

19  
Recording Requested By,  
And After Recording,  
Return To:

✓ WELLS FARGO BANK,  
NATIONAL ASSOCIATION  
201 Third Street, 8th Floor  
San Francisco, CA 94103  
Attn: Team 1  
LOAN NO. 9081333767/3828

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ACKNOWLEDGMENT OF SECURITY INTEREST

**Grantor (Landlord):** COPELAND LUMBER COMPANY  
**Grantor (Debtor):** TUM-A-LUM LUMBER COMPANY, INC.  
**Grantee (Bank):** Wells Fargo Bank, National Association  
**Legal Description (abbreviated):** Lot 1-B, Block A, Jewel  
Commercial Park, Phase 1, in the City of Gardnerville, Douglas  
County, Nevada. **Additional legal(s) on page B-1.**  
**Assessor's Tax Parcel/Account Number(s):** 1220-10-110-002

THIS ACKNOWLEDGMENT OF SECURITY INTEREST (this  
"Acknowledgment") is entered into as of October 18, 1999 by  
and among WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank"),  
TUM-A-LUM LUMBER COMPANY INC., ("Debtor") and COPELAND LUMBER  
COMPANY ("Landlord").

WHEREAS, Bank has extended, or has agreed to extend, credit  
to Debtor on the condition, among others, that such credit be  
secured by a security interest in certain assets of Debtor (the  
"Collateral") described in the Security Agreement attached hereto  
as Exhibit A and incorporated herein by this reference (the  
"Security Agreement"), and all or a portion of the Collateral is  
now or may hereafter be located on that certain real property  
owned by Landlord in Douglas County, Nevada, as more  
particularly described on Exhibit B attached hereto and  
incorporated herein by this reference (the "Property"); and

WHEREAS, in extending or continuing to extend such credit to  
Debtor, Bank is relying on the acknowledgments, representations  
and agreements relating to the Collateral set forth herein.

NOW, THEREFORE, Landlord, Debtor and Bank hereby  
acknowledge, represent and agree as follows:

1. Landlord's Acknowledgment. Landlord acknowledges that the security interest of Bank in the Collateral is senior and superior to Landlord's for all value exceeding any rents or utilities payable to Landlord. Landlord confirms that Landlord has not received notice from any person or entity other than Bank of any claim of right, title or interest in or to any of the Collateral.

2. Notice and License. Landlord agrees to deliver to Bank, at the same time as delivery to Debtor, a copy of any notice given by Landlord to Debtor regarding any breach of, or limitation or termination of, any lease or other agreement between Debtor and Landlord relating to Debtor's use and possession of the Property. Subject to the terms and conditions of this Acknowledgment, Landlord and, where applicable, Debtor agree that notwithstanding any failure by Debtor to perform under, or the termination of, any lease or other agreement between Debtor and Landlord relating to Debtor's use and possession of the Property: (a) Landlord will not dispose of the Collateral nor assert any right or interest therein unless it has first notified Bank in writing and has given Bank a reasonable opportunity to exercise Bank's rights in and to the Collateral; and (b) Bank is hereby granted the right and license to enter upon the Property and to possess and use the Property to take possession of the Collateral and to exercise Bank's rights, powers and remedies with respect to the Collateral, including without limitation, caring for any growing crops which constitute part of the Collateral and harvesting any such crops, removing any or all of the Collateral from the Property, and sorting, assembling, selling (including by auction sale held on the Property) and otherwise disposing of the Collateral in accordance with the terms and conditions of the Security Agreement, this Acknowledgment and applicable law.

3. Conditions. The rights and licenses granted to Bank herein are conditioned upon Bank's agreement to, and Bank hereby agrees to: (a) pay rent to Landlord at the times and at the daily rate paid by Debtor for the period commencing on the day Bank enters into possession of the Property and ending on the day Bank relinquishes possession thereof; and (b) reimburse Landlord for any damage to the Property, other than diminution in value thereof, actually caused by Bank's activities on the Property during its possession thereof.

