EXECUTION COPY

LOAN AGREEMENT

between

OLYMPIC RANGE TREE FARM, LLC,
as Borrower

and

BCC NMTC CDE IV LLC

and

RDP 3 LLC

as Lenders

Loans of US $27,500,000

FIRST MORTGAGE LOANS

December 20, 2005

TABLE OF CONTENTS

Page

ARTICLE 1. LOAN TERMS AND COLLATERAL 2
1.1 Loan Amount. 2
1.2 The Notes. 2
1.3 Interest and Payments. 2
1.4 Collateral Security for the Loans. 2
1.5 Application and Allocation of Payments. 2

ARTICLE 2. REPRESENTATIONS AND WARRANTIES 2
2.1 Nature of Business. 2
2.2 Financial Statements; Equity, Debt; Material Adverse Change. 3
2.3 Pending Claims. 3
2.4 Title. 3
2.5 Borrower's Name; Principal Place of Business. 3
2.6 Taxes. 4
2.7 Timberlands. 4
2.8 Full Disclosure. 4
2.9 Credit Party Organization and Authority; Ownership and Subsidiaries. 4
2.10 Restrictions on Credit Parties. 5
2.11 Compliance with Law. 5
2.12 Certain Laws. 6
2.13 Environmental Compliance. 6
2.14 Loan Transaction Legal and Authorized; Obligations are Enforceable. 8
2.15 Governmental Consent. 9
2.16 No Defaults. 9
2.17 Validity of Lien. 9
2.18 Solvency. 9
2.19 Survival of Representations and Warranties. 10
2.20 Non Foreign Certification. 10
2.21 New Markets Tax Credit Requirements. 10
2.22 Patriot Act. 12
2.23 OFAC. 12
2.24 Logging Agreements. 12
2.25 Use of Proceeds. 13
2.26 Brokers. 13
2.27 Status of Credit Parties. 13
2.28 Purchase Documentation. 13

ARTICLE 3. GENERAL COVENANTS 14
3.1 Payment of Taxes and Claims; Deposits for Taxes and Insurance Premiums. 14
3.2 Maintenance of Properties and Legal Existence. 14
3.3 Liability Avoidance. 15
3.4 Debt Service Coverage Ratio. 15
3.5 Divestiture. 15

Page

3.6 Liens. ... 17
3.7 [RESERVED] ... 18
3.8 Restrictions on Debt. ... 18
3.9 Transactions with Affiliates and Officers. ... 18
3.10 Restricted Payments. ... 19
3.11 Additional Security. ... 19
3.12 Timber Management, Harvest and Timber Cutting Provisions. ... 20
3.13 Financial and Business Information. ... 27
3.14 Pension Plans; ERISA. ... 28
3.15 Margin Stock. ... 29
3.16 Required Notices. ... 29
3.17 Estoppel Certificates ... 30
3.18 Intentionally Omitted. ... 30
3.19 Intentionally Omitted. ... 30
3.20 Management. ... 30
3.21 Single Purpose Entity/Separateness. ... 31
3.22 [RESERVED] ... 33
3.23 Change in Capital Structure ... 33
3.24 Tax Status ... 33
3.25 New Markets Tax Credit Requirements. ... 33
3.26 [RESERVED] ... 35
3.27 Further Assurances. ... 35

ARTICLE 4. CONDITIONS PRECEDENT ... 36
4.1 Documentation. ... 36
4.2 Other Conditions. ... 38
4.3 Merger. ... 39
4.4 Lenders' Representation. ... 39

ARTICLE 5. EVENTS OF DEFAULT; RIGHTS AND REMEDIES ON DEFAULT ... 39
5.1 Events of Default. ... 39
5.2 Acceleration of the Obligations. ... 41
5.3 Remedies. ... 41
5.4 Remedies Cumulative ... 41

ARTICLE 6. MISCELLANEOUS ... 42
6.1 Termination; Reinstatement. ... 42
6.2 Fees and Expenses Incurred by Lender Parties. ... 43
6.3 Waiver by Lenders. ... 45
6.4 Severability. ... 46
6.5 Modification of Agreement. ... 46
6.6 Authorization to Disseminate Information. ... 46
6.7 Intentionally Omitted. ... 46
6.8 Authorized Signature. ... 47
6.9 Notices. ... 47
6.10 Assignment. ... 50

Page

6.11 Actions by Lenders. 50
6.12 Performance by Lenders. 50
6.13 Entire Agreement. 51
6.14 Partial Payment. 51
6.15 Indemnity. 51
6.16 Press Releases and Related Matters. 52
6.17 Actions in Concert. 52

ARTICLE 7. INTERPRETATION OF THIS AGREEMENT 52
7.1 Defined Terms. 52
7.2 Accounting Terms; Interpretation of Financial Covenants. 66
7.3 Directly or Indirectly. 66
7.4 Exercise of Consent; Collateral Agency. 66
7.5 Section Headings and Table of Contents, etc. 66
7.6 Construction. 66
7.7 Governing Law. 67
7.8 Counterparts. 67
7.9 Successors and Assigns. 67
7.10 Advice of Counsel. 67
7.11 No Strict Construction. 67
7.12 Waiver of Trial by Jury. 67
7.13 Consent to Jurisdiction. 67

EXHIBITS

Exhibit A -- Form of Note
Exhibit B -- Form of Logging Agreement
Exhibit C -- **[RESERVED]**
Exhibit D -- Green Crow Forest Management Agreement
Exhibit E -- Annual Allowable Cut
Exhibit F -- Form of Officer's Certificate
Exhibit G -- **[RESERVED]**
Exhibit H -- Form of Debarment Certificate
Exhibit I -- Form of Notice of Timberlands Exchange or Divestiture
Exhibit J -- Form of Partial Release

SCHEDULES

Schedule 2.5 – Officers
Schedule 3.2(d) – New Lines of Business

LOAN AGREEMENT

THIS LOAN AGREEMENT (as amended, modified, supplemented or waived from time to time, this "**Agreement**"), dated as of December 20, 2005, by and among **BCC NMTC CDE IV LLC**, a limited liability company organized and existing under the laws of the Commonwealth of Massachusetts, as lender ("**BCC NMTC CDE IV**"), and **RDP 3 LLC**, a limited liability company organized and existing under the laws of the State of Iowa, as lender ("**RDP 3**"; collectively with BCC NMTC CDE IV, the "**Lenders**" and each a "**Lender**") and **OLYMPIC RANGE TREE FARM, LLC**, a limited liability company organized and existing under the laws of the State of Delaware, as borrower ("**Borrower**").

WHEREAS, Brown Bear Forest, Inc., a Delaware corporation ("**BBF**") and Fund 8 Domestic LLC, a Delaware limited liability company ("**Fund 8**"), collectively own 100% of the limited liability company interests in Borrower;

WHEREAS, pursuant to that certain Purchase Agreement (as defined herein) Fund 8 acquired the Timberlands (as defined herein) from Cascade Timberlands (Olympic), LLC, a Delaware limited liability company ("**Cascade**") (the "**Timberlands Acquisition**");

WHEREAS, Fund 8 transferred the Timberlands to BBF, together with all of its rights under the Purchase Agreement, and BBF, in turn, transferred the Timberlands and all of the rights under the Purchase Agreement to Buyer (collectively, the "**Timberlands Assignments**");

WHEREAS, in order to refinance a portion of the purchase price of the Timberlands Acquisition, Borrower desires to obtain from Lenders term loans in an aggregate amount of US $27,500,000, and Lenders are willing to make such loans on the terms and conditions set forth in this Agreement;

WHEREAS, the Lenders have agreed to make these loans at more favorable than market terms to, in part, permit Borrower to support (i) the long term sustainable management of working forests by private investors, (ii) the maintenance of fiber supply for mill users, (iii) the conservation of critical natural resources, and (iv) the long term viability of communities dependent on natural resource-based industries; and

WHEREAS, such loans will bear an interest rate that is below market, and it is intended that certain of Lenders' members and/or partners be allowed Tax Credits (as defined herein) with respect to their investments in Lenders;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1.

LOAN TERMS AND COLLATERAL

1.1 **Loan Amount.** Subject to the terms and conditions hereof and in reliance upon the representations and warranties set forth herein, each Lender severally agrees to make available to Borrower on the Closing Date, a term loan in U.S. dollars (each a "**Loan**" and collectively, the "**Loans**") in the original principal amount of (i) NINETEEN MILLION ONE HUNDRED THIRTY THOUSAND AND 00/100 DOLLARS ($19,130,000) in the case of BCC NMTC CDE IV, and (ii) EIGHT MILLION THREE HUNDRED SEVENTY THOUSAND AND 00/100 ($8,370,000) in the case of RDP 3. The obligations of each Lender hereunder shall be several and not joint. Once re-paid, the Loans may not be re-borrowed.

1.2 **The Notes.** The Loans shall be evidenced by promissory notes (as amended, restated, supplemented or reconstituted as multiple notes, from time to time, together with any notes given in substitution or replacement thereof, the "**Notes**"; each a "**Note**") that shall be executed and delivered by Borrower on the Closing Date. Each Lender's Note shall be in a stated principal amount equal to the original principal amount of such Lender's Loan shown in Section 1.1 above and each Note shall be in the form set forth as Exhibit A attached hereto.

1.3 **Interest and Payments.** The Loans shall bear interest at the rate set forth in the Notes. Principal, interest and any Make-Whole Amount shall be payable by Borrower to Lenders in the amounts and at the times specified in the Notes and in this Agreement.

1.4 **Collateral Security for the Loans.** Pursuant to the provisions of the Mortgages and the other Security Documents, the indebtedness evidenced by the Notes as well as all other Obligations are secured by a Lien in favor of Lenders in all of Borrower's rights, title and interests in and to all of the Collateral.

1.5 **Application and Allocation of Payments.** All payments of the Obligations made pursuant to this Agreement or the other Financing Documents shall be paid to Lenders based on the respective Pro Rata Share of Lenders and applied to the Obligations in the manner and in the order set forth in the Notes.

