purposes of this Agreement.

**12.7 Time.** Time is of the essence of each and every provision hereof.

**12.8 Default.** In the event of default hereunder by a party, the other party may seek specific performance of this Agreement and/or damages.

**12.9 Commissions.** Each of the parties represents and warrants to the other that it has engaged no broker or agent in connection with the negotiations leading to this Agreement. Any party who has engaged any such broker or agent shall indemnify the other party against and hold it harmless from any and all loss, damage, liability, cost or expense, including attorneys' fees, suffered or incurred by it arising out of or relating to any claim for real estate commission or fee made by any such real estate agent or broker.

**12.10 No Agency.** The parties agree that no agency, partnership or joint venture of any kind shall be or is intended to be created by or under this Agreement.

**12.11 Exhibits.** All exhibits to which reference is made herein are deemed incorporated in this Agreement in their entirety.

**12.12 Recordation.** Neither this Agreement nor any reference to this Agreement or any of the parties' rights herein shall be recorded prior to Closing.

**12.13 Governing Law.** This Agreement shall be governed by the laws of the State of Washington.

**12.14 Successors and Assigns.** Subject to the provisions of Section 11 hereof, this Agreement shall inure to the benefit of, and shall be binding upon, the parties hereto and their respective successors and assigns.

**12.15 Section Headings.** The section headings inserted in this Agreement are for convenience only and are not intended to, and shall not be construed to, limit, enlarge or affect the scope or intent of this Agreement nor the meaning of any provisions hereof.

**12.16 Continuing Forest Land Obligations.**

Buyer acknowledges that the Property is subject to certain forest land obligations applicable to the Property under the forest practices rules adopted pursuant to RCW 76.09.370, and listed on the notice attached hereto as Exhibit H (the "Continuing Obligations"). At or before Closing, Buyer agrees to sign and deliver to Seller the original of the notice attached hereto as Exhibit H or such other notice that indicates the Buyer's knowledge of the Continuing Obligations as may be required by the Washington Department of Natural Resources ("DNR") at the time of Closing. At Closing, Seller shall send the executed notice to DNR in accordance with the requirements of RCW 76.09.390. As of Closing, Buyer assumes and agrees to perform the Continuing Obligations at Buyer's sole cost and expense in a timely fashion, and to indemnify, defend and hold Seller harmless from and against the Continuing Obligations and any claim, loss, damage, cost or expense resulting from Buyer's failure to fulfill and perform the same. Seller represents and warrants to Buyer that (i) to the best of



Seller's knowledge, there are no forest land obligations applicable to the Property other than the Continuing Obligations listed on Exhibit H and the lack of a road maintenance plan for the Property, which ultimately may be required under the Washington Forest Practices Act, and (ii) Seller has not breached any forest land obligations pertaining to the Property and there are no forest land obligations pertaining to the Property that are required to be performed prior to Closing that will remain unperformed as of Closing. Seller shall indemnify, defend and hold Buyer harmless from and against any breach of the foregoing representations and warranties and any claim, loss, damage, cost or expense resulting from Seller's failure to fulfill and perform any forest land obligations that are required to be performed prior to Closing. The provisions of the indemnities in this Section 12.16 shall survive the Closing.

IN WITNESS WHEREOF, Seller and Buyer have caused this Agreement to be executed. Each counterpart of this Agreement shall be considered to be an original counterpart without presentation of the others.