4. Indemnity. Debtor agrees to indemnify and hold Landlord and Bank, and their respective partners, officers, directors, successors and assigns, harmless from and against any and all claims, actions, damages, costs, expenses (including reasonable attorneys' fees, to include Bank's outside counsel fees and all allocated costs of Bank's in-house counsel) and/or liability arising from or in any manner relating to Landlord's compliance with this Acknowledgment and/or Bank's exercise of any of its rights hereunder. Debtor hereby irrevocably authorizes Landlord to comply with any instructions or directions which Bank may give to Landlord pursuant hereto and/or in connection with Bank's exercise of its rights, powers and remedies with respect to the Collateral.

5. No Waiver; Amendments. No delay, failure or discontinuance of Bank in exercising any right, power or remedy hereunder or under the Security Agreement shall affect such right, power or remedy; nor shall any single or partial exercise of any such right, power or remedy preclude, waive or otherwise affect the further exercise thereof or the exercise of any other right, power or remedy. The rights, powers and remedies of Bank hereunder are cumulative and not exclusive. Any waiver, permit, consent or approval of any kind by Bank of any breach of or default under this Acknowledgment, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in such writing. This Acknowledgment may be amended or modified only in writing signed by all parties hereto.

6. Notices. All notices, requests and demands required hereunder must be in writing, addressed to each party at the address specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or three (3) days after deposit in the U.S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

7. Governing Law; Successors, Assigns. This Acknowledgment shall be governed by and construed in accordance with the laws of the State of Washington, and shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties.

IN WITNESS WHEREOF, the parties hereto have executed this Acknowledgment as of the day and year first written above.

BANK:

WELLS FARGO BANK,  
NATIONAL ASSOCIATION

By: [Signature]

Title: v.p. Pres

Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

LANDLORD:

COPELAND LUMBER COMPANY

By: [Signature]

Title: PRESIDENT

Address: 901 NE. GLISAN  
PORTLAND  
OREGON

DEBTOR:

TUM-A-LUM LUMBER COMPANY INC.

By: [Signature]

Title: President

Address: 999 NW Frontage Road  
PO Box 457  
Trousdale, OR 97060

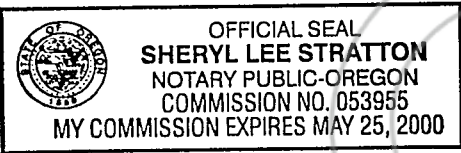
OBTAIN NOTARY ACKNOWLEDGMENTS

NOTARY ACKNOWLEDGMENT:

STATE OF Oregon }  
COUNTY OF Multnomah }

On October 14, 1999, before me, the undersigned notary public in and for said state, personally appeared James W. Crawford, known to me to be President of the company/corporation that executed the within instrument or the person who executed the instrument on behalf of said company/corporation, and acknowledged to me that such company/corporation executed the same.

WITNESS my hand and official seal.



Sheryl Lee Stratton  
Notary Public in and for Oregon  
residing at Portland Oregon  
My commission expires: May 5/2000

0480188

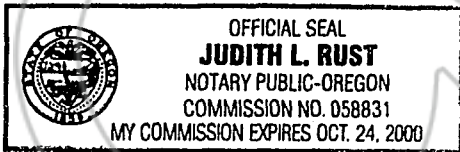
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NOTARY ACKNOWLEDGMENT:

STATE OF Oregon  
COUNTY OF Multnomah

On October 18, 1999, before me, the undersigned notary public in and for said state, personally appeared William A. Whitell, known to me to be President of the company/corporation that executed the within instrument or the person who executed the instrument on behalf of said company/corporation, and acknowledged to me that such company/corporation executed the same.

WITNESS my hand and official seal.



Judith Rust  
Notary Public in and for Oregon  
residing at Portland, OR  
My commission expires: 10-24-2000

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STATE OF WASHINGTON  
COUNTY OF SPOKANE

I certify that I know or have satisfactory evidence that Bruce Zardany Vice President of Wells Fargo Bank, signed this instrument, and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATE: 10-20-99

Sandra L. Godley  
Notary Public in and for the

State of Washington, residing at Spokane.

