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FILED FOR RECORD  
SKAMANIA CO. WASH  
BY CLARK COUNTY TITLE

HAMBLETON BROTHERS LUMBER COMPANY, INC. 11 1 28 PM '95  
PROMISSORY NOTE AND SECURITY AGREEMENT  
P. Johnson

\$ 90,000.00

123017

Date: August 10, 1995

AUDITOR  
GARY M. OLSON

For value received the undersigned,

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(hereinafter referred to as Debtor), promises to pay to the order of  
Hambleton Bros. Lbr. Co., Inc., Washougal, Washington, a corporation  
incorporated in the State of Washington (hereinafter referred to as HBLC  
or Secured Party) the sum of

(\$Ninety Thousand Dollars

1. Name	✓
2. Address	✓
3. Direct	✓
4. Emailed	✓
5. Mailed	✓

SECURITY:

To secure payment of this note, Debtor hereby grants to Secured Party a  
lien on and a security interest in the timber standing on and all logs  
harvested from the following property:

As per attached exhibit "A".

Such property shall be hereinafter referred to as Collateral. Debtor  
warrants that it has, or will immediately acquire full title to the  
Collateral, and shall thereafter keep all the Collateral free of all liens  
and claims whatsoever. Debtor may log Collateral property so long as all  
timber (or logs) from collateral property meeting HBLC'S log specifications  
will be delivered to log yards as specified in the Log Purchase Agreement  
between the parties and price will be the current list for that yard.

As per attached Purchase Order(s). HB 265

PAYMENTS:

Payments shall be at a rate of 100% of the log payments due to Debtor from  
Secured Party until paid in full. Secured Party is hereby authorized to  
deduct payments from any and all payments to Debtor. Debtor may repay this  
Note in full or in part at any time without penalty. The entire amount  
shall be due in any event no later than October 15, 1995. Interest at a rate  
of ten percent (10%) simple interest per annum will be added to any unpaid  
balance remaining beyond that date.

RIGHT OF INSPECTION:

Secured Party, it's agents and representatives, shall have the right to  
inspect the Collateral at any time and for such purposes, Secured Party  
shall have access to any location where the Collateral is located. Debtor,  
upon request of the Secured Party, shall furnish such other supplemental  
information as may be reasonably necessary to determine whether or not  
Debtor is otherwise performing the terms and conditions in this Agreement.

**DEFAULT:**

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Debtor shall be in default under this Note and Security Agreement upon the occurrence of any of the following events or conditions:

1. Failure to deliver all logs meeting Secured Party's log specifications.
2. Non-payment of any amount payable hereunder or failure of Debtor to comply with any term, obligation, covenant, or condition contained in this Note.
3. Any warranty, representation or statement made or furnished to Secured Party by or on behalf of Debtor under this Agreement proves to have been false in any material respect when made or furnished.
4. Any levy, seizure, attachment, lien or encumbrance of or upon the Collateral that is not discharged by Debtor within ten (10) days or disposition of any interest in the Collateral without the written consent of the Secured Party.
5. Dissolution, termination of existence, insolvency, business failure, discontinuance as a going business, appointment of a receiver of any part of the property of assignment for the benefit of creditors by, or the commencement of any proceedings under any bankruptcy or insolvency laws by or against Debtor, or entry of any judgement that in the opinion of Secured Party would reasonably jeopardize the security interest given by this agreement.
6. Commencement of a foreclosure suit by any creditor of Debtor against Debtor.

**REMEDIES:**

On any default hereunder, all remaining installments or amounts on the Note shall become immediately due and payable, and Secured Party may exercise at any time any rights and remedies available to it under the applicable laws. Debtor shall in case of default, pay all costs incurred by Secured Party in collecting the note and enforcing the right of Secured Party hereunder, including reasonable attorney's fees and legal expenses.

Debtor shall immediately cease all removal of timber (or logs) from Collateral property upon notice of default from Secured Party.

To the extent that notice of intended disposition of any of the Collateral is required by law, such notice shall be deemed reasonably and properly given if mailed at least ten (10) days before such disposition, certified mail, addressed to Debtor at address on this Note.

**ASSIGNMENT:**

This note and rights hereunder may not be assigned by the Debtor without prior written consent of the Secured Party.

NOTICE AND WAIVER:

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Except as otherwise specifically provided herein, Debtor hereby waives presentment, demand, notice of dishonor, protest, and all other notices whatsoever. No delay by Secured Party in the exercise of any right or remedy under this Note shall operate as a waiver thereof, and no single or partial exercise by Secured Party of any such right or remedy shall preclude other or further exercise thereof of the exercise of any other right or remedy.

