

WHEN RECORDED, RETURN TO:

Traci L. Shallbetter  
Davis Wright Tremaine LLP  
2600 Century Square  
1501 Fourth Avenue  
Seattle, Washington 98101-1688

Scr 26923

**DEED OF TRUST**

**Grantor:** PINE CREEK BOULDER LLC, a Washington limited liability company

**Trustee:** DWTR&J Corp., a Washington corporation

**Beneficiary:** POPE RESOURCES, a Delaware limited partnership

**Abbreviated Legal Description:**

A portion of Government Lot 1 (fractional Southeast quarter of the Southeast quarter) of Section 23, Township 7 North, Range 6 East, Willamette Meridian, Skamania County, Washington, described as follows (bearings are "NAD 83", Washington Coordinate System South Zone) 0a-6e 7

**Assessor's Property Tax Parcel Account Numbers:**

A portion of parcel 07-06-00-0-0-1800-00

**Reference to Related Document:** None

## DEED OF TRUST

THIS DEED OF TRUST, made this 7 day of December, 2004, between PINE CREEK BOULDER LLC, a Washington limited liability company, ("Grantor"), whose address is 26300 NE 16th St., Camas, WA 98607, DWTR&J CORP., a Washington corporation ("Trustee"), whose address is 2600 Century Square, 1501 Fourth Avenue, Seattle, Washington 98101-1688; and POPE RESOURCES, a Delaware limited partnership ("Beneficiary"), whose address is 19245 Tenth Avenue N.E., Poulsbo, Washington 98370.

### WITNESSETH:

Grantor hereby bargains, sells and conveys to Trustee in trust, with power of sale, the real property in Skamania County, Washington, described in Exhibit A attached hereto, together with all the buildings and improvements thereon or thereto and all tenements, hereditaments, easements, and appurtenances now or hereafter thereunto belonging or in any wise appertaining (the "Property"), and the rents, issues and profits thereof.

07-06-00-0-0-1800-00

This Deed of Trust is for the purpose of securing performance of each agreement of Grantor herein contained and all of the agreements, covenants, representations, and warranties of Grantor as Buyer given to Beneficiary as Seller under that certain Real Estate Purchase and Sale Agreement dated NOVEMBER 19, 2004 (the "Purchase Agreement"), between Grantor as Buyer, and Beneficiary as Seller, and relating to the Property, including without limitation the agreement of Grantor under the Purchase Agreement to: (a) pay to Beneficiary the full Purchase Price or (b) if all Lots have not been platted and sold in accordance with the Purchase Agreement by the Deadline, to either pay to Beneficiary liquidated damages or convey all of Grantor's interest in the Property to Beneficiary. All capitalized terms contained in this Deed of Trust shall have the meanings provided in the Purchase Agreement unless expressly defined otherwise herein.

To protect the security of this Deed of Trust, Grantor covenants and agrees with Beneficiary as follows:

1. Grantor shall keep the Property in good condition and repair; permit no waste thereof; complete any building, structure or improvement being built or about to be built thereon; restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the Property.

2. Grantor shall pay before delinquent all lawful taxes and assessments upon the Property, and keep the Property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.

3. Grantor shall keep all buildings now or hereafter erected on the real property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary, as its interest may appear, and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.

4. Grantor shall defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and shall pay all costs and expenses, including cost of title search and attorneys' fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.

5. Grantor shall pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorneys' fees actually incurred, as provided by statute.

6. If Grantor fails to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the Property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured by this Deed of Trust.

7. In the event any portion of the Property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

8. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

9. Except as expressly authorized under Section 10 hereof, Grantor shall not suffer or permit a Transfer (as defined below) of the Property to occur, whether voluntary, involuntary or by operation of law, and whether or not Beneficiary has waived or failed to assert its rights in connection with any previous Transfer. The term "Transfer" as used herein means any sale, mortgage or encumbrance, conveyance, or other transfer of any present or future interest in all or any part of the Property (except personal property in the ordinary course of business and leases that do not contain an option to purchase), or any contract or agreement therefor; and if Grantor or any partner in Grantor is a corporation other than one whose stock is publicly traded, any change after the date hereof in the ownership of the outstanding stock of the corporation, excluding transfers to, from and among the corporation and existing shareholders and affiliates of existing shareholders (*i.e.*, entities owned or controlled by an existing shareholder, but only so long as such control exists); and if Grantor is a general or limited partnership, any transfer of any

general partnership interest, except transfers of general partnership interests approved by Beneficiary due to death or disability of a general partner, which approval shall not be unreasonably withheld. Without limiting the generality of the foregoing, this subsection shall apply to Transfers to or from nominees or agents, Transfers made to subsidiary or affiliated entities, Transfers made to a restructured limited partnership, Transfers by any partnership to the individual partners or vice versa, Transfers by any corporation to its stockholders or vice versa, and Transfers in connection with any corporate merger or consolidation. In the event of a Transfer, Beneficiary may, without notice to Grantor, deal with the transferee with respect to this Deed of Trust and the indebtedness and obligations secured hereby, as if the transferee were Grantor, and such dealing shall neither satisfy nor discharge Grantor's liability for such indebtedness or obligations, nor constitute Beneficiary's consent to the Transfer.