ARTICLE 2.

REPRESENTATIONS AND WARRANTIES

As an inducement to Lenders to enter into this Agreement and to make the Loans, each Credit Party executing this Agreement represents and warrants to Lenders, as of the date hereof and after giving effect to the consummation of the Timberlands Assignments, as follows:

2.1 **Nature of Business.** Borrower's only business is the ownership, holding, planting, cultivating, selling, transferring (including the transfer of rights via the granting of one or more road use or other easements), exchanging, harvesting, operating and managing the Timberlands, which may include marketing and selling timber, logs and pulpwood (the

"**Timberlands Business**"). The Timberlands and all related assets constitute the only assets owned by Borrower, and Borrower is not the lessee of any Property. With respect to each Taxable Year during the Term, (a) at least 95% of Borrower's gross income will be from sales of timber, logs and other raw wood products and (b) not more than 5% of Borrower's gross income will be from granting one or more road use or other easements, which grants will be an incidental part of the Timberlands Business and not a principal business activity of Borrower. The Timberlands Business does not include the operation of residential real property as defined in Section 168(e)(2)(A) of the Internal Revenue Code.

2.2 Financial Statements; Equity, Debt; Material Adverse Change.

(a) Financial Statements. Borrower has delivered to Lenders a copy of Borrower's opening balance sheet as of the Closing Date (the "**Financial Statements**"). All of the Financial Statements (including in each case the related schedules and notes) present fairly, in all material respects, the financial position of Borrower, as of the date specified in such statements and the results of its operations and its cash flow for the period so specified and have been prepared in accordance with GAAP consistently applied throughout the period involved except as set forth in the notes thereto.

(b) Debt. As of the effectiveness of this Agreement, Borrower has no debt other than Permitted Debt.

(c) Material Adverse Change. Since September 20, 2005, there has been no material adverse change in the Timberlands.

2.3 Pending Claims.

2.3.1 Pending Litigation. There are no proceedings, actions or investigations pending or threatened against or affecting any Credit Party (including without limitation BBF) or any of the Collateral (including without limitation the Timberlands) in any court or before any Governmental Authority or arbitration board or tribunal which if adversely determined could reasonably be expected to have a Material Adverse Effect.

2.3.2 No Default. No Credit Party nor its ownership or use of any of the Collateral is in default of any judgment, order, writ, injunction or decree of any court, Governmental Authority, arbitration board or tribunal.

2.4 Title.

2.4.1 Title to Properties. Borrower has good and marketable title to all of the Timberlands, as set forth in the Title Policy, subject only to Permitted Liens.

2.4.2 Liens. All Collateral is free from Liens other than Permitted Liens.

2.5 Borrower's Name; Principal Place of Business.

(a) Borrower conducts, has conducted and intends to conduct all of its business operations only in its own name.

(b) The location of the principal executive office of Borrower is:

c/o GMO Renewable Resources, LLC
40 Rowes Wharf
Boston, MA 02110

(c) The officers of Borrower are as set forth on Schedule 2.5.

2.6 **Taxes.** All federal Tax Returns and all other material Tax Returns, if any, required to be filed by any Credit Party and any other Person with which such Credit Party files or has filed a consolidated tax return in any jurisdiction have in fact been filed on a timely basis. Such Tax Returns were correct and complete in all material respects. All material Taxes, assessments, fees and other governmental charges upon any Credit Party and upon any of its Property, income or franchises, that are due and payable (whether or not shown on any Tax Return) have been paid, including, without limitation, ad valorem taxes imposed on the Timberlands and any conveyance taxes related thereto. Each Credit Party has made adequate book provision for liability for Taxes as of the date hereof (including without limitation any payment due pursuant to any tax sharing or allocation agreement) as such Taxes are or may become payable by such Credit Party (and any other Person with which such Credit Party is required by applicable law to file a consolidated tax return) in respect of all tax periods ending on or prior to such date. No Credit Party is the beneficiary of any extension of time within which to file any Tax Return. No claim has ever been made by a Governmental Authority in a jurisdiction in which any Credit Party does not file Tax Returns that it is or may be subject to taxation by that jurisdiction. Borrower knows of no proposed additional Tax assessment against any Credit Party or any Person with which any Credit Party is required by applicable law to file a Tax Return. Although Borrower makes no representations regarding transfer taxes, Borrower knows of no proposed special property tax assessment with respect to any Credit Party's property.

2.7 **Timberlands.** The standing timber located on the Timberlands is in good condition, is marketable, and is free from pests, blight, fungus, disease, or other infestation and from any other adverse condition which could reasonably be expected to have a Material Adverse Effect.

2.8 **Full Disclosure.** No information contained in this Agreement, any of the other Financing Documents, the Financial Statements, documents, certificates or other reports, from time to time, prepared by any Credit Party and delivered hereunder or any written statement prepared by any Credit Party or factual information furnished by or on behalf of any Credit Party to any Lender Party pursuant to the terms of this Agreement, as a whole and at the time so delivered or furnished, contains or will contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained therein not misleading. There is no fact that any Credit Party has not disclosed to Lenders in writing that has had or, so far as any Credit Party can now reasonably foresee, could be reasonably expected to have, a Material Adverse Effect.

2.9 **Credit Party Organization and Authority; Ownership and Subsidiaries.**

(a) Each Credit Party (including without limitation BBF):

(i) is a duly organized, validly existing limited liability company (or corporation in the case of BBF), in good standing under the laws of the State of Delaware;

(ii) has all requisite power and authority, and the legal right, to own and operate its Property, and to conduct the business in which it is currently engaged and as presently proposed to be conducted in each jurisdiction in which it is currently conducting its business or presently proposing to conduct its business;

(iii) is duly qualified as a foreign limited liability company (or corporation in the case of BBF) and in good standing under the laws of each jurisdiction where its ownership, lease or operation of Property or the conduct of its business requires such qualification except where the failure to be so qualified could not reasonably be expected to have a Material Adverse Effect;

(iv) has all licenses, permits and certificates to own and operate its Property and to carry on its business as now conducted and as presently proposed to be conducted except where the failure to have any such license, permit or certificate could not reasonably be expected to have a Material Adverse Effect;

(v) is in compliance with its certificate of formation and operating agreement (or its articles of incorporation and bylaws in the case of BBF); and

(vi) is in compliance in all material respects with all applicable provisions of law.

(b) 99.9% of the limited liability company interests in Borrower is owned beneficially and of record by BBF and 0.1% of the limited liability company interests in Borrower is owned beneficially and of record by Fund 8. All of the stock of BBF is owned by Fund 8.

2.10 Restrictions on Credit Parties.

(a) No Credit Party is a party to any contract or agreement (other than the Financing Documents) or subject to any restriction in its organizational documents that restricts the right or ability of such Credit Party to incur Debt or otherwise perform under the terms of the Financing Documents; and

(b) No Credit Party has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of the Timberlands, other Collateral, or any other Property or any interest therein, whether now owned or hereafter acquired, to be subject to a Lien other than a Permitted Lien.

2.11 Compliance with Law.

No Credit Party:

(a) is in violation of any law, ordinance, governmental rule or regulation to which it or the Collateral is subject (including without limitation those relating to zoning and

planning, building of roads or structures, or subdivision except where violation could not reasonably be expected to have a Material Adverse Effect;

(b) has failed to obtain any license, certificate, permit, franchise or other governmental authorization necessary to the ownership of the Collateral or to the conduct of its business (including without limitation to the extent required, timber harvesting, building, zoning, subdivision, traffic and environmental approvals, wildlife protection and certificates of occupancy) except where such failure could not reasonably be expected to have a Material Adverse Effect; and

(c) with respect to cutting, handling and selling timber from the Timberlands, is in violation of any law, ordinance, government rule or regulation or has failed to obtain any license, certificate, permit, franchise or other governmental authorization if such violation or failure could reasonably be expected to have a Material Adverse Effect.

Notwithstanding anything in this Section 2.11, environmental matters are addressed in Section 2.13 of this Agreement and are excluded from the scope of this Section 2.11.

2.12 **Certain Laws.** The incurrence of the Debt evidenced by the Notes, and the performance under the Financing Documents by each Credit Party (including without limitation BBF):

(a) is not subject to regulation under the Investment Company Act of 1940, as amended, the Public Utility Holding Company Act of 1935, as amended, the Transportation Acts, as amended, or the Federal Power Act, as amended; and

(b) does not violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to such Credit Party.

2.13 **Environmental Compliance.**

(a) Except as set forth in the Environmental Report, each Credit Party and the Collateral, including without limitation the Timberlands, and the use thereof, are in compliance in all material respects with all applicable Environmental Protection Laws, including without limitation all restrictions, conditions, standards, limitations, prohibitions, requirements, obligations, schedules and timetables contained in the Environmental Protection Laws or in any plan order, decree, judgment or injunction promulgated or approved thereunder or in any cleanup or compliance plan to which each Credit Party has agreed.

(b) Except as set forth in the Environmental Report: (i) there has not been any Release (as hereinafter defined) or threat of a Release of any Hazardous Substances on, upon, into or emanating from the Timberlands, and (ii) to the knowledge of the Credit Parties after due diligence, there are no such Releases on, upon or into any real property adjoining or in the vicinity of the Timberlands which had the result or could reasonably have had the result that Hazardous Substances have come to be located upon the Timberlands or the water or groundwater thereunder. As used in this Agreement, "Release" means any presence, spill, leak, seepage, discharge, escape, leaching, dumping, or disposing in or into the environment of a

Hazardous Substance (including the abandonment or discarding of barrels, containers, and other closed receptacles containing any Hazardous Substance), which is in material violation of any Environmental Protection Laws or requires reporting to any Governmental Authority or any response action pursuant to any Environmental Protection Laws or which would materially adversely affect Credit Parties' intended use or operation of the Timberlands, and do not materially adversely affect the value of the Timberlands for their current and similar uses.