My appointment expires: 4-29-02



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WELLS FARGO BANK

**CONTINUING SECURITY AGREEMENT  
RIGHTS TO PAYMENT AND INVENTORY**

12  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

1. **GRANT OF SECURITY INTEREST.** For valuable consideration, the undersigned ~~TUM-A-LUM LUMBER COMPANY~~, or any of them ("Debtor"), hereby grants and transfers to WELLS FARGO BANK, NATIONAL ASSOCIATION ("Bank") a security interest in all accounts, deposit accounts, chattel paper, instruments, documents and general intangibles (collectively called "Rights to Payment"), now existing or at any time hereafter, and prior to the termination hereof, arising (whether they arise from the sale, lease or other disposition of inventory or from performance of contracts for service, manufacture, construction, repair or otherwise or from any other source whatsoever), including all securities, guaranties, warranties, indemnity agreements, insurance policies and other agreements pertaining to the same or the property described therein, and in all goods returned by or repossessed from Debtor's customers, together with a security interest in all inventory, goods held for sale or lease or to be furnished under contracts for service, goods so leased or furnished, raw materials, component parts, work in process or materials used or consumed in Debtor's business and all warehouse receipts, bills of lading and other documents evidencing goods owned or acquired by Debtor, and all goods covered thereby, now or at any time hereafter, and prior to the termination hereof, owned or acquired by Debtor, wherever located, and all products thereof (collectively called "Inventory"), whether in the possession of Debtor, warehousemen, bailees or any other person, or in process of delivery and whether located at Debtor's places of business or elsewhere (with all Rights to Payment and Inventory referred to herein collectively as the "Collateral"), together with whatever is receivable or received when any of the Collateral or proceeds thereof are sold, leased, collected, exchanged or otherwise disposed of, whether such disposition is voluntary or involuntary, including without limitation, all Rights to Payment, including returned premiums, with respect to any insurance relating to any of the foregoing, and all Rights to Payment with respect to any cause of action affecting or relating to any of the foregoing (hereinafter called "Proceeds").

2. **OBLIGATIONS SECURED.** The obligations secured hereby are the payment and performance of: (a) all present and future Indebtedness of Debtor to Bank; (b) all obligations of Debtor and rights of Bank under this Agreement; and (c) all present and future obligations of Debtor to Bank of other kinds. The word "Indebtedness" is used herein in its most comprehensive sense and includes any and all advances, debts, obligations and liabilities of Debtor, or any of them, heretofore, now or hereafter made, incurred or created, whether voluntary or involuntary and however arising, whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and whether Debtor may be liable individually or jointly, or whether recovery upon such Indebtedness may be or hereafter becomes unenforceable.

3. **TERMINATION.** This Agreement will terminate upon the performance of all obligations of Debtor to Bank, including without limitation, the payment of all Indebtedness of Debtor to Bank, and the termination of all commitments of Bank to extend credit to Debtor, existing at the time Bank receives written notice from Debtor of the termination of this Agreement.

4. **OBLIGATIONS OF BANK.** Bank has no obligation to make any loans hereunder. Any money received by Bank in respect of the Collateral may be deposited, at Bank's option, into a non-interest bearing account over which Debtor shall have no control, and the same shall, for all purposes, be deemed Collateral hereunder.

5. **REPRESENTATIONS AND WARRANTIES.** Debtor represents and warrants to Bank that: (a) Debtor is the owner and has possession or control of the Collateral and Proceeds; (b) Debtor has the right to grant a security interest in the Collateral and Proceeds; (c) all Collateral and Proceeds are genuine, free from liens, adverse claims, setoffs, default, prepayment, defenses and conditions precedent of any kind or character, except the lien created hereby or as otherwise agreed to by Bank, or heretofore disclosed by Debtor to Bank, in writing; (d) all statements contained herein and, where applicable, in the Collateral are true and complete in all material respects; (e) no financing statement covering any of the Collateral or Proceeds, and naming any secured party other than Bank, is on file in any public office; (f) all persons appearing to be obligated on Rights to Payment and Proceeds have authority and capacity to contract and are bound as they appear to be; (g) all property subject to chattel paper has been properly registered and filed in compliance with law and to perfect the interest of Debtor in such property; and (h) all Rights to Payment and Proceeds comply with all applicable laws concerning form, content and manner of preparation and execution, including where applicable Federal Reserve Regulation Z and any State consumer credit laws.