10. Notwithstanding the foregoing, Beneficiary consents to the sale of any Lot within the Property that is platted and sold in accordance with the provisions of the Purchase Agreement to any third party in a bona fide arms length sales transaction for fair market consideration (at least the Minimum Price) due and payable in cash at the closing thereof. Upon Grantor's reasonable request, and solely for the benefit of the bona fide purchaser of the Lot, Beneficiary shall partially release the lien of this Deed of Trust as to the Lot conveyed by Grantor in such a transaction and as to that portion of any easement across the Property than benefits the Lot conveyed, provided that all of the following conditions precedent are satisfied: (a) Grantor shall not be in default under this Deed of Trust or the Purchase Agreement, (b) Grantor shall pay to Beneficiary in cash twenty five percent (25%) of the Fixed Sum at the time Grantor requests the partial release, (c) Beneficiary's partial release of an easement benefiting the specific lot conveyed shall be solely for the benefit of the Lot conveyed to the bona fide purchaser and shall not be construed as a release of an easement for access to and from the remainder of the Property, (d) Grantor shall pay any reconveyance fees due and payable to the Trustee in connection with such partial release, (e) Grantor shall bear the cost of an endorsement to Beneficiary's lender's policy of title insurance to insure Beneficiary that the partial release does not impair the enforceability of this Deed of Trust as to the remainder of the Property, and (f) the title insurance company insuring the lien of this Deed of Trust shall commit to issue such endorsement upon such partial release. Notwithstanding any suggestion to the contrary in this Section or in this Deed of Trust, Beneficiary shall not be required to release any security interest Beneficiary holds in any roads or easements on the Property providing a means of access through the Property or providing a general benefit of access to the Property until such time as all terms of the Purchase Agreement have been fully satisfied.

11. The Trustee shall reconvey all or any part of the Property covered by this Deed of trust to the person entitled thereto on written request of Grantor and Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

12. In the event of a default, Grantor consents to and Beneficiary shall be entitled, without notice, without bond, and without regard to the adequacy of the Property as collateral, to the appointment of a receiver for the Property. The receiver shall have all the rights and powers

customarily given to and exercised by a receiver of real property appointed pursuant to an agreement in a deed of trust or mortgage after default in payment or performance of the secured obligations. The receiver shall be entitled to receive a reasonable fee for management of the Property. If Grantor is an occupant of the Property, Beneficiary has the right to require Grantor to pay rent at fair market rates and the right to remove Grantor from Property if Grantor fails to pay rent.

13. On default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust Property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of the sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

14. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the Property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be *prima facie* evidence of such compliance and conclusive evidence thereof in favor of *bona fide* purchaser and encumbrancers for value.

15. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

16. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint, in writing, a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor trustee shall be vested with all powers of the original trustee. The trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Grantor, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

17. This Deed of Trust inures to the benefit of and is binding not only on the parties hereto but on their heirs, devisees, delegates, administrators, executors, successors and assigns. The term "Beneficiary" shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

GRANTOR:

PINE CREEK BOULDER LLC, a Washington  
limited liability company

By [Signature] MEMBER  
Its [Signature]  
Bethela Creagen

STATE OF WASHINGTON )  
 ) ss.  
COUNTY OF )

On this \_\_\_\_ day of \_\_\_\_\_, 200\_\_\_\_, before me, a Notary Public in and for the State of Washington, personally appeared \_\_\_\_\_, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he was authorized to execute the instrument, and acknowledged it as the \_\_\_\_\_ of \_\_\_\_\_, the \_\_\_\_\_ of PINE CREEK BOULDER LLC, to be the free and voluntary act and deed of said limited liability company for the uses and purposes mentioned in the instrument.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year first above written.