(c) Except as set forth in the Environmental Report, no Hazardous Substances are currently located on or under the Timberlands in material violation of any Environmental Protection Laws or that require reporting to any Governmental Authority of any response action pursuant to any Environmental Protection laws and no portion of the Timberlands has been used as a landfill repository of garbage, refuse or waste, that could reasonably be expected to give rise to material liability pursuant to any Environmental Protection Laws.

(d) Except as set forth in the Environmental Report: (i) no portion of the Timberlands is listed or proposed for listing on the National Priorities List established by the United States Environmental Protection Agency or any other list of any Governmental Authority purporting to identify properties posing the threat or existence of contamination by Hazardous Substances.

(e) Any "endangered species" or "threatened species", as those terms are defined in the Endangered Species Act of 1973, 16 U.S.C. § 1531 et. seq., as amended (the "Endangered Species Act"), that are present on the Timberlands, and any portion of the Timberlands that has been designated as a "critical habitat", as that term is defined in the Endangered Species Act, do not materially adversely affect Credit Parties' intended use or operation of the Timberlands, and do not materially adversely affect the value of the Timberlands for their current and similar uses.

(f) To the knowledge of the Credit Parties, and except as set forth in the Environmental Report, there are not now nor have there been any underground storage tanks of any kind or character, whether empty or containing substances of any nature, located within the Timberlands.

(g) No Credit Party is subject to any material liability under any Environmental Protection Law.

(h) No Credit Party has received any:

(i) notice from any Governmental Authority or any other Person by which the Timberlands has been identified in any manner by any Governmental Authority as a Hazardous Substances disposal or removal site, clean-up site or candidate for removal, remediation or closure pursuant to any Environmental Protection Law or that it is responsible or potentially responsible for the remediation or cost thereof of any Hazardous Substances at the Timberlands nor is any Credit Party aware of any fact which is likely to give rise to any notice identifying it as a "potentially responsible party" or requesting information under CERCLA or analogous state statutes, and to the knowledge of the Credit Parties, there are no facts, circumstances

or conditions that may result in any Credit Party being identified as a "potentially responsible party" under CERCLA or analogous state statutes;

(ii) notice of any Lien arising under or in connection with any Environmental Protection Law that has attached to any revenues of, or to, any of its currently or previously owned or leased Properties, including without limitation the Timberlands; or

(iii) except as set forth in the Environmental Report, communication from any Governmental Authority or other Person concerning any Hazardous Substance on or related to the Timberlands or any action or omission by any Credit Party in connection with the Timberlands, concerning the release or presence of any Hazardous Substance or concerning any violation of any Environmental Protection Law.

(i) For the purposes of this Section 2.13, **"Timberlands"** and **"Property"** or **"Properties"** owned by any Credit Party, shall be deemed to include any Property of any Affiliate of such Credit Party which would be treated as if it were a part of the Timberlands under any Environmental Protection Law.

2.14 Loan Transaction Legal and Authorized; Obligations are Enforceable.

(a) Loan Transaction Legal and Authorized. The execution and delivery by each Credit Party (including without limitation BBF) of the Financing Documents to which it is a party and compliance by such Credit Party with all of its obligations under the Financing Documents to which it is a party:

(i) are within the limited liability company or corporate powers and authority of such Credit Party;

(ii) do not conflict with, result in any breach of any of the provisions of, constitute a Default under, or result in the creation of any Lien other than Permitted Liens upon any Property of such Credit Party under the provisions of, any agreement or other instrument to which it is a party or by which it or any of its Property may be bound; and

(iii) do not give rise to a right or option of any other Person under any agreement or other instrument.

(b) Obligations are Enforceable. Each of the Financing Documents to which each Credit Party (including without limitation BBF) is a party has been authorized by all necessary limited liability company or corporate action on the part of such Credit Party, has been executed and delivered by a Responsible Officer or other representative of such Credit Party, and constitutes a legal, valid and binding obligation of such Credit Party enforceable in accordance with its terms, except that the enforceability of the Financing Documents may be:

(i) limited by applicable bankruptcy, reorganization, arrangement, insolvency, moratorium or other similar laws affecting the enforceability of creditors' rights generally; and

(ii) subject to the availability of equitable remedies.

2.15 Governmental Consent. Neither the nature of any Credit Party, nor of any of its businesses or Properties, nor any relationship between any Credit Party and any other Person, nor any circumstance in connection with the transactions contemplated by this Agreement and the execution and delivery of the Financing Documents, is such as to require a consent, approval or authorization of, or filing, registration or qualification with, any Governmental Authority on the part of such Credit Party as a condition to the execution and delivery of any Financing Document or the consummation of the transactions contemplated by this Agreement, other than filings and recordings with respect to Liens on the Collateral created in favor of Lenders under the Security Documents.

2.16 No Defaults.

(a) The Financing Documents. No event has occurred and no condition exists that, upon consummation of the transactions contemplated hereby and the execution and delivery of the Financing Documents, would constitute a Default or an Event of Default.

(b) Organizational Documents; Other Agreements. No Credit Party (including without limitation BBF) is in violation in any respect of any term of its certificate of formation, articles or certificate of incorporation, limited liability company agreement, by-laws or any other constitutive document or instrument. No Credit Party (including without limitation BBF) is in violation in any respect of any term in any agreement or other instrument to which it is a party or by which it or any of the Collateral is bound except where such violation could not reasonably be expected to have a Material Adverse Effect.

2.17 Validity of Lien. As of the Closing Date, the Liens granted to Lenders by the Credit Parties pursuant to the Financing Documents constituted valid perfected first priority Liens under laws of the State of Washington and all other applicable laws, ordinances, rules and regulations, entitled to all the rights, benefits and priorities provided by such law and any and all other such laws, ordinances, rules and regulations, and the Collateral is subject to no other Liens except for Permitted Liens. All action that is necessary to establish such Liens of Lenders, and their priority as described in the preceding sentence, including filing of registrations, mortgages, financing statements or similar notices in the appropriate offices and the recording of all other appropriate documents with appropriate public officials, will be taken on or prior to the Closing Date or provisions satisfactory to Lenders for the taking of such actions have been or will be made, and there will be, upon execution, delivery and filing or recordation of such registrations, financing statements and documents, no necessity for any further action in order to protect, preserve and continue such Liens and such priority other than the filing of continuation statements with respect to such financing statements. Each Credit Party has the full power and lawful authority to assign, transfer, deliver and pledge, or cause to be assigned, transferred, delivered and pledged, such Credit Party's Collateral to Lenders.

2.18 Solvency. The fair value of the business and assets of each Credit Party is in excess of the amount that will be required to pay its liabilities (including, without limitation, contingent, subordinated, unmatured and unliquidated liabilities on existing debts, as such liabilities may become absolute and matured), in each case after giving effect to the consummation of the Timberlands Assignments and the other transactions contemplated by the Financing Documents. Each Credit Party, after giving effect to the consummation of the

Timberlands Assignments and the other transactions contemplated by the Financing Documents, is not engaged in any business or transaction, or about to engage in any business or transaction, for which such Credit Party has unreasonably small assets or capital (within the meaning of applicable law, including, without limitation, Section 548 of the Bankruptcy Code), and no Credit Party has any intent to (a) hinder, delay or defraud any Person to which it is, or will become, on or after the Closing Date, indebted, or (b) incur debts that would be beyond its ability to pay as they mature.

2.19 Survival of Representations and Warranties. Each Credit Party (including without limitation BBF) covenants, warrants and represents to Lenders that all representations and warranties of such Credit Party contained in this Agreement and the other Financing Documents shall be true at the time of such Credit Party's execution of this Agreement and the other Financing Documents, and shall survive the execution, delivery and acceptance thereof by Lenders and the parties thereto and the closing of the transactions described therein or related thereto.

2.20 Non Foreign Certification. No Credit Party is a foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined in the Internal Revenue Code and Treasury Regulations). Borrower's U.S. employer identification number is 20-3889699 and BBF's U.S. employee identification number is 20-3889404.

2.21 New Markets Tax Credit Requirements.

(a) Borrower is classified and treated as a partnership for federal income tax purposes, and Borrower has not made an election to be classified and treated as anything other than a partnership for federal income tax purposes.

(b) Borrower's business does not and is not anticipated to include any of the following: the development or holding of intangibles for sale or license; the operation of any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling; the sale of alcoholic beverages; or farming (within the meaning of Section 2032A(e)(5)(A) or (B) of the Internal Revenue Code, it being understood that planting, cultivating, caring for, harvesting and cutting trees and the preparation of trees for market are not considered farming); or the operation or rental of residential real property as defined in Section 168(e)(2)(A) of the Internal Revenue Code.

(c) None of Borrower's leases permit, and to Borrower's knowledge, no lessee or sublessee of any property from Borrower is engaged in, any of the following: the operation of any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, or racetrack or other facility used for gambling; the sale of alcoholic beverages; or the operation or rental of residential real property as defined in Section 168(e)(2)(A) of the Internal Revenue Code.

(d) Based upon Borrower's anticipated sources of income, Borrower believes and has a reasonable basis for believing that, with respect to each Taxable Year ending after the Closing Date during the Term of the Loans, at least fifty percent (50%) of Borrower's total gross income will be derived from the Timberlands Business within the Specified Low-Income

Community. For purposes of this determination, gross income derived from the sale of logs or cut or standing timber harvested from or growing on land in the Timberlands that is located in the Specified Low-Income Community will be considered derived from the Timberlands Business within the Specified Low-Income Community.

(e) Borrower believes and has a reasonable basis for believing that it will generate significant revenues from the Timberlands Business within one (1) year of the Closing Date.

(f) As of the date hereof, the Tangible Property Percentage is at least ninety-five percent (95%). Based upon Borrower's anticipated use of its Property, Borrower believes and has a reasonable basis for believing that, (1) with respect to any Taxable Year ending after the Closing Date during which Borrower has no employees, the Tangible Property Percentage will be greater than eighty-five percent (85%) and (2) with respect to any Taxable Year ending after the Closing Date during which Borrower has one or more employees, the Tangible Property Percentage will be greater than fifty percent (50%).