6. **COVENANTS OF DEBTOR.**

(a) Debtor Agrees in general: (i) to pay indebtedness secured hereby when due; (ii) to indemnify Bank against all losses, claims, demands, liabilities and expenses of every kind caused by property subject hereto; (iii) to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the perfection and preservation of the Collateral or Bank's interest therein and/or the realization, enforcement and exercise of Bank's rights, powers and remedies hereunder; (iv) to permit Bank to exercise its powers; (v) to execute and deliver such documents as Bank deems necessary to create, perfect and continue the security interests contemplated hereby; and (vi) not to change its chief place of business (or personal residence, if applicable) or the places where Debtor keeps any of the Collateral or Debtor's records concerning the Collateral and Proceeds without first giving Bank written notice of the address to which Debtor is moving same.



(b) Debtor agrees with regard to the Collateral and Proceeds, unless Bank agrees otherwise in writing: (i) to insure Inventory and, where applicable, Rights to Payment with Bank as loss payee, in form, substance and amounts, under agreements, against risks and liabilities, and with insurance companies satisfactory to Bank; (ii) not to use any Inventory for any unlawful purpose or in any way that would void any insurance required to be carried in connection therewith; (iii) not to remove Inventory from Debtor's premises, except for deliveries to buyers in the ordinary course of Debtor's business and except Inventory which consists of mobile goods as defined in the Washington Uniform Commercial Code, in which case Debtor agrees not to remove or permit the removal of the Inventory from its state of domicile for a period in excess of 30 calendar days; (iv) not to permit any security interest in or lien on the Collateral or Proceeds, including without limitation, liens arising from the storage of Inventory, except in favor of Bank; (v) not to sell, hypothecate or otherwise dispose of, nor permit the transfer by operation of law of, any of the Collateral or Proceeds or any interest therein, except sales of Inventory to buyers in the ordinary course of Debtor's business; (vi) to furnish reports to Bank of all acquisitions, returns, sales and other dispositions of the Inventory in such form and detail and at such times as Bank may require; (vii) to permit Bank to inspect the Collateral at any time; (viii) to keep, in accordance with generally accepted accounting principles, complete and accurate records regarding all Collateral and Proceeds, and to permit Bank to inspect the same and make copies thereof at any reasonable time; (ix) if requested by Bank, to receive and use reasonable diligence to collect Rights to Payment and Proceeds, in trust and as the property of Bank, and to immediately endorse as appropriate and deliver such Rights to Payment and Proceeds to Bank daily in the exact form in which they are received together with a collection report in form satisfactory to Bank; (x) not to commingle Rights to Payment, Proceeds or collections thereunder with other property; (xi) to give only normal allowances and credits and to advise Bank thereof immediately in writing if they affect any Rights to Payment or Proceeds in any material respect; (xii) on demand, to deliver to Bank returned property resulting from, or payment equal to, such allowances or credits on any Rights to Payment or Proceeds or to execute such documents and do such other things as Bank may reasonably request for the purpose of perfecting, preserving and enforcing its security interest in such returned property; (xiii) from time to time, when requested by Bank, to prepare and deliver a schedule of all Collateral and Proceeds subject to this Agreement and to assign in writing and deliver to Bank all accounts, contracts, leases and other chattel paper, instruments, documents and other evidences thereof; (xiv) in the event Bank elects to receive payments of Rights to Payment or Proceeds hereunder, to pay all expenses incurred by Bank in connection therewith, including expenses of accounting, correspondence, collection efforts, reporting to account or contract debtors, filing, recording, record keeping and expenses incidental thereto; and (xv) to provide any service and do any other acts which may be necessary to maintain, preserve and protect all Collateral and, as appropriate and applicable, to keep all Collateral in good and saleable condition in accordance with the standards and practices adhered to generally by users and manufacturers of like property, and to keep all Collateral and Proceeds free and clear of all defenses, rights of offset and counterclaims.