POPE RESOURCES, a Delaware limited partnership, by Pope MGP, Inc., a WEYERHAEUSER COMPANY  
Delaware corporation, its General Partner

By: /s/ David L. Nunes  
Its: President & COO

By: /s/ Richard E. Hanson  
Its: V-P

**EXHIBITS:**

- A-1 - Description of the Property (Clark County, Washington)
- A-2 - Description of the Property (Cowlitz County, Washington)
- B - Form of Special Warranty Deed
- C - Form of Special Warranty Timber Deed
- D - Commitments
- E - Description of Access Rights and Easements
- F - Form of Assignment and Assumption Agreement (Access Rights and Easements)
- G - Description of Contracts, Permits, and Adverse Claims
- H - Notice of Continuing Obligations

**EXHIBIT A-1**

**Description of the Property  
(Clark County, Washington)**

Township 5 North, Range 4 East of the Willamette Meridian  
Section 15: The West one-half of the Southwest one-quarter.  
END OF LEGAL DESCRIPTION FOR CLARK COUNTY

**EXHIBIT A-2**

**Description of the Property  
(Cowlitz County, Washington)**

Township 6 North, Range 1 East of the Willamette Meridian  
Section 5: The Southeast one-quarter of the Southwest one-quarter and the Southwest one-quarter of the Southeast one-quarter.

Township 6 North, Range 2 East of the Willamette Meridian  
Section 1: The Southwest one-quarter.  
Section 3: All.  
Section 5: All.  
Section 9: The Northwest one-quarter of the Northeast one-quarter and the Northeast one-quarter of the Northwest one-quarter.

Township 7 North, Range 3 East of the Willamette Meridian  
Section 21: The Southwest one-quarter of the Northeast one-quarter and the Southeast one-quarter of the Northwest one-quarter.  
Section 31: The South one-half of the Southeast one-quarter.

Township 8 North, Range 3 East of the Willamette Meridian  
Section 13: All.

**After Recording, Return to:**

Weyerhaeuser Company  
Law Department CH1J28  
P.O. Box 9777  
Federal Way, WA 98063-9777  
Attn: David A. Young

**EXHIBIT B**  
**Form of Special Warranty Deed**

**SPECIAL WARRANTY DEED**

**Grantor:** POPE RESOURCES, a Delaware limited partnership

**Grantee:** WEYERHAEUSER COMPANY, a Washington corporation

**Abbreviated Legal Description** (lot, block and plat name, or section-township-range):

o Additional legal description is on page \_\_\_\_\_ of document \_\_\_\_\_

**Assessor's Property Tax Parcel Account Number(s):**

**Reference Numbers of Documents Assigned or Released (if applicable):**

o Additional reference numbers on page \_\_\_\_\_ of document \_\_\_\_\_

**SPECIAL WARRANTY DEED**

POPE RESOURCES, a Delaware limited partnership, hereinafter called Grantor, for good and valuable consideration in hand paid, does hereby bargain, sell, and convey unto WEYERHAEUSER COMPANY, a Washington corporation, hereinafter called Grantee, all of Grantor's right, title, and interest in and to the land, fixtures, and improvements, excluding the timber located thereon, described on Schedule 1 attached hereto (the "Land"), situated in \_\_\_\_\_ County, Washington, subject to and together with all agreements, conditions, covenants, easements, encumbrances, limitations, restrictions, rights, servitudes, and other matters described on Schedule 2 attached hereto (the "Exceptions").

Grantor, for itself and for its successors in interest, does by these presents expressly limit the covenants of this deed to those here and expressed, excludes all covenants arising or to arise by statutory or other implication, and does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through, or under Grantor and not otherwise, Grantor will forever warrant and defend the said described Land, subject to the Exceptions.

IN WITNESS WHEREOF, the Grantor has executed this \_\_\_\_\_ day of \_\_\_\_\_, 2001.

POPE RESOURCES, a Delaware limited partnership, by Pope MGP, Inc., a Delaware corporation, its General Partner

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KITSAP )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared \_\_\_\_\_, to me known to be the \_\_\_\_\_ of Pope MGP, Inc., a Delaware corporation, which is known to me to be the General Partner of POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, the partnership that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

WITNESS MY HAND AND OFFICIAL SEAL hereto affixed the day and year first above written.