(g) As of the date hereof, Borrower does not have any employees. Borrower believes and has a reasonable basis for believing that, in the event Borrower hires or otherwise has one or more employees, with respect to each Taxable Year during the Term, such employees will perform services for Borrower during and for such times and in such places that the Services Performed Percentage with respect to such Taxable Year will be at least forty percent (40%).

(h) Borrower does not own any Collectibles and does not anticipate acquiring any Collectibles during the Term of the Loans.

(i) Based upon Borrower's ownership of the Property, less than five percent (5%) of the aggregate Basis of all of Borrower's Property is attributable to Nonqualified Financial Property. Borrower believes and has a reasonable basis for believing that, with respect to each Taxable Year during the Term, less than five percent (5%) of the average of the aggregate Basis of all of Borrower's Property will be attributable to Nonqualified Financial Property with respect to such Taxable Year.

(j) Borrower has no actual knowledge that it does not satisfy (or, immediately after the Closing Date, will not satisfy) any of the requirements to be a QALICB, but Borrower makes no representations as to its status as a QALICB other than the representations expressly set forth herein.

(k) Borrower does not use and does not anticipate using, directly or indirectly, low-income housing tax credits under Section 42 of the Internal Revenue Code and does not anticipate using, directly or indirectly, such tax credits during the Term of the Loans.

(l) Immediately after the Closing Date, Borrower will be the owner of the Timberlands for federal income tax purposes.

(m) None of Borrower, Borrower's members or Borrower's principals has been debarred, suspended, declared ineligible, or voluntarily excluded from participation in a covered

transaction, by any Federal department or agency as such terms are defined in Executive Order 12549, nor is any such action pending or proposed. Borrower shall, simultaneously with the execution and delivery of this Agreement, execute and deliver the certification set forth in the officer's certificate in the form of Exhibit H attached hereto to further evidence this representation and warranty.

(n) The Timberlands consist of approximately 53,022 acres in Clallam and Jefferson Counties, Washington, all 53,022 acres of which are located within the Specified Low-Income Community and are owned by Borrower.

(o) Borrower is the owner of the Timberlands for federal income tax purposes.

(p) Borrower is not and will not be or become a bank, credit union or other financial institution.

2.22 **Patriot Act.** Each Credit Party (including without limitation BBF) is in compliance with (a) the Trading with the Enemy Act, as amended, and each of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) and any other enabling legislation or executive order relating thereto, and (b) the Uniting And Strengthening America By Providing Appropriate Tools Required To Intercept And Obstruct Terrorism Act (USA Patriot Act of 2001). No part of the proceeds of the Loans will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

2.23 **OFAC.** No Credit Party (including without limitation BBF) (a) is a Person whose property or interest in property is blocked or subject to blocking pursuant to Section 1 of Executive Order 13224 of September 23, 2001 Blocking Property and Prohibiting Transactions With Persons Who Commit, Threaten to Commit, or Support Terrorism (66 Fed. Reg. 49079 (2001)), (b) engages in any dealings or transactions prohibited by Section 2 of such executive order, or is otherwise associated with any such Person in any manner violative of Section 2, or (c) is a Person on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury's Office of Foreign Assets Control regulation or executive order.

2.24 **Logging Agreements.**

(a) **[INTENTIONALLY OMITTED]**

(b) There are no material defaults or events of defaults under any Logging Agreements that exist or would occur after giving effect to the transactions under this Agreement. There exists no event or circumstance which gives rise to the right by a party to any Logging Agreement or any other agreement relating to the harvesting of logs and timber from the Timberlands, respectively, to terminate such agreement or arrangement or to reduce materially any direct or indirect benefit payable to Borrower, whether by set-off or otherwise. No Person who is not a party to such Logging Agreements or other agreements relating to the harvesting of

logs and timber from the Timberlands (other than Borrower) is a third party beneficiary thereto, has an interest therein or a claim with respect thereto.

2.25 **Use of Proceeds.** Borrower shall utilize the proceeds of the Loans solely (a) to acquire the Timberlands from Fund 8 (as effected through the assignment of the Timberlands from Fund 8 to BBF and from BBF to Borrower) and (b) to pay any related transaction expenses. Borrower has delivered to Lenders as of the Closing Date a flow of funds memorandum containing a description of Borrower's sources and uses of funds as of the Closing Date, and a detailed description of how funds from each source are to be transferred to particular uses.

2.26 **Brokers.** No broker or finder acting on behalf of any Credit Party or Affiliate thereof brought about the obtaining, making or closing of the Loans or the transactions evidenced by the Purchase Agreement, and no Credit Party or Affiliate thereof has any obligation to any Person in respect of any finder's or brokerage fees in connection therewith.

2.27 **Status of Credit Parties.** Prior to the Closing Date, no Credit Party will have engaged in any business or incurred any Debt or any other liabilities (except in connection with its formation, the Purchase Agreement, this Agreement, and the other Financing Documents).

2.28 **Purchase Documentation.**

(a) As of the Closing Date, Borrower has delivered to Lenders a complete and correct copy of the Purchase Agreement (including all schedules, exhibits, amendments, supplements, modifications, assignments and all other documents delivered pursuant thereto or in connection therewith) and all documentation evidencing the Timberlands Assignments and the rights of Fund 8 under the Purchase Agreement from Fund 8 to BBF and then in turn from BBF to Borrower. No Credit Party and no other Person party thereto is in default in the performance or compliance with any provisions thereof.

(b) The Purchase Agreement complies with, the Timberlands Acquisition has been consummated in accordance with, and the Timberland Assignments will be consummated in accordance with, all applicable laws. The Purchase Agreement is in full force and effect as of the Closing Date and has not been terminated, rescinded or withdrawn. All requisite approvals by Governmental Authorities having jurisdiction over Fund 8, any Credit Party and other Persons referenced therein with respect to the Timberlands Acquisition and the Timberland Assignments have been obtained, and no such approvals impose any conditions to the consummation of the Timberlands Acquisition and the Timberlands Assignments by the Purchase Agreement or to the conduct by any Credit Party of its business thereafter. None of Fund 8's representations or warranties in the Purchase Agreement contain any untrue statement of material fact or omit any fact necessary to make the statements therein not misleading. Each of the representations and warranties given by each applicable Credit Party or any Affiliate thereof in the Purchase Agreement is true and correct in all material respects. Notwithstanding anything contained in the Purchase Agreement to the contrary, such representations and warranties of the Credit Parties are incorporated into this Agreement by this Section 2.28 and shall, solely for purposes of this Agreement and the benefit of Lenders, survive.

ARTICLE 3.

GENERAL COVENANTS

Each Credit Party (including without limitation BBF) agrees that on and after the Closing Date and thereafter for so long as any Obligations are outstanding to Lenders it shall comply with the following covenants:

3.1 Payment of Taxes and Claims; Deposits for Taxes and Insurance Premiums. Each Credit Party (including without limitation BBF) shall file all federal Tax Returns and all other material Tax Returns required to be filed in any jurisdiction and shall pay and discharge all Taxes shown to be due and payable on such returns, and all other material taxes, assessments, governmental charges, conveyance taxes or levies imposed upon its Property, income or franchises to the extent such taxes and assessments have become due and payable and before they have become delinquent, and shall pay and discharge when due, all claims or demands of materialmen, mechanics, carriers, warehousemen, landlords and other like Persons that, if unpaid, might result in the enforcement of a Lien upon any of its Property. Each Credit Party (including without limitation BBF) shall provide Lenders, promptly upon any Lender's reasonable written request, with official receipts or other satisfactory evidence of such payment. Notwithstanding the foregoing, items of the foregoing description need not be paid (x) while being contested in good faith and by appropriate proceedings diligently pursued as long as adequate book reserves have been established and maintained and exist with respect thereto, and (y) so long as the title of such Credit Party to, and its right to use, any affected Property, is not threatened or materially adversely affected thereby.

3.2 Maintenance of Properties and Legal Existence. Each Credit Party (including without limitation BBF), by itself or through its independent contractors, shall do the following:

(a) Property.

(i) Such Credit Party shall maintain the Collateral owned by it (other than the Timberlands and the timber standing on or severable from the Timberlands, which are subject to the provisions of Section 3.12 hereof) and any other Property encumbered by any Financing Document (specifically including any Tangible Property used in the Timberlands Business in the Specified Low-Income Community) in good condition, ordinary wear and tear excepted, and make all necessary repairs, renewals, replacements, additions, betterments and improvements thereto, except in the case of casualty losses and other act of God.

(ii) Borrower shall implement good housekeeping practices and conduct periodic inspection of the Timberlands to monitor the condition thereof and the dumping of solid waste and maintain ASTs (and USTs if any) and areas of oil and Hazardous Material storage in compliance with applicable Environmental Protection Laws.

(b) Financial Records. Such Credit Party (including without limitation BBF) shall maintain sound accounting policies and an adequate and effective system of accounts and internal accounting controls that will safeguard assets, properly record income, expenses and liabilities and allow the production of proper financial statements in accordance with GAAP. No

Credit Party (including without limitation BBF) shall change its fiscal year end from December 31.

(c) **Compliance with Law.** Borrower shall comply in all material respects with all laws, ordinances and governmental rules and regulations to which it or any of the Collateral owned by it is subject (including, without limitation, any zoning, planning, building, subdivision, inland wetland, wildlife protection or forest practices laws, tree growth tax laws, or Environmental Protection Law) and shall obtain any and all licenses, permits, franchises or other governmental authorizations necessary to the ownership of its Property or to the conduct of its business as it is now conducted.

(d) **Maintenance of Business.** Borrower shall be engaged only in the Timberlands Business, which shall be conducted in substantially the manner as set forth in the most recently delivered Management Plan. Borrower shall not make any significant change in the Timberlands Business other than as set forth in the Management Plan and shall not expand the scope of the Timberlands Business or enter into or engage in any new line of business (specifically including any trade or business described in Section 2.21(b) hereof) other than those lines of business in existence on the Closing Date, those set forth on Schedule 3.2(d) hereof or those approved by Lenders, which approval may be withheld to the extent that Lenders reasonably believe that such line of business would cause Borrower to fail to qualify as a QALICB or would otherwise result in a violation of Section 3.25 hereof. Borrower shall continuously operate, maintain and engage in Timberlands Business.