7. **POWERS OF BANK.** Debtor appoints Bank its true attorney-in-fact to perform any of the following powers, which are coupled with an interest, are irrevocable until termination of this Agreement and may be exercised from time to time by Bank's officers and employees, or any of them, whether or not Debtor is in default: (a) to perform any obligation of Debtor hereunder in Debtor's name or otherwise; (b) to give notice to account debtors or others of Bank's rights in the Collateral and Proceeds, to enforce the same and make extension agreements with respect thereto; (c) to release persons liable on Proceeds and to give receipts and acquittances and compromise disputes in connection therewith; (d) to release security; (e) to resort to security in any order; (f) to prepare, execute, file, record or deliver notes, assignments, schedules, designation statements, financing statements, continuation statements, termination statements, statements of assignment, applications for registration or like papers to perfect, preserve or release Bank's interest in the Collateral and Proceeds; (g) to receive, open and read mail addressed to Debtor; (h) to take cash, instruments for the payment of money and other property to which Bank is entitled; (i) to verify facts concerning the Collateral and Proceeds by inquiry of obligors thereon, or otherwise, in its own name or a fictitious name; (j) to endorse, collect, deliver and receive payment under instruments for the payment of money constituting or relating to Proceeds; (k) to prepare, adjust, execute, deliver and receive payment under insurance claims, and to collect and receive payment of and endorse any instrument in payment of loss or returned premiums or any other insurance refund or return, and to apply such amounts received by Bank, at Bank's sole option, toward repayment of the Indebtedness or replacement of the Collateral; (l) to exercise all rights, powers and remedies which Debtor would have, but for this Agreement, with respect to all Collateral and Proceeds subject hereto; (m) to enter onto Debtor's premises in inspecting the Collateral; (n) to make withdrawals from and to close deposit accounts or other accounts with any financial institution, wherever located, into which Proceeds may have been deposited, and to apply funds so withdrawn to payment of the Indebtedness; (o) to preserve or release the interest evidenced by chattel paper to which Bank is entitled hereunder and to endorse and deliver evidences of title incidental thereto; and (p) to do all acts and things and execute all documents in the name of Debtor or otherwise, deemed by Bank as necessary, proper and convenient in connection with the preservation, perfection or enforcement of its rights hereunder.

8. **PAYMENT OF PREMIUMS, TAXES, CHARGES, LIENS AND ASSESSMENTS.** Debtor agrees to pay, prior to delinquency, all insurance premiums, taxes, charges, liens and assessments against the Collateral and Proceeds, and upon the failure of Debtor to do so, Bank at its option may pay any of them and shall be the sole judge of the legality or validity thereof and the amount necessary to discharge the same. Any such payments made by Bank shall be obligations of Debtor to Bank, due and payable immediately upon demand, together with interest at a rate determined in accordance with the provisions of Section 15 herein, and shall be secured by the Collateral and Proceeds, subject to all terms and conditions of this Agreement.

9. **EVENTS OF DEFAULT.** The occurrence of any of the following shall constitute an "Event of Default" under this Agreement: (a) any default in the payment or performance of any obligation, or any defined event of default, under (i) any contract or instrument evidencing any Indebtedness, or (ii) any other

agreement between any Debtor and Bank, including without limitation any loan agreement, relating to or executed in connection with any Indebtedness; (b) any representation or warranty made by any Debtor herein shall prove to be incorrect in any material respect when made; (c) any Debtor shall fail to observe or perform any obligation or agreement contained herein; (d) any attachment or like levy on any property of any Debtor; and (e) Bank, in good faith, believes any or all of the Collateral and/or Proceeds to be in danger of misuse, dissipation, commingling, loss, theft, damage or destruction, or otherwise in jeopardy or unsatisfactory in character or value.