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_  
My commission expires \_\_\_\_\_  
Print Name \_\_\_\_\_

SCHEDULES:

- 1 — Land
- 2 — Exceptions

**SCHEDULE 1**

**Description of the Land**

**SCHEDULE 2**

**Description of the Exceptions**

**EXHIBIT C**

**Form of Special Warranty Timber Deed**

**After Recording, Return to:**

Weyerhaeuser Raw Materials, Inc.  
Law Department CH1J28  
P.O. Box 9777  
Federal Way, WA 98063-9777  
Attn: David A. Young

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**SPECIAL WARRANTY TIMBER DEED**

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**Grantor:** POPE RESOURCES, a Delaware limited partnership

**Grantee:** WEYERHAEUSER RAW MATERIALS, INC., a Delaware corporation

**Abbreviated Legal Description** (lot, block and plat name, or section-township-range):

o Additional legal description is on page \_\_\_\_\_ of document \_\_\_\_\_

**Assessor's Property Tax Parcel Account Number(s):**

**Reference Numbers of Documents Assigned or Released (if applicable):**

o Additional reference numbers on page \_\_\_\_\_ of document \_\_\_\_\_

**SPECIAL WARRANTY TIMBER DEED**

POPE RESOURCES, a Delaware limited partnership, hereinafter called Grantor, for good and valuable consideration in hand paid, does hereby bargain, sell, and convey unto WEYERHAEUSER RAW MATERIALS, INC., a Delaware corporation, hereinafter called Grantee, all of Grantor's right, title, and interest in and to the timber (the "Timber") standing, down or located upon the land described on Schedule 1 attached hereto (the "Land"), situated in Cowlitz County, Washington, subject to and together with all agreements, conditions, covenants, easements, encumbrances, limitations, restrictions, rights, servitudes, and other matters described on Schedule 2 attached hereto (the "Exceptions").

Grantor, for itself and for its successors in interest, does by these presents expressly limit the covenants of this deed to those here and expressed, excludes all covenants arising or to arise by statutory or other implication, and does hereby covenant that against all persons whomsoever lawfully claiming or to claim by, through, or under Grantor and not otherwise, Grantor will forever warrant and defend the said described Timber, subject to the Exceptions.

**GRANTOR:**

POPE RESOURCES, a Delaware limited partnership, by Pope MGP, Inc., a Delaware corporation, its General Partner

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Its: \_\_\_\_\_

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF KITSAP )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2001 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared \_\_\_\_\_, to me known to be the \_\_\_\_\_ of Pope MGP, Inc., a Delaware corporation, which is known to me to be the General Partner of POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP, the partnership that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said partnership, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

WITNESS MY HAND AND OFFICIAL SEAL hereto affixed the day and year first above written.

\_\_\_\_\_  
NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_  
My commission expires \_\_\_\_\_  
Print Name \_\_\_\_\_

SCHEDULES:

- 1 — Land
- 2 — Exceptions

**SCHEDULE 1**

**Description of the Land**

**SCHEDULE 2**

**Description of the Exceptions**

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**EXHIBIT D**

**Copies of Commitments**

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**EXHIBIT E**

**Description of Access Rights and Easements**

COWLITZ COUNTY

All of Seller's rights in the following described instruments acquired as successor in interest as owner of the Property:

| <u>INSTRUMENT DATED</u> | <u>COWLITZ COUNTY #</u> | <u>SUCCESSOR TO ORIGINAL PARTY</u>   |
|-------------------------|-------------------------|--------------------------------------|
| December 17, 1959       | 515683                  | Northern Pacific Railway Company     |
| July 1, 1966            | 636218                  | Northern Pacific Railway Company     |
| April 8, 1970           | 700512                  | Burlington Northern, Inc.            |
| November 12, 1974       | 769254                  |                                      |
| April 23, 1976          | 794085                  |                                      |
| June 10, 1976           | 800970                  | Burlington Northern, Inc.            |
| May 20, 1977            | 812991                  | Burlington Northern, Inc.            |
| September 29, 1977      | 830897                  | Burlington Northern, Inc.            |
| March 28, 1978          | 834136                  |                                      |
| June 9, 1980            | 810206010               | Burlington Northern, Inc.            |
| April 10, 1984          | 840417001               | Burlington Northern Railroad Company |

Grantor's rights in the above listed instruments were acquired under: Assignment of Access Rights and Easements and Assumption Agreement recorded under on or more of the following Cowlitz County instruments: 3111078, 3111079, 3111080, 3129223, 3129224 and 3129225.