(e) **Maintenance of Legal Existence.** Such Credit Party (including without limitation BBF) shall preserve and keep in full force and effect its legal existence as a limited liability company (or corporation in the case of BBF).

3.3 **Liability Avoidance.** In order to induce Lenders to forgo any requirement that the Credit Parties maintain liability insurance with respect to the Timberlands, Borrower represents and warrants to and covenants with Lenders that (i) there will be no public access to the Timberlands, (ii) those Persons permitted by Borrower or Green Crow to enter the Timberlands shall have executed a waiver of liability satisfactory to Lenders, and (iii) any independent contractor permitted to enter the Timberlands by Borrower or Green Crow shall have liability insurance coverage substantially similar to that set forth in the form of the Logging Agreement attached as Exhibit B hereto or otherwise satisfactory to Lenders.

3.4 **Debt Service Coverage Ratio.** Borrower shall not permit the Debt Service Coverage Ratio calculated as of the end of each fiscal quarter ending on or after September 30, 2006 and for the period of four (4) consecutive fiscal quarters then most recently ended to be less than 1.25 to 1.00; provided, however, notwithstanding the foregoing, for the fiscal quarter ending on September 30, 2006, the Debt Service component of the Debt Service Coverage Ratio shall be calculated using the Debt Service for the three (3) consecutive fiscal quarter period ending September 30, 2006 multiplied by four-thirds.

3.5 **Divestiture.** No Credit Party shall, whether voluntarily or by operation of law, sell, exchange, transfer, convey, dispose of or divest itself of any assets, including, without limitation, the Timberlands or any other Collateral (specifically including any Tangible Property

used in the Timberlands Business in the Specified Low-Income Community) or any interest therein, or beneficial interest related thereto, whether directly or indirectly, through one or more intermediaries, by transferring any or all of such assets to any Affiliate or Subsidiary or otherwise without the prior written consent of Lenders, except (a) in accordance with Sections 3.9, 3.10 and 3.12; (b) the disposition of equipment which is obsolete or no longer used or useful in the Timberlands Business; (c) the disposition of assets to the extent required to comply with Section 3.25 hereof; (d) the disposition of a certain portion of the Timberlands and other related Collateral in exchange for another parcel of real property so long as the real property to be received by Borrower pursuant to such exchange is contiguous to the Mortgaged Properties, is located in Clallam and/or Jefferson County, Washington, and Clallam and Jefferson Counties, Washington, continues to qualify as Low-Income Communities at the time of such exchange; and (e) the sale of a certain portion of the Timberlands and other related Collateral; provided, however, that the dispositions set forth in the foregoing clauses (d) and (e) shall be permitted solely to the extent that (i) no Default which is not capable of cure or Event of Default exists at the time of such disposition and no Default or Event of Default would be caused thereby; (ii) after giving effect to such disposition, the representations and warranties in Section 2.21 will remain true and correct; (iii) at least 20 Business Days prior to the closing date of such sale, Borrower shall deliver a notification letter, which letter shall be in the form of Exhibit I attached hereto, to Lenders notifying Lenders of such sale which shall include a summary as to buying entity, total acreage, total amount of sale and location of parcels, which summary shall include a detailed sales plan ("**Plan**") for upcoming projected sales activity, if applicable, provided that a final legal description of the acreage to be sold shall not be required for the purposes of the notification letter to be delivered in accordance herewith; (iv) at least 15 Business Days prior to the closing date of such sale, Borrower shall deliver a full package of releases, each release which shall be in the form attached as Exhibit J hereto, which shall include acreage language, and an updated Plan showing which parcels are being released (excluding to the extent not yet available, a final legal description of the acreage to be released); (v) at least 15 Business Days prior to the closing date of such sale, Borrower shall deliver an Officer's Certificate to Lenders certifying that (A) after giving effect to such sale no Default or Event of Default or violation of Section 3.25 will occur as a result of such sale, (B) the transfer will have no material affect on the value or operation of the remainder of the Timberlands, (C) no impairment will occur as to ingress/egress as a result of such sale and (D) that no default or breach under any other agreement will occur under (i.e. Logging Agreements, etc.), if applicable; (vi) at least 15 Business Days prior to the closing date of such sale, Borrower shall deliver a title endorsement from the Title Company modifying the existing mortgagee title policy by removing the released Timberlands from the insured property and insuring Lenders that such release will not affect the priority of the lien of the mortgage with respect to the remainder of the property, which endorsement shall be in form and substance acceptable to Lenders; and (vii) at least 5 Business Days prior to the closing date of such sale, Borrower shall deliver a final legal description identifying the acreage to be released in accordance with (and consistent with the acreage described in) the Plan delivered to Lenders pursuant to clause (iv) above.

Upon the delivery by Borrower of the documents set forth in clauses (iii)-(v) above (with respect to any disposition set forth in the foregoing clause (d) or (e)) and upon written request of the Borrower (with respect to any disposition permitted pursuant to clause (a), (b) or (c) above), Lenders shall furnish Borrower with partial releases of any Mortgages and other Liens with

respect to any dispositions permitted under this Section 3.5 (excluding dispositions permitted under this Section 3.5 constituting easements, with respect to which Lenders shall provide a consent and subordination agreement) which are in compliance with the terms of this Agreement. Such partial releases shall be in substantially the form attached as Exhibit J hereto and submitted to Lenders in a completed form prepared for Lenders' execution. Lenders shall respond to such requests for partial releases under this Section 3.5 in a commercially reasonable manner. Each Lender shall deliver an escrow letter to the title company requesting that the title company hold the release documents for such exchange or sale in escrow for a period not to exceed 120 calendar days; provided, however, that notwithstanding the foregoing clauses (a), (b), (d) and (e), no sale, exchange, transfer, conveyance, disposition or divestiture shall be permitted under any of such clauses if such sale, exchange, transfer, conveyance, disposition or divestiture would cause or result in a violation or breach of Section 3.25 hereof; provided further, that Lenders shall not be required to deliver such partial releases until a final legal description is delivered to Lenders, which legal description shall be provided no later than 5 Business Days prior to the date of closing of the proposed sale, exchange, transfer, conveyance, disposition or divestiture in accordance with clause (vi) above.

3.6 Liens.

(a) Negative Pledge. Borrower shall not cause or permit, or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any of its Property, whether now owned or hereafter acquired, to be subject to a Lien, whether voluntarily or by operation of law, in each case, without the prior written consent of Lenders, except the following permitted liens (the "**Permitted Liens**"):

(i) Liens securing Taxes, or assessments, charges or levies imposed by any Governmental Authority, provided that the payment thereof is not at the time required by Section 3.1;

(ii) Mechanics', woodcutters' and materialmen's Liens and other statutory Liens that secure obligations incurred in the ordinary course of such Credit Party's business or in connection with the making of capital improvements not prohibited by this Agreement, and that become Liens on such Credit Party's Property before payment secured thereby is due;

(iii) Liens in the nature of reservations, exceptions, encroachments, easements, rights-of-way, covenants, conditions, restrictions and other similar title exceptions or encumbrances affecting real Property, provided that such exceptions and encumbrances do not materially detract from the value of such Property affected or materially interfere with the use of such Properties affected in the ordinary conduct of the operation, management, regeneration and harvesting of a tree farm;

(iv) Liens in favor of Lenders that secure obligations under any of the Financing Documents;

(v) with respect to the Timberlands, Liens listed as exceptions on Schedule B of the Title Policy or of any other title policy of the Timberlands which Lenders have accepted and approved in writing;

(vi) the Ecotrust Easement, the Forest Investment Easement and the Makah Easement; and

(vii) Liens arising solely by virtue of any contractual or statutory or common law provision relating to banker's liens, rights of set-off or similar rights and remedies as to deposit accounts or other funds maintained with a creditor depository institution; and attachment or execution liens, provided any such attachment or execution liens do not otherwise cause an Event of Default hereunder, and further provided any such attachment or execution Liens and further provided any such attachment or execution Liens are discharged or enforcement is stayed by bond or otherwise within sixty (60) days after filing;

(viii) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which such Credit Party shall at any time in good faith be prosecuting an appeal or proceeding for a review and in respect of which execution is stayed pending such appeal or proceeding for review shall have been secured; and

(ix) the Green Crow Forest Management Agreement.

(b) **Collateral.** Nothing in this Section 3.6 shall be deemed to permit Borrower to cause or permit, or agree or consent to cause or permit in the future (upon the happening of a contingency or otherwise), any of its Property, whether now owned or hereafter acquired, to be subject to a Lien in violation of the terms of this Agreement or any of the other Financing Documents.

(c) **Financing Statements and Registrations.** Neither Borrower nor BBF shall sign, authorize or file a financing statement under the Uniform Commercial Code of any jurisdiction or similar act that names Borrower or BBF as debtor, or sign any security agreement authorizing any secured party thereunder to file any such financing statement with respect to the Collateral or any limited liability company interests in Borrower, except, in any such case, (i) a financing statement filed or to be filed to perfect or protect a security interest that Borrower or BBF is entitled to create, assume or incur, or permit to exist, under this Agreement, or (ii) to evidence for informational purposes a lessor's interest in Property leased to Borrower or BBF.

3.7 **[RESERVED].**

3.8 **Restrictions on Debt.** Borrower shall not incur or suffer to exist any Debt other than Permitted Debt.