10. **REMEDIES.** Upon the occurrence of any Event of Default, Bank shall have the right to declare immediately due and payable all or any Indebtedness secured hereby and to terminate any commitments to make loans or otherwise extend credit to Debtor. Bank shall have all other rights, powers, privileges and remedies granted to a secured party upon default under the Washington Uniform Commercial Code or otherwise provided by law, including without limitation, the right to contact all persons obligated to Debtor on any Collateral or Proceeds and to instruct such persons to deliver all Collateral and/or Proceeds directly to Bank. All rights, powers, privileges and remedies of Bank shall be cumulative. No delay, failure or discontinuance of Bank in exercising any right, power, privilege or remedy hereunder shall affect or operate as a waiver of such right, power, privilege or remedy; nor shall any single or partial exercise of any such right, power, privilege or remedy preclude, waive or otherwise affect any other or further exercise thereof or the exercise of any other right, power, privilege or remedy. Any waiver, permit, consent or approval of any kind by Bank of any default hereunder, or any such waiver of any provisions or conditions hereof, must be in writing and shall be effective only to the extent set forth in writing. It is agreed that public or private sales, for cash or on credit, to a wholesaler or retailer or investor, or user of property of the types subject to this Agreement, or public auction, are all commercially reasonable since differences in the sales prices generally realized in the different kinds of sales are ordinarily offset by the differences in the costs and credit risks of such sales.

While an Event of Default exists: (a) Debtor will deliver to Bank from time to time, as requested by Bank, current lists of all Collateral and Proceeds; (b) Debtor will not dispose of any of the Collateral or Proceeds except on terms approved by Bank; (c) at Bank's request, Debtor will assemble and deliver all Collateral and Proceeds, and books and records pertaining thereto, to Bank at a reasonably convenient place designated by Bank; and (d) Bank may, without notice to Debtor, enter onto Debtor's premises and take possession of the Collateral. With respect to any sale by Bank of any Collateral subject to this Agreement, Debtor hereby expressly grants to Bank the right to sell such Collateral using any or all of Debtor's trademarks, trade names, trade name rights and/or proprietary labels or marks.

11. **DISPOSITION OF COLLATERAL AND PROCEEDS.** Upon the transfer of all or any part of the Indebtedness, Bank may transfer all or any part of the Collateral or Proceeds and shall be fully discharged thereafter from all liability and responsibility with respect to any of the foregoing so transferred, and the transferee shall be vested with all rights and powers of Bank hereunder with respect to any of the foregoing so transferred; but with respect to any Collateral or Proceeds not so transferred Bank shall retain all rights, powers, privileges and remedies herein given. Any proceeds of any disposition of any of the Collateral or Proceeds, or any part thereof, may be applied by Bank to the payment of expenses incurred by Bank in connection with the foregoing, including reasonable attorneys' fees, and the balance of such proceeds may be applied by Bank toward the payment of the Indebtedness in such order of application as Bank may from time to time elect.

12. **STATUTE OF LIMITATIONS.** Until all Indebtedness shall have been paid in full and all commitments by Bank to extend credit to Debtor have been terminated, the power of sale and all other rights, powers, privileges and remedies granted to Bank hereunder shall continue to exist and may be exercised by Bank at any time and from time to time irrespective of the fact that the Indebtedness or any part thereof may have become barred by any statute of limitations, or that the personal liability of Debtor may have ceased, unless such liability shall have ceased due to the payment in full of all Indebtedness secured hereunder.

13. **MISCELLANEOUS.** (a) The obligations of Debtor are joint and several; (b) Debtor hereby waives any right (i) to require Bank to make any presentment or demand, or give any notice of nonpayment or nonperformance, protest, notice of protest or notice of dishonor hereunder, (ii) to direct the application of payments or security for Indebtedness of Debtor or indebtedness of customers of Debtor, or (iii) to require proceedings against others or to require exhaustion of security; and (c) Debtor hereby consents to extensions, forbearances or alterations of the terms of Indebtedness, the release or substitution of security, and the release of any guarantors; provided however, that in each instance, Bank believes in good faith that the action in question is commercially reasonable in that it does not unreasonably increase the risk of nonpayment of the Indebtedness to which the action applies. Until all Indebtedness shall have been paid in full, no Debtor shall have any right of subrogation or contribution, and each Debtor hereby waives any benefit of or right to participate in any of the Collateral or Proceeds or any other security now or hereafter held by Bank.

14. **NOTICES.** All notices, requests and demands required under this Agreement must be in writing, addressed to Bank at the address specified in any other loan documents entered into between Debtor and Bank and to Debtor at the address of its chief executive office (or personal residence, if applicable) specified below or to such other address as any party may designate by written notice to each other party, and shall be deemed to have been given or made as follows: (a) if personally delivered, upon delivery; (b) if sent by mail, upon the earlier of the date of receipt or 3 days after deposit in the U. S. mail, first class and postage prepaid; and (c) if sent by telecopy, upon receipt.