CLARK COUNTY

All of Grantor's rights as successor to Plum Creek Timberlands, L.P. and EPC Holdings LLC per Clark County instrument dated March 29, 2001 recorded under Clark County #3304573. Grantor acquired its rights under Clark County instrument #3383241.

After Recording, Return to:

Weyerhaeuser Company  
Law Department CH1J28  
P.O. Box 9777  
Federal Way, WA 98063-9777  
Attn: David A. Young

EXHIBIT F

Form of Assignment and Assumption Agreement (Access Rights and Easements)

ASSIGNMENT AND ASSUMPTION AGREEMENT  
(Access Rights: County, Washington)

Grantor: POPE RESOURCES, a Delaware limited partnership

Grantee: WEYERHAEUSER COMPANY, a Washington corporation

Abbreviated Legal Description (lot, block and plat name, or section-township-range):

o Additional legal description is on page of document

Assessor's Property Tax Parcel Account Number(s):

Reference Numbers of Documents Assigned or Released (if applicable):

o Additional reference numbers on page of document

**ASSIGNMENT AND ASSUMPTION AGREEMENT**

**(Access Rights: County, Washington)**

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT (this "Agreement") is dated and effective as of \_\_\_\_\_, 2001, and is made by and between POPE RESOURCES, a Delaware limited partnership ("Assignor"), and WEYERHAEUSER COMPANY, a Washington corporation ("Assignee"). For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee hereby agree as follows:

- I. Assignor assigns, transfers, quitclaims and sets over to Assignee all of Assignor's right, title and interest in, to and under the rights-of-way, easements, use agreements, and other access rights (the "Access Rights") appurtenant to, relating to, or benefiting the timberlands described on Schedule 1 attached hereto (the "Land"), including without limitation those Access Rights described on Schedule 2 attached hereto (the "Access Rights"). Assignee may, at its option, record this Assignment in the real property records of \_\_\_\_\_ County, Washington. Assignor hereby agrees to indemnify and hold harmless Assignee from and against any and all claims, liabilities, penalties, causes of action, or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising under or relating to the Access Rights prior to the date of this Assignment, and for any claim, loss, damage, cost, liability, or expense resulting from Assignor's failure to fulfill and perform the same prior to the date of this Assignment, or arising out of Assignor's use and enjoyment of the Access Rights, or to enforce this indemnification provision.
- II. Assignee hereby accepts this Assignment of the Access Rights and assumes and agrees to be bound by and perform all of the Assignor's obligations and liabilities arising under or relating to the Access Rights from and after the date of this Assignment. Assignee hereby agrees to indemnify and hold harmless Assignor from and against any and all claims, liabilities, obligations, penalties, causes of action, or damages (including attorney's fees, expenses of litigation and costs of appeal), if any, arising under or relating to the Access Rights from and after the date of this Assignment, and for any claim, loss, damage, cost, liability, or expense resulting from Assignee's failure to fulfill and perform the same after the date of this Assignment, or arising out of Assignee's use and enjoyment of the Access Rights, or to enforce this indemnification provision.
- III. This assignment shall be interpreted and construed under the laws of the state of Washington. The provisions of this Assignment shall be binding upon, and shall inure to the benefit of, the successors and assigns of Assignor and Assignee, respectively. This Assignment may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Assignor and Assignee have caused their duly authorized representatives to execute this Agreement in duplicate original as of the date first above written.