3.9 **Transactions with Affiliates and Officers.** Borrower shall not enter into any transaction, including, without limitation, the purchase, sale or exchange of Property or the engagement or rendering of any service, with any Affiliate or officer, director, manager or employee of Borrower or any Affiliate, except (i) the Timberlands Assignments and (ii) in the

ordinary course of and pursuant to the reasonable requirements of such Credit Party's business (other than in connection with the dispositions permitted pursuant to clauses (d) and (e) of Section 3.5 hereof) and upon fair and reasonable terms no less favorable to such Credit Party than would obtain in a comparable arm's-length transaction with a Person not an Affiliate. Notwithstanding the foregoing, any transactions otherwise permitted under this Agreement that are entered into by a Credit Party with an Affiliate of such Credit Party shall not be deemed to be a violation of this Section 3.9 so long as such Affiliate transaction is entered into with the sole purpose of ultimately effecting an arm's-length transaction with a Person who is not an Affiliate of such Credit Party and the terms and conditions of such Affiliate transaction otherwise comply with the requirements of this Agreement.

3.10 Restricted Payments. Borrower shall not make distributions of cash or other Property to its members or pay any fees or other amounts to GMO or any Affiliates of GMO other than (a) in connection with the dispositions permitted pursuant to Section 3.5 hereof, (b) at any time any distributions are required to prevent BBF from failing to qualify as a "real estate investment trust" under Section 856 of the Internal Revenue Code and to prevent BBF from incurring liability for federal income tax pursuant to Section 857 of the Internal Revenue Code or federal excise tax pursuant to Section 4981 of the Internal Revenue Code, (c) amounts Borrower reasonably determines to be necessary for Borrower to comply with Section 3.25(i) hereof for any Taxable Year or portion thereof, and (d) distributions of cash of other Property to its members at any time so long as no Default or Event of Default exists at the time of such distribution or would be caused thereby.

3.11 Additional Security.

(a) If (i) as of the Closing Date, the outstanding principal amount of the Loans plus Deferred Transaction Expenses exceeds fifty-four and four tenths of one percent (54.4%) of the value of the Timberlands, or (ii) as of December 31 of any year (commencing on December 31, 2005), the outstanding principal amount of the Loans plus Deferred Transaction Expenses exceeds the percentage of the value of the Timberlands required as of such December 31 date as follows: (A) December 31, 2006, fifty-five and one tenths of one percent (55.1%), (B) December 31, 2007, fifty-five and nine tenths of one percent (55.9%), (C) December 31, 2008, fifty-six and six tenths of one percent (56.6%), (D) December 31, 2009, fifty-seven and four tenths of one percent (57.4%), (E) December 31, 2010, fifty-eight and three tenths of one percent (58.3%), (F) December 31, 2011, fifty-nine and one tenths of one percent (59.1%) and (G) December 31, 2012, sixty percent (60%), or (iii) as of any other date on which Borrower is required to test the following under this Agreement (including as provided under Section 3.5 hereof but excluding the Closing Date and December 31 of any year) (as such date of measurement, together with the Closing Date and each December 31, a "**Test Date**"), the outstanding principal amount of the Loans plus Deferred Transaction Expenses exceeds an amount equal to (x) the percentage of the value required as of the immediately preceding December 31 plus a pro rata portion of the difference between the required percentage as of the immediately preceding December 31 and the immediately succeeding December 31 calculated on the number of days actually elapsed since the immediately preceding December 31 multiplied by (y) the value of the Timberlands), in each case as determined by Lenders' Appraiser (any such excess the "**LTV Shortfall Amount**"), then Borrower or another Credit Party on behalf of Borrower shall be required to deliver to Lenders within forty-five (45) days following the date on which Borrower delivers calculations

evidencing such LTV Shortfall Amount to Lenders (which shall be no later than five (5) Business Days following the delivery of the appraisal necessary for Borrower to deliver such calculation, which appraisal shall be obtained by Borrower on or prior to February 15 of each year commencing with February 15, 2006) (the "**Additional Security Delivery Date**"), a Qualified Letter of Credit, in a stated amount equal to the LTV Shortfall Amount (an "**LTV Shortfall LC**"). If as of the immediately following Additional Security Delivery Date (x) the new LTV Shortfall Amount is $0, or (y) Borrower or another Credit Party on behalf of Borrower delivers Additional Security with a value or in an amount at least equal to the new LTV Shortfall Amount as required pursuant to the immediately preceding sentence (including, without limitation, any deemed delivery under the proviso thereto), then Lenders will return the previously-delivered LTV Shortfall LC to Borrower for cancellation.

(b) If as of any Test Date, the outstanding principal amount of the Loans exceeds (such excess, the "**Cash Flow Shortfall Amount**") (i) Cash Flow for the twelve months ending on the Test Date divided by 1.25, divided by (ii) the interest rate reported, as of the close of business on the Test Date, on the display designated as "**Page PX1**" of the Bloomberg Financial Markets Service (or such other display as may replace Page PX1 on the Bloomberg Financial Markets Service) for actively traded U.S. Treasury securities having a maturity of ten years from the Test Date (the "**Treasury Rate**") plus 2.75%, and the Cash Flow Shortfall Amount exceeds the LTV Shortfall Amount (such excess, the "**Required Additional Security Amount**"), then Borrower shall be required to deliver to Lenders before the Additional Security Delivery Date, credit support in an amount equal to the Required Additional Security Amount (the "**Additional Security**"), which credit support, shall be in the form of a Qualified Letter of Credit in a stated amount equal to the Cash Flow Shortfall Amount (a "**Cash Flow Shortfall LC**"). If as of the next succeeding Additional Security Delivery Date (i) the new Required Additional Security Amount is $0, or (ii) Borrower delivers substitute Additional Security acceptable to Lenders in an amount equal to the new Required Additional Security Amount as required pursuant to the immediately preceding sentence, then Lenders will release the previously-delivered Additional Security.

(c) Upon the occurrence and during the continuance of an Event of Default, Lenders shall be entitled to draw upon an LTV Shortfall LC or any Additional Security to apply to the principal, interest or any other amounts due or to become due under the Notes, this Agreement or any other Financing Document that are not paid by Borrower within the grace period applicable to such payment.

3.12 Timber Management, Harvest and Timber Cutting Provisions.

(a) Management Plan and Budget. On February 1 of each year, commencing with February 1, 2007 (for calendar year 2007), Borrower shall submit to Lenders a proposed annual Management and Operation Plan (the "**Management Plan**") for the twelve (12) months beginning on the first day of January of such year, which Management Plan shall set forth all activities to be undertaken during the period in the ownership and operation of the Timberlands, shall be subject to comment by Lenders. The Management Plan shall include, among other things, an annual budget and a silvicultural plan and an estimate of the volumes of timber to be removed by species and product group.

(b) **Timber Cutting and Removal.** No Credit Party (including without limitation BBF) shall have the right to cut or remove timber from the Timberlands other than in accordance with good forestry practices, the current Management Plan, the Continuing Land Forest Obligations, and the following conditions:

(i) During each calendar year in which the Obligations are outstanding (each, a "**Cutting Year**"), and subject at all times to clause (v) below, such Credit Parties shall have the right to cut and harvest timber in an amount not to exceed a maximum volume equal to the Annual Allowable Cut for the Timberlands in effect from time to time for each species group, as set forth on Exhibit E hereto.

(ii) The Annual Allowable Cut for the Timberlands shall be periodically reviewed by the Credit Parties or Lenders based upon such factors as Lenders or such Credit Party may determine to be relevant to the responsible management of the Timberlands, including without limitation (A) new or improved information concerning the timber inventory or growth located on or originating from the Timberlands, (B) maintenance of a management strategy that is consistent with responsible forest management principles and practices, and (C) changes in applicable laws or regulations affecting the Timberlands or the timber inventory thereon. Any potential changes in any Annual Allowable Cut shall be proposed by such Credit Party, subject to the review and prior approval of Lenders. Each Credit Party and Lenders agree that at any time there are agreed changes made to any Annual Allowable Cut, such Credit Party and Lenders shall enter into a memorandum of agreement with respect to the changes made which shall specifically refer to this Section 3.12 and shall be deemed to supplement and amend Exhibit E hereto and this Section 3.12.

(iii) If a Credit Party and Lenders are unable to agree under clause (ii) above upon any Annual Allowable Cut to be in effect with respect to any period or with respect to proposed changes to any Annual Allowable Cut in effect at anytime, then, in such event, either party (the "**Electing Party**") may give notice (the "**Determination Notice**") to the other party (the "**Other Party**") that the Electing Party desires to have such Annual Allowable Cut determined by an independent forestry consultant selected in accordance with, the provisions of this subsection (iii). The Determination Notice shall contain the name of an independent forestry consultant suggested by the Electing Party. The Other Party may give notice ("**Objection Notice**") to the Electing Party within ten (10) business days after the Determination Notice is given stating that the independent forestry consultant suggested in the Determination Notice is unacceptable and suggesting another independent forestry consultant for consideration by the Electing Party. If the independent forestry consultant suggested by the Other Party in the Objection Notice is unacceptable to the Electing Party, the Electing Party shall give an Objection Notice to the Other Party in the same form and manner as set forth above. This process shall continue until an independent forestry consultant is suggested without an Objection Notice given, which independent forestry consultant shall be hired by the parties at the sole cost and expense of Borrower to examine all information deemed relevant by the consultant and the parties as expeditiously as reasonably possible and to make a determination of the sustainable harvest levels, which shall be the applicable Annual Allowable Cut for the next Cutting Year.

(iv) If as of the last day of any Cutting Year (the "**Overcut Test Date**"), timber has been cut from the Timberlands (an "**Overcut**") such that (1) the sum of (i) the Western

Hemlock Over/Under plus (ii) the Hardwood Over/Under plus (iii) the Other Softwood Over/Under exceeds (2) $0.00 (such excess, the "**Overcut Collateral Amount**"), then Borrower shall give notice to Lenders as soon as Borrower is aware of such Overcut (but in any event, prior to the thirtieth (30th) day after such Overcut Test Date) and Borrower shall, not later than thirty (30) days after such Overcut Test Date, deliver to Lenders a Qualified Letter of Credit, in a stated amount equal to the Overcut Collateral Amount, on which Lenders shall be entitled to draw during the existence of an Event of Default (an "**Overcut LC**"). If on any Overcut Test Date there is an undrawn Overcut LC outstanding from the prior Overcut Test Date (a "**Prior Period Overcut LC**"), then Lenders shall return such Prior Period Overcut LC to Borrower (i) if there is no Overcut as of such Overcut Test Date or (ii) if there is an Overcut as of such Overcut Test Date and Borrower delivers a new Overcut LC to Lenders in a stated amount equal to the new Overcut Collateral Amount.