AGREEMENT LIMITATIONS:

This Note and Security Agreement is solely a financing agreement for monies due Secured Party. Any rights hereunder shall in no way whatsoever create any kind of partnership or agency agreement between the parties. Each of the parties to this Agreement shall remain totally independent operations with no obligation for the other party's business whatsoever.

NOTICES:

All notices authorized or required hereunder will be effective upon receipt and may be made either by hand delivery or by U.S. Registered Mail, addressed to the following:

To Secured Party:  
Hambleton Bros. Lbr. Co., Inc.  
P.O. Box 285  
Washougal, WA 98671

To Debtor: D & P Forestry Services  
P.O. Box 630  
Kelso, Wa. 98626

ENTIRE AGREEMENT:

Debtor and Secured Party agree that this instrument contains the entire agreement between the parties and that no representations, warranties, or agreements of any kind whatsoever made by either party, with respect to this Agreement or in the negotiations of this Agreement shall be binding on such other party, unless expressly set forth in this Agreement or in subsequent written agreement duly executed by both parties. This Agreement shall be construed under the laws of the State of Washington.

IN WITNESS WHEREOF, the parties hereto have caused this Promissory Note and Security Agreement to be executed this 10th day of August, 1995.

SECURED PARTY:

Hambleton Bros. Lbr. Co., Inc.

By: James Hambleton

Title: Director

Date: 8-10-95

DEBTOR: D & P Forestry Services, Inc.

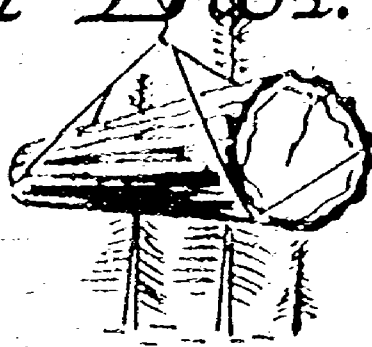
By: Willard E. Reese

Title: President

Date: August 10, 1995

# Hambleton Bros.

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LUMBER COMPANY, INC.



335 "A" STREET  
P.O. BOX 285  
WASHOUGAL, WASHINGTON 98671  
PHONE: 835-2148  
FAX: 835-8148

PURCHASE ORDER # HB 265

DATE 8-10-95

FORESTRY PERMIT #

TO: D & P Forestry Services  
P.O. Box 630  
Kelso, Wa. 98526  
UBI # 91-1575459  
% 9/8K

SPLIT TO: Melton Bros.  
150.00 per m

% S/S

QUANTITY: As develop Approx. 400 m

BRANDS: Vendors brand

SCALING: By Yamhill at Hambleton Bros.

DELIVERY: F.O.B. Truck to Hambleton Bros.  
Washougal, Yard

TERMS: Payment 10 days from receipt of

scaling Bureau certificates

PRICES: As listed Thru June 30, 1996

SPECIFICATIONS: All logs cut on 2" ends, min. 10" diam. Tonnage wood shall not contain rot, splits or hook bolts. All sorts with length avg. not meeting length requirements will be paid \$15 per MBP less per inch foot short of required average.

Material containing steel or other foreign objects will not be accepted. Damage to manufacturing equipment caused by same will be charged to producer.

OTHER SPECIFICATIONS AS LISTED

All sorts are 6" and larger NO. 4 & BIP unless otherwise specified.

## DOUGLAS FIR

8" to 10"	150 /M
12" to 22"	400 /M
24" to 34"	500 /M
36" to 40"	600 /M
UTILITY	150 /M

6" 1 tonnage wood N/A/Ton

## HEMLOCK & WHITE WOOD

~~100% Hemlock & White Wood~~  
~~100% Hemlock & White Wood~~ /M  
Less 100.00 per M of prices listed above.

### SPECIAL CONDITIONS:

1. Payments cannot be released until the signed original is returned.
2. Seller warrants that he has legal right to sell such forest products delivered on this purchase order and further warrants that such products are free from any and all encumbrances, liens or claims. Delivery constitutes acceptance of this order.

### EXPORT

Deliver to Menasha per Menasha price list. Proceeds to Hambleton Bros. Payable to D&P less 30.00 per M.

PLEASE CALL FOR CURRENT PRICES FOR LOGS SHIPPED AFTER CONTRACT EXPIRATION DATE.

ACCEPTED

X D & P Forestry Services, Inc.  
X William S. Reese, President  
SELLER(S)



HAMBLETON BROS. LUMBER CO., INC.

X Jimmy Hambleton  
BUYERS

PLEASE SIGN AND RETURN ONE COPY



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The East 1/2 of the Northeast 1/4 of Section 15, Township 2 North, Range 5 East of Willamette Meridian except that portion which lies East of the centerline of the Washougal River, Skamania County, Washington.