**ASSIGNOR:** POPE RESOURCES, a Delaware limited partnership, by POPE MGP, Inc., a Delaware corporation, its managing general partner

By: \_\_\_\_\_  
Name: David L. Nunes  
Its: President

**ASSIGNEE:** WEYERHAEUSER COMPANY, a Washington corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

SCHEDULES

- Schedule 1 - Land
- Schedule 2 - Access Rights

STATE OF WASHINGTON )  
) ss.  
COUNTY OF KITSAP )

On this \_\_\_\_\_ day of \_\_\_\_\_, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared DAVID L. NUNES, to me known to be the PRESIDENT of POPE MGP, INC., a Delaware corporation, which is





**EXHIBIT G**

**Description of Contracts, Permits, and Adverse Claims**

CONTRACTS — NONE

PERMITS

1. Forest Practice Permit (No. 2903532), issued by Southwest Region for timber harvest, estimated volume of 350 MBF, expires August 6, 2003.
2. No road maintenance plan has been developed for the Property, as ultimately may be required under the Washington Forest Practices Act.

ADVERSE CLAIMS — NONE

**EXHIBIT H**

**Notice of Continuing Obligations**



WASHINGTON STATE DEPARTMENT OF  
**Natural Resources**

DOUG SUTHERLAND  
Commissioner of Public Land

**Washington State Department of Natural Resources**

**NOTICE OF CONTINUING FOREST LAND OBLIGATION**

RCW 76.09.070, RCW 76.09.390 and WAC 222-20-055 require that prior to the sale or transfer of land or perpetual timber rights subject to continuing forest land obligations under the forest practices rules adopted in 1982 and under RCW 76.09.370 adopted in 1999, (1) **the seller** shall notify the buyer of the existence and nature of such a continuing obligation and (2) **the buyer** shall sign a notice of continuing forestland obligation indicating the buyer's knowledge of the continuing obligation. **The seller** at time of sale or transfer of the land or perpetual timber rights shall send to the department the signed notice of continuing forestland obligation.

**If the seller fails to notify a buyer** about the continuing forest land obligation, the seller shall pay the buyer's costs related to such continuing forest land obligation, including all legal costs and reasonable attorney's fees, incurred by the buyer in enforcing the continuing forest land obligation against the seller. Failure by the seller to send the required notice to the Department of Natural Resources at the time of sale shall be prima facie evidence, in an action by the

buyer against the seller for costs related to continuing forest land obligation, that the seller did not notify the buyer of the continuing forest land obligation prior to sale.

**CONTINUING OBLIGATION/S**

**Reforestation (RCW 76.09.070)**

o Obligation exists on the property identified above and relates to the following FPA/N #s (list all that apply, add attachment if necessary):

- No Reforestation obligation exists on the property.  
Note: current FPA NO. no timber harvest has taken place.

**Road Maintenance and Abandonment Plan (WAC 222-24-051)**

o Obligation exists on property identified above and relates to the following FPA/N #s and/or Road Maintenance Plan #s (list all that apply, add attachment if necessary):

- No Road Plan obligation exists on the property.

**Harvest Strategy along Type 4 Waters in Eastern Washington (WAC 222-30-022 (2)(b))**

NA Obligation exists on the property identified above and relates to the following FPA/N #s (list all that apply, add attachment if necessary):

- o No Harvest Strategy obligation exists on the property.

**OBLIGATIONS**

**Small Landowner Forest Riparian Easement (WAC 222-21-030)**

o Obligation exists on the property identified above and relates to the following FPA/N #s (list all that apply, add attachment if necessary):

- No Forest Riparian Easement obligation exists on the property.