As used in this Section 3.12(b)(iv),

"**Average Net Price Per Ton**" means, as of any Overcut Test Date, for all sales by Borrower of timber of a species group during the Current Year, the dollar amount equal to (x) the aggregate sales price minus Borrower's direct costs of cutting and sale, divided by (y) the number of green tons of timber of such species group sold by Borrower during the Cutting Year;

"**Cumulative Allowable Cut**" means, as of any Overcut Test Date for any species group, the sum of (x) one hundred five percent (105%) of the Annual Allowable Cut for the Current Year for such species group, plus (y) one hundred percent (100%) of the aggregate of each Annual Allowable Cut for each Cutting Year prior to the Current Year for such species group;

"**Hardwood Over/Under**" means, as of any Overcut Test Date, the positive or negative dollar amount equal to (x) the amount of timber in the "Hardwood" species group cut during the Cumulative Period expressed in green tons minus the Cumulative Allowable Cut expressed in green tons for such species group, multiplied by (y) the Average Net Price Per Ton for such species group for the Current Year;

"**Other Softwood Over/Under**" means, as of any Overcut Test Date, the positive or negative dollar amount equal to (x) the amount of timber in the "Other Softwood" species group cut during the Cumulative Period expressed in green tons minus the Cumulative Allowable Cut expressed in green tons for such species group, multiplied by (y) the Average Net Price Per Ton for such species group for the Current Year; and

"**Western Hemlock Over/Under**" means, as of any Overcut Test Date, the positive or negative dollar amount equal to (x) the amount of timber in the "Western Hemlock" species group cut during the period commencing on January 1, 2006 and ending on the Overcut Test Date expressed in green tons (the "**Cumulative Period**") minus the Cumulative Allowable Cut expressed in green tons for such species group, multiplied by (y) the Average Net Price Per Ton for such species group for the Cutting Year ending on the Overcut Test Date (the "**Current Year**").

All timber from the Timberlands sold and conveyed in a Cutting Year shall, for the purpose of

this Agreement, be deemed to have been cut and removed in the Cutting Year during which it was sold and conveyed, based on Borrower's receipt of a scale ticket in a manner reasonably acceptable to Lenders, or, in the case of advance sales of timber, upon receipt of payment, even if it is physically cut and removed thereafter.

(v) Notwithstanding anything to the foregoing set forth herein, in no event shall a Credit Party be permitted, during the Term, to cut or allow the cutting of timber in excess of the "Term Allowable Cut" set forth on Exhibit E for each species group.

(vi) Borrower shall manage the Timberlands in accordance with sustainable forestry practices and in accordance with the Continuing Forest Land Obligations, and shall inspect, mark and maintain property lines, take all necessary actions to terminate or protect against claims of adverse possession and/or prescriptive rights, and take timely action against fire, insects, disease, trespassing, unauthorized cutting or other damage, whether actual or potential.

(c) Timber and Forestry Management Reporting. No later than the first Business Day of April of 2007 and of each succeeding year with respect to the preceding year (the first such year being the year ending December 31, 2006) and covering such preceding year, Borrower shall submit to Lenders written reports showing the following information for the reporting period: (i) the total net volumes of timber, by species and product category, cut or removed from the Timberlands; (ii) the number of acres of the land on which cutting has occurred and the form of cutting with the number of acres for each form of cutting being separately stated; (iii) the number of acres site prepared, if any, and planted with new seedlings; (iv) the number of acres of land that contains standing timber that has been destroyed by fire, insects, disease, storms, or other such cause, with the number of acres lost or destroyed by each cause being separately stated, the location of the acreage lost being identified, and the approximate date of destruction; (v) the number of acres of land which were subject to intermediate silvicultural practices (including, but not limited to, pre-commercial thinning, herbicide application, etc.), with the number of acres being separately stated and identified; (vi) a description of all improvements or maintenance of improvements made on the Timberlands (including, but not limited to, all buildings, the mileage of roads built and major bridges constructed and the acres affected by each such improvement, with the location of such improvements and acres being identified); and (vii) such other information as Lenders may reasonably request from time to time with respect to the management of the Timberlands. Borrower shall provide Lenders with immediate written notice of any catastrophic damage to timber from fire, insects, disease and storms. As used herein, "catastrophic damage" shall mean any natural disaster affecting more than 100 acres of the Timberlands per occurrence or per related series of occurrences.

(d) Timber Cruises. Once per calendar year, Lenders may request that a timber cruise and written report thereof be completed by an independent forestry consultant acceptable to Lenders with respect to the Timberlands that is in form and substance satisfactory to Lenders. Borrower shall pay when due all fees, costs and expenses incurred (i) in connection with any timber cruise required pursuant to the preceding sentence (the **"Pre-Default Cruises"**) in an amount not to exceed $60,000 per Pre-Default Cruise, and (ii) in connection with any additional timber cruise during the existence of an Event of Default. With respect to any Pre-

Default Cruise, (a) such Pre-Default Cruise shall be conducted by Atterbury or another independent forestry consultant selected by Lenders and approved by Borrower, such approval not to be withheld unreasonably; (b) Borrower shall have the right to consent to the proposed timing, scope, form and substance of such Pre-Default Cruise, such consent not to be withheld unreasonably; and (c) without limiting Lenders' rights with respect to the timing, scope, form and substance of such Pre-Default Cruise and written reports thereof, Lenders and Borrower shall have co-equal ownership of such Pre-Default Cruise and all draft and final written reports thereof, and each of Lenders and Borrower shall be individually entitled to make use thereof as each individually sees fit. Pre-Default Cruises, drafts and final reports will be treated in accordance with Section 6.6.

(e) Inspections.

(i) Lenders will have the right to inspect the Timberlands, scaling practices, scaling slips and summaries, at any reasonable time. Additionally, Lenders may at their option appoint a consulting forester(s) of Lenders' choice to make such inspections and to perform other services (other than timber cruises, which are addressed in Section 3.12(d)) as set forth in the Financing Documents or as deemed necessary by Lenders. Borrower agrees to pay all fees, costs and expenses for one such inspection and other services each calendar year if no Event of Default has occurred and is continuing and for all fees, costs and expenses for all such inspections and other services during the existence of an Event of Default. Lenders shall be responsible for all fees, costs and expenses for any additional inspections or other services.

(ii) Lenders and their representatives shall have the right to inspect during normal business hours at Borrower's office at 50 Rowes Wharf, Boston, Massachusetts 02110, all books of account relating to the business of Borrower or the Collateral (and to make copies or extracts therefrom). At any time that an Event of Default hereunder shall be in existence at the time of such inspection, the Lenders may cause the books of Borrower to be audited by independent certified public accountants selected by Lenders. Any such inspection shall be at Lenders' expense unless an Event of Default hereunder shall be in existence at the time of such inspection, in which case such inspection and any audits shall be at Borrower's expense. Unless an Event of Default is then in existence, Lenders shall provide Borrower with two (2) Business Days written notice of any such inspection.

(f) Harvesting Operations. All cutting, logging and removal from the Timberlands shall be completed in accordance with reasonably prudent forestry practices and in such a manner as will permit Borrower to realize the greatest practicable return from such operations as would be required of a reasonable investment manager in the ordinary course of its business, consistent with its obligations to its investors and in accordance with contracts entered into by Borrower in compliance with this Agreement, and from the Timberlands, to effect suitable utilization of the Timberlands, and to assure the early and complete regeneration of the Timberlands into stands of desirable timber, if clear-cut, or that 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, and that all measures reasonably practicable shall be used to prevent soil erosion including the proper location of skidways and roads. In addition, Borrower agrees that it shall comply with all applicable federal, state and local laws, regulations,

ordinances, guidelines and policies (including, without limitation, the Continuing Forest Obligations) concerning the harvesting of timber on the Timberlands.

(g) **Restriction on Grazing and Use of Fire.** No Credit Party shall permit grazing of livestock on the Timberlands in such a way as to be injurious to forest regeneration, soils, or forest growth, or the use of fire for eradication of noxious growth or for any other reason whatsoever other than recreational campfires.

(h) **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 pursuant to Section 3.12(c).

(i) **Fire Protection.** All measures shall be taken which are reasonably necessary to protect the Timberlands and the standing 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 and control.

(j) **Control of Disease.** Borrower 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 Timberlands, including, but not limited to, the shifting of logging operations to remove diseased or insect-infested trees and other trees threatened with disease or insect infestation, and all such other accepted forest sanitation and control measures as are necessary to prevent the development and spread of disease and insect infestation.

(k) **Trespass.** The boundary lines of the Timberlands shall be marked in a conspicuous manner satisfactory to Lenders and such markings shall be renewed from time to time as may be necessary to clearly maintain public notice of boundaries in order to prevent unauthorized harvesting from occurring on the Timberlands. In the event that owners of lands adjoining the Timberlands are conducting timber harvesting, mining or other activities on such adjoining property, each Credit Party shall cause the boundary lines to such adjoining lands to be clearly marked to prevent unauthorized cutting on the Timberlands. Further, each Credit Party shall cause the Timberlands to be inspected periodically for the purpose of preventing trespass of any type or nature, the unauthorized cutting of timber and to prevent the occurrence of any prescriptive rights or claims against or concerning the Timberlands.

(l) **Timber Sale, Harvesting and Logging Agreements.** No Credit Party (including without limitation BBF) shall enter into, and the Timberlands shall not be subject to, any contracts or agreements (whether written or oral) for the sale or disposition of timber, whether harvested by or on behalf of Borrower or by third parties which are granted the privilege of entry upon the Timberlands for cutting and removal of timber unless: (i) such agreements shall have a term (including renewal options and extensions for weather) of not more than twelve (12) months, and (ii) the sale price shall be not less than then current fair market value, and all such contracts or agreements shall be on terms and conditions consistent with the Management Plan

and this Agreement. No Logging Agreement shall be materially amended without the express written consent of Lenders, such consent not to be unreasonably withheld; provided, however, to the extent that Lenders fail to respond to Credit Parties within ten (10) Business Days after receipt by Lenders of a written notice of such amendment requesting the Lenders' consent thereto, Lenders shall be deemed to have consented to such amendment.