15. **COSTS, EXPENSES AND ATTORNEYS' FEES.** Debtor shall pay to Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees (to include outside counsel fees and all allocated costs of Bank's in-house counsel), expended or incurred by Bank in exercising any right, power, privilege or remedy conferred by this Agreement or in the enforcement thereof, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by Bank or any other person) relating to Debtor or in any way affecting any of the Collateral or Bank's ability to exercise any of its rights or remedies with respect thereto. All of the foregoing shall be paid by Debtor with interest from the date of demand until paid in full at a rate per annum equal to the greater of ten percent (10%) or the Prime Rate in effect from time to time. The "Prime Rate" is a base rate that Bank from time to time establishes and which serves as the basis upon which effective rates of interest are calculated for those loans making reference thereto.

16. **SUCCESSORS; ASSIGNS; AMENDMENT.** This Agreement shall be binding upon and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the parties, and may be amended or modified only in writing signed by Bank and Debtor.

17. **OBLIGATIONS OF MARRIED PERSONS.** Any married person who signs this Agreement as Debtor hereby expressly agrees that recourse may be had against his or her separate property for all his or her indebtedness to Bank secured by the Collateral and Proceeds under this Agreement.

18. **SEVERABILITY OF PROVISIONS.** If any provision of this Agreement shall be held to be prohibited by or invalid under applicable law, such provision shall be ineffective only to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or any remaining provisions of this Agreement.

19. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the laws of the state of Washington.

Debtor warrants that its chief executive office (or personal residence, if applicable) is located at the following address: **123 E. MAIN, WALLA WALLA, WA 99362**

Debtor warrants that the Collateral (except goods in transit) is located or domiciled at the following additional addresses: See Exhibit A attached hereto, all terms of which are incorporated herein by this reference.

IN WITNESS WHEREOF, this Agreement has been duly executed as of **October 5, 1999**.

**TUM-A-LUM LUMBER COMPANY**

By: \_\_\_\_\_

Title: \_\_\_\_\_

This Exhibit A is attached to and made a part of that certain Security Agreement Equipment dated as of October 5, 1999, executed by Tum-A-Lum Lumber Company, as Debtor, for the benefit of Wells Fargo Bank, National Associate, as Bank.

ADDITIONAL ADDRESSES:

~~1. 12150 N.E. Bell-Red Road  
Bellevue, WA 98004~~

2. 1327 N. 9th & Starker  
Corvallis, OR 97330

3. 811 E. 2nd  
PO Box 540  
The Dalles, OR 97058

4. 601 S.W. 5th  
PO Box 457  
Ellensburg, WA 98926

5. 98 W. Gladys  
PO Box 82  
Hermiston, OR 97838

6. 408 Highway 35  
Hood River, OR 98031

7. 432 S.E. Dorian  
PO Box 428  
Pendleton, OR 97801

8. 339 W. Evergreen  
PO Box 808  
Redmond, OR 97756

9. 4602 N.E. Sunset Boulevard  
Renton, WA 98058

10. 307 Greenwood Street  
Lagrande, OR 97850

11. 906 S. Steward St.  
P.O. Box 625  
Carson City, Nevada 89702

12. 1247 Hwy 395-N  
Gardnerville, Nevada 89410

13. 702-000 Johnstonville Rd. E.  
P.O. Box 788  
Susanville, CA 96130

EXHIBIT B  
TO  
ACKNOWLEDGMENT OF SECURITY INTEREST

INITIAL  
*TC*

Legal Description of Property:

Lot1-B, Block A, Jewel Commercial Park, Phase 1, in the City of  
Gardnerville, Douglas County, Nevada.

COPY

REQUESTED BY  
Wells Fargo Bank  
IN OFFICIAL RECORDS OF  
DOUGLAS CO., NEVADA

1999 NOV -5 PM 2: 14

LINDA SLATER  
RECORDER

\$19<sup>00</sup> PAID KJ DEPUTY

R:\loan1\rcbo\inldspok\offackn1.wpd  
(rev: October 7, 1999 (2:13PM))

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