**PROPERTY IDENTIFICATION**

**Land/Rights Sold or Transferred** (circle one):  *-Land and Timber*      o *Land Only*      o *Perpetual Timber Rights*

**Date that the Land/Rights was/were Sold or Transferred** (month/day/year): November 29, 2001

**County/ies:** Clark and Cowlitz

**DNR Region/s:** Southwest

**Legal Description of the Lands/Rights being Sold or Transferred** (include county parcel number/s, add attachment if necessary):

**Description of the Property**  
(Clark County, Washington)

Township 5 North, Range 4 East of the Willamette Meridian  
Section 15:                      The West one-half of the Southwest one-quarter.  
END OF LEGAL DESCRIPTION FOR CLARK COUNTY

**Description of the Property**  
(Cowlitz County, Washington)

Township 6 North, Range 1 East of the Willamette Meridian  
Section 5:                      The Southeast one-quarter of the Southwest one-quarter and the Southwest one-quarter of the Southeast one-quarter.

Township 6 North, Range 2 East of the Willamette Meridian  
Section 1:                      The Southwest one-quarter.  
Section 3:                      All.  
Section 5:                      All.  
Section 9:                      The Northwest one-quarter of the Northeast one-quarter and the Northeast one-quarter of the Northwest one-quarter.

Township 7 North, Range 3 East of the Willamette Meridian

Section 21: The Southwest one-quarter of the Northeast one-quarter and the Southeast one-quarter of the Northwest one-quarter.

Section 31: The South one-half of the Southeast one-quarter.

Township 8 North, Range 3 East of the Willamette Meridian

Section 13: All.

Section 21: All.

Section 23: All.

END OF LEGAL DESCRIPTION FOR COWLITZ COUNTY

**SELLER**

**Signature:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Print name:** \_\_\_\_\_  
**Title:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**Phone:** \_\_\_\_\_

**BUYER**

**Signature:** \_\_\_\_\_  
**Date:** \_\_\_\_\_  
**Print name:** \_\_\_\_\_  
**Title:** \_\_\_\_\_  
**Address:** \_\_\_\_\_  
**Phone:** \_\_\_\_\_

**NOTE TO SELLER:**

*At the time of sale or transfer of the property or the perpetual timber rights:*

- (1) deliver (by certified mail or in person) the SIGNED ORIGINAL notice to the Department of Natural Resources regional office in which the property is located, and*
- (2) deliver a copy for recording to the county/ies in which the property is located.*

FOR DEPARTMENTAL USE ONLY

Notice of Continuing Forestland Obligation #:

Date Received:

Region:

Received by:

**FOURTH AMENDMENT TO  
MASTER TIMBER MANAGEMENT AGREEMENT**

**(Western Operations)**

THIS FOURTH AMENDMENT (the "Amendment") is dated as of the 8th day of January, 2002, by and between **HANCOCK NATURAL RESOURCE GROUP, INC.**, a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and **OLYMPIC RESOURCE MANAGEMENT LLC**, a Washington limited liability company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given therefor in that certain Master Timber Management Agreement (Western Operations) effective as of January 1, 1998, as amended by the agreements listed on Exhibit A hereto (herein collectively the "Master Agreement").

WHEREAS, the parties hereto are parties to the Master Agreement, and

WHEREAS, the parties wish to amend the Master Agreement, all as set forth herein,

NOW, THEREFORE, the parties hereby agree as follows:

1. **Extension of Term.** The term of the Master Agreement is hereby extended for an additional one (1) year period commencing January 1, 2002 and continuing through and including December 31, 2002.

2. **Property Management Service Fee.** Exhibit 2A of the Master Agreement is hereby replaced by Exhibit 2A to this Amendment. This replacement is effective as of January 1, 2002.