NOTARY PUBLIC in and for the State of  
Washington, residing at \_\_\_\_\_  
My appointment expires \_\_\_\_\_  
Print Name \_\_\_\_\_



**Exhibit A**

**to**

**Deed of Trust**

**Legal Description of Grantor's Property**

**20.0 ACRE TRACT:**

A portion of Government Lot 1 (fractional Southeast quarter of the Southeast quarter) of Section 23, Township 7 North, Range 6 East, Willamette Meridian, Skamania County, Washington, described as follows (bearings are "NAD 83", Washington Coordinate System South Zone):

BEGINNING at a concrete monument at the Quarter Corner between Sections 23 and 24; thence South  $01^{\circ} 08' 28''$  West, along the East line of the Southeast quarter of Section 23, for a distance of 1325.53 feet to the Northeast corner of Government Lot 1 and the TRUE POINT OF BEGINNING; thence North  $89^{\circ} 22' 16''$  West, along the North line of Government Lot 1 (and the South line of the Northeast quarter of the Southeast quarter of Section 23), for a distance of 1325.93 feet to the Northwest corner of Government Lot 1; thence South  $01^{\circ} 14' 18''$  West, along the West line of Government Lot 1 (and the East line of the Southwest quarter of the Southeast quarter of Section 23), for a distance of 722.00 feet; thence South  $89^{\circ} 22' 16''$  East, parallel with the North line of Government Lot 1, for a distance of 884.00 feet to the ordinary high water mark on the North Bank of the North Fork of the Lewis River; thence, following said ordinary high water mark, North  $35^{\circ} 11' 20''$  East, 60.18 feet; thence North  $45^{\circ} 00' 00''$  East, 60.00 feet; thence North  $52^{\circ} 00' 00''$  East, 72.00 feet; thence North  $50^{\circ} 20' 00''$  East, 80.00 feet; thence North  $52^{\circ} 20' 00''$  East, 78.00 feet; thence North  $68^{\circ} 40' 00''$  East, 58.00 feet; thence North  $73^{\circ} 20' 00''$  East, 144.00 feet to the East line of the Southeast quarter of Section 23; thence North  $01^{\circ} 08' 28''$  East, 420.00 feet to the TRUE POINT OF BEGINNING.

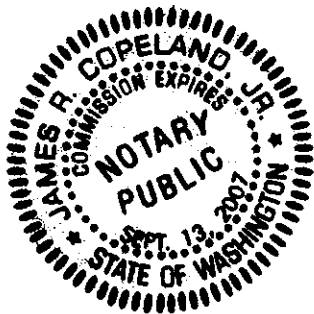
SUBJECT TO easements and restrictions of record.

STATE OF WASHINGTON, }  
County of Skamania } ss.

ACKNOWLEDGMENT - Individual

On this day personally appeared before me Gerald Sauer &  
Mary Sauer to me known  
to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they  
signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 1 day of December, 2004



[Signature]  
Notary Public in and for the State of Washington,  
residing at Stevenson

My appointment expires 9-13-07

STATE OF WASHINGTON, }  
County of \_\_\_\_\_ } ss.

ACKNOWLEDGMENT - Corporate

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, a Notary Public in and for the State of  
Washington, duly commissioned and sworn, personally appeared \_\_\_\_\_  
and \_\_\_\_\_ to me known to be the  
\_\_\_\_\_ President and \_\_\_\_\_ Secretary, respectively, of  
\_\_\_\_\_ the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary  
act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that \_\_\_\_\_  
authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said corporation.

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 appointment expires \_\_\_\_\_

WA-46A (11/96)

This jurat is page \_\_\_\_\_ of \_\_\_\_\_ and is attached to \_\_\_\_\_ dated \_\_\_\_\_.

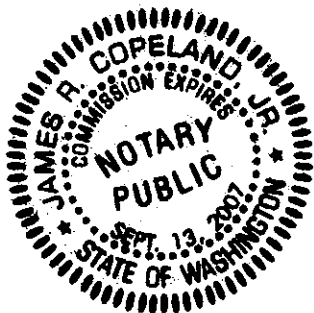


STATE OF WASHINGTON, }  
County of Skamania } ss.

ACKNOWLEDGMENT - Individual

On this day personally appeared before me David Creagan &  
Brenda Creagan to me known  
to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that they  
signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 6 day of December, 2004



[Signature]  
Notary Public in and for the State of Washington,  
residing at Steverson

My appointment expires 9-13-07

STATE OF WASHINGTON, }  
County of \_\_\_\_\_ } ss.

ACKNOWLEDGMENT - Corporate

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me, the undersigned, a Notary Public in and for the State of  
Washington, duly commissioned and sworn, personally appeared \_\_\_\_\_  
and \_\_\_\_\_ to me known to be the  
\_\_\_\_\_ President and \_\_\_\_\_ Secretary, respectively, of \_\_\_\_\_  
the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary  
act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that \_\_\_\_\_  
authorized to execute the said instrument and that the seal affixed (if any) is the corporate seal of said corporation.

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 appointment expires \_\_\_\_\_

WA-46A (11/96)

This jurat is page \_\_\_\_\_ of \_\_\_\_\_ and is attached to \_\_\_\_\_ dated \_\_\_\_\_.