3. **Non-Compete.** The fifth paragraph of Section 5.02 is hereby deleted in its entirety and the following is inserted in its stead:

"The provisions of this Section 5.02 shall survive termination of this Master Agreement for a period of:

(i) twenty-four calendar months with respect to each Plan and Endowment that is invested in an Ultimate Client Portfolio managed by Client, as of the date of termination or expiration of this Master Agreement, provided however that the restrictions contained in subclause (c) of the first paragraph of this Section 5.02 shall not continue to apply from and after the termination or expiration of this Master Agreement with respect to timberland properties in the states of Washington, Oregon, California, Idaho and Montana owned or managed by CalPERS and

(ii) twelve calendar months with respect to any other Plan or Endowment ("Other Plan or Endowment"), provided however that the restrictions contained in subclause (c) of the first paragraph of this Section 5.02 shall not continue to apply from and after the termination or expiration of this Master Agreement with respect to timberland properties in the Continental United States or Canada owned or managed by any Other Plan or Endowment."

4. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first above written.

CLIENT:

HANCOCK NATURAL RESOURCE GROUP, INC., a Delaware corporation

By: **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**  
**[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**  
Vice President

MANAGER:

OLYMPIC RESOURCE MANAGEMENT LLC,  
a Washington limited liability company

By: /s/ David L. Nunes  
David L. Nunes  
President and Chief Executive Officer

EXHIBIT A  
TO FOURTH AMENDMENT

List of Amendments to Master Agreement

Amendments to Master Agreement

1. Letter Agreement dated November 24, 1998
2. First Amendment dated July 26, 1999
3. Second Amendment dated February 9, 2000
4. Third Amendment dated December 1, 2000

Work Authorizations

1. Number "AB-3" for Wishkah property dated May 1, 2000
2. Number OPA 9901 dated October 15, 1999
3. Number OPA 9902 dated October 15, 1999
4. Number OPA 0001 dated January 17, 2000
5. Number OPA 0002 dated May 11, 2000
6. Number OPA 0003 dated March 31, 2000
7. Number W2 dated August 11, 1999
8. Number W3 dated September 27, 1999
9. Number VE-00-01 pending approval
10. Number VE-00-2 pending approval

EXHIBIT 2A  
TO FOURTH AMENDMENT

Property Management Service Fees

| States     | Property     | Acres Under Management<br>(as of 10/1/01) | 2001 Rate<br>\$/Acre Fee                                                                                                                                                             | 2002 Rate<br>\$/Acre Fee                                                                                                                                                             |
|------------|--------------|-------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| California | McCloud      | 39,208                                    | <b>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</b> | <b>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</b> |
| Oregon     | Coates       | 6,406                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Wilark       | 7,770                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Nicolai      | 5,524                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Deer Creek   | 13,133                                    |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | St. Helens   | 4,734                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Scappoose    | 10,906                                    |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Pebble Creek | 15,203                                    |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Wilson River | 13,372                                    |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Oregon     | Umpqua       | 17,218                                    |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Washington | Gold Bar     | 4,538                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Washington | Monroe       | 2,021                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Washington | Skykomish    | 4,238                                     |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Washington | Wishkah      | 19                                        |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Total      |              | 144,290                                   |                                                                                                                                                                                      |                                                                                                                                                                                      |

**SIXTH AMENDMENT TO  
MASTER TIMBER MANAGEMENT AGREEMENT**

**(Canadian Operations)**

THIS SIXTH AMENDMENT (the "Amendment") is dated as of the 8th day of January, 2002, by and between **HANCOCK NATURAL RESOURCE GROUP, INC.**, a Delaware corporation (hereinafter referred to as "HNRGI" or the "Client"), and **OLYMPIC RESOURCE MANAGEMENT LLC**, a British Columbia company (hereinafter referred to as "Manager"). Capitalized terms not otherwise defined in this Amendment shall have the meanings given therefor in that certain Master Timber Management Agreement effective as of January 1, 1998, as amended by the agreements listed on Exhibit A hereto (herein collectively the "Master Agreement").

WHEREAS, the parties hereto are parties to the Master Agreement, and

WHEREAS, the parties wish to amend the Master Agreement, all as set forth herein,

NOW, THEREFORE, the parties hereby agree as follows:

1. **Extension of Term.** The term of the Master Agreement is hereby extended for an additional one (1) year period commencing January 1, 2002 and continuing through and including December 31, 2002.
2. **Property Management Service Fee.** Exhibit 1A of the Master Agreement is hereby replaced by Exhibit 1A to this Amendment. This replacement is effective as of January 1, 2002.
3. **Non-Compete.** The fifth paragraph of Section 4.02 is hereby deleted in its entirety and the following is inserted in its stead:
 

"The provisions of this Section 4.02 shall survive termination of this Master Agreement for a period of:

  - (i) twenty-four calendar months with respect to each Plan and Endowment that is invested in an Ultimate Client Portfolio managed by Client, as of the date of termination or expiration of this Master Agreement, provided however that the restrictions contained in subclause (c) of the first paragraph of this Section 4.02 shall not continue to apply from and after the termination or expiration of this Master Agreement with respect to timberland properties in British Columbia, Alberta and Saskatchewan owned or managed by CalPERS and
  - (ii) twelve calendar months with respect to any other Plan or Endowment ("Other Plan or Endowment"), provided however that the restrictions contained in subclause (c) of the first paragraph of this Section 4.02 shall not continue to apply from and after the termination or expiration of this Master Agreement with respect to timberland properties in the Continental United States or Canada owned or managed by any Other Plan or Endowment."
4. **Miscellaneous.** This Amendment and all exhibits and schedules hereto constitute an integral part of the Master Agreement. Except as expressly amended by this Amendment, the Master Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment by and through their properly authorized officers on the date first above written.

CLIENT:

HANCOCK NATURAL RESOURCE GROUP, INC., a  
Delaware corporation

By: **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**  
**[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**  
Vice President

MANAGER:

OLYMPIC RESOURCE MANAGEMENT LLC,  
a British Columbia corporation

By: /s/ David L. Nunes  
David L. Nunes  
President and Chief Executive Officer

EXHIBIT A  
TO SIXTH AMENDMENT

List of Amendments to Master Agreement

Amendments to Master Agreement

1. Consent to Assignment of Master Timber Management Agreement dated December 29, 1998
2. Amendment dated December 29, 1998
3. Second Amendment dated July 26, 1999
4. Third Amendment dated August 6, 1999
5. Fourth Amendment dated December 23, 1999

Work Authorizations

1. Number OPA C0001 dated January 17, 2000
2. Number OPA C0002 dated April 3, 2000

EXHIBIT 1A  
To Sixth Amendment  
Property Management Service Fee  
Canadian Properties/Canadian Dollars

| Province         | Property      | Acres Under<br>Management<br>(as of 10/1/01) | 2001 Rate<br>\$/Acre Fee                                                                                                                                                             | 2002 Rate<br>\$/Acre Fee                                                                                                                                                             |
|------------------|---------------|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| British Columbia | Comox         | 28,639                                       | <b>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</b> | <b>[Confidential Treatment for the omitted material contained in the entire column has been requested and has been filed separately with the Securities and Exchange Commission]</b> |
| British Columbia | Lake Cowichan | 32,302                                       |                                                                                                                                                                                      |                                                                                                                                                                                      |
| Total            |               | 60,941                                       |                                                                                                                                                                                      |                                                                                                                                                                                      |

\* Canadian rates of **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** and **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]** for 2001 and 2002, respectively assuming an exchange rate of **[Confidential Treatment for the omitted material has been requested and has been filed separately with the Securities and Exchange Commission]**



**INDEPENDENT AUDITORS' CONSENT**

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We consent to the incorporation by reference in Registration Statement No. 333-46091 of Pope Resources, A Delaware Limited Partnership, and subsidiaries on Form S-8 of our report dated February 22, 2002, appearing in the Annual Report on Form 10-K of Pope Resources, A Delaware Limited Partnership, and subsidiaries for the year ended December 31, 2001.

DELOITTE & TOUCHE LLP

Seattle, Washington

March 26, 2002