(m) Regeneration. All reasonable measures shall be taken by each Credit Party to insure proper regeneration of the timber on the Timberlands. Any clear-cut area where regeneration is not accomplished by natural means shall be site prepared and replanted using when suitable for the locality of the Timberlands the best available type of seedlings for long term forest productivity within twelve (12) months after harvest at a density of 350-400 trees per acre (weather conditions permitting), and in any event, in accordance with all applicable laws, rules or regulations of the State of Washington or other governmental entity then in effect. In other than clear-cut areas, where regeneration is not accomplished by natural means within a reasonable time, each Credit Party shall institute and maintain a planting program designed to adequately reforest said land in the shortest time reasonably possible.

(n) Timber Sale and Release.

(i) Permission is hereby granted by Lenders to each Credit Party to cut, or allow others to cut, timber from the Timberlands on the conditions set forth in this Agreement, provided that Lenders may revoke such permission by written notice to Borrower during the existence of an Event of Default that has continued for at least ninety (90) days unless the Loans have been accelerated pursuant to Section 5.2 hereof and Lenders have commenced the exercise of their rights and remedies under the applicable Security Documents with respect to the Timberlands. The Lien of the Mortgages and the Security Agreement (and the related security interests under the UCC) shall be released, without any action by any Credit Party or Lenders, from any such permitted cut or severed timber upon its removal from the Timberlands, and weighed with the consent of such Credit Party and a scale ticket issued therefor indicating the weight of said timber, provided that such Credit Party or a court appointed receiver shall have received full payment therefor or will receive full payment therefor within forty-five (45) days of the removal of such timber. Lenders, upon their reasonable written request therefor, shall have received satisfactory evidence of any Credit Party's compliance with the covenants contained in this Agreement in the event of any material change in the value of the Collateral.

(ii) In the case of advance sales of standing timber or stumpage by any Credit Party, provided that no Event of Default shall then exist, Lenders shall furnish such Credit Party with partial releases of any UCC-1 financing statements and the Mortgages with respect to timber sales which are in compliance with the terms of this Agreement and the Mortgages and in the ordinary course of such Credit Party's business pursuant to any timber harvesting and stumpage agreements which comply with Section 3.12(l) above upon receipt by such Credit Party, or during the existence of any Event of Default, receipt by Lenders, of any payments then required under such agreements for such timber, and written request from such Credit Party accompanied by all information reasonably necessary to properly identify the land upon which the timber subject to such release is located. Such partial releases shall be in a form approved by Lenders and shall be prepared by such Credit Party and submitted to Lenders in a completed form

prepared for Lenders' execution. Lenders shall respond to such requests under this Section 3.12(n)(i) in a commercially reasonable manner.

3.13 Financial and Business Information. Each Credit Party shall deliver or cause to be delivered to Lenders, in addition to any other reports required to be delivered hereunder, the following:

(a) as soon as practicable after the end of each quarterly fiscal period in each fiscal year of such Credit Party, and in any event within sixty (60) days thereafter, duplicate copies of:

(i) an unaudited balance sheet of such Credit Party as at the end of such quarter,

(ii) a statement of income and cash flow of such Credit Party for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified as complete and correct, subject to changes resulting from year-end adjustments, by an officer of such Credit Party and accompanied by a certificate of an officer of such Credit Party that such statements are true and correct and demonstrating compliance with the financial covenants contained in this Agreement and certifying that no Event of Default exists, or, if such officer is aware of such Event of Default, the nature thereof;

(b) as soon as possible, but not later than one hundred twenty (120) days after the close of each fiscal year of such Credit Party annual audited financial statement (including, but not limited to, a balance sheet as of the end of such year, statements of income and expenses, retained earnings and statement of cash flows) of such Credit Party and for such year, prepared and certified, at Borrower's expense, by an independent certified public accountant acceptable to Lenders on a GAAP basis, provided that for each of the fiscal years ending December 31, 2005, December 31, 2006 and December 31, 2007 such annual audited financial statement shall be delivered as soon as possible, but not later than one hundred eighty (180) days after the close of such fiscal year;

(c) concurrently with the delivery of the financial statements described in subsection (b) above, a certificate of an officer of Borrower in the form attached as Exhibit F hereto, certifying to Lender Parties that, (i) such person is familiar with the financial provisions of this Agreement and that based upon such Person's examination and knowledge of the affairs of Borrower obtained in connection with preparation of said financial statements and such officer's examination and analysis of the financial provisions of this Agreement and the Loans, (ii) such person has no knowledge that an Event of Default has occurred or is in existence, or, if an Event of Default is known by such person to exist, the nature thereof, and the period it has been in existence, (iii) Borrower has been and is in compliance with all of the provisions of Section 3.25 hereof and (iv) annual real estate and personal property taxes, tree growth taxes, any taxes in lieu thereof and any other taxes that may be assessed against any part of the Timberlands or the Collateral which may have priority over the lien of the Mortgages, due and payable during the

prior calendar year have been paid in full (or are being contested in accordance with Section 3.1 hereof); which certificate shall attach a demonstration in form and substance satisfactory to Lenders of compliance with the financial covenants and other provisions of this Agreement and the other Financing Documents;

(d) as soon as possible but not later than fifteen (15) Business Days after filing thereof, copies of each Credit Party's federal income Tax Returns, together with all schedules and addenda thereto, as prepared by an independent certified public accountant and filed with the IRS;

(e) as soon as possible, but not later than fifteen (15) Business Days after receipt thereof, copies of any appraisal of the Timberlands;

(f) such other data and information (financial and otherwise) as Lenders, from time to time, may reasonably request in writing, bearing upon or related to each Credit Party's financial conditions or results of operations or bearing upon or related to the Collateral; and

(g) upon reasonable written request of Lenders, Borrower will use commercially reasonable efforts to provide (i) information as requested by Lenders to verify the accuracy or truthfulness of the representations and warranties contained in Sections 2.1, 2.9(b), 2.21 and 3.2(d) hereof and confirm compliance with the covenants contained in Sections 3.21(f), 3.24 and 3.25 hereof and (ii) such other information as may be required to determine if Borrower is a QALICB.

3.14 Pension Plans; ERISA.

(a) No Credit Party shall take any action which would cause it to become sponsor of an "Employee Benefit Plan" as defined in Section 3(3) of ERISA, or a "Governmental Plan" as defined in Section 3(32) of ERISA, or cause its assets to become "Plan Assets" as defined in 29 C.F.R. Section 2510.3-101, or assets of a Governmental Plan subject to regulation under any of the laws of the United States of America. No Credit Party shall sell, assign or transfer all or substantially all of its Property, to any transferee which does not execute and deliver to Lenders its written assumption of the obligations of this covenant. Each Credit Party further covenants and agrees to protect, defend, indemnify and hold Lenders harmless from and against all loss, cost, damage and expense (including, without limitation, all attorneys' fees and excise taxes, and costs of correcting any prohibited transaction or obtaining an appropriate exemption) which Lenders may incur as a result of any Credit Party's breach of this covenant. This indemnity shall survive repayment of the Notes and the extinguishment of the Liens securing the Obligations by foreclosure or action in lieu thereof.

(b) No Credit Party shall (i) fail, or permit any Employee Benefit Plan that is sponsored by a Credit Party to fail, to comply with the requirements of ERISA; (ii) permit any funded "Employee Pension Benefit Plan" as defined in Section 3(2) of ERISA that is sponsored by a Credit Party to lose its qualified status under Section 401 (a) or 403(a) of the Internal Revenue Code; (iii) fail, or permit any Employee Pension Benefit Plan that is sponsored by a Credit Party to fail, to meet the minimum funding standards of Section 302 of ERISA and Section 412 of the Internal Revenue Code; (iv) fail, or permit any Employee Pension Benefit Plan that is

sponsored by a Credit Party to fail, to discharge any obligations to the PBGC with respect to the termination of an Employee Pension Plan or to any Multiemployer Plan on account of its withdrawal or partial withdrawal therefrom or allow to exist any event or condition which presents a substantial risk of Borrower incurring liability to the PBGC by reason of the termination of any Employee Pension Benefit Plan; (v) create or adopt, or become liable with respect to, any new Employee Pension Benefit Plan without the prior written consent of Lenders; (vi) modify, or permit any modification of, any existing Employee Pension Benefit Plan that is sponsored by a Credit Party so as to increase its obligations thereunder, except in the ordinary course of business consistent with past practice or with the prior written consent of Lenders; (vii) create or adopt any new "Employee Welfare Benefit Plan" as defined in Section 3(1) of ERISA or modify any existing Employee Welfare Benefit Plan, or be responsible for, or to create or adopt, any new Employee Welfare Benefit Plan or modify any existing Employee Welfare Benefit Plan that is sponsored by a Credit Party, to provide continuing benefits or coverage for any participant (or beneficiary) after the termination of the participant's employment except as may be required by COBRA, regulations thereunder or applicable state statutory law or with the prior written consent of Lenders; or (viii) engage, or participate, in any transaction which would reasonably result in the assessment of a direct or indirect liability to any Credit Party under Section 409 or 502 of ERISA or Section 4975 of the Internal Revenue Code.

3.15 **Margin Stock.** No Credit Party shall own, purchase or acquire (or enter into any contract to purchase or acquire) any Margin Security.

3.16 **Required Notices.** In addition to any and all notices required to be made by any Credit Party hereunder, each Credit Party shall notify Lenders in writing:

(a) promptly upon such Credit Party's becoming aware thereof, of any litigation or other claim, including, without limitation, any claim for worker's compensation or insurance which could reasonably be expected to have a Material Adverse Effect, whether or not the claim is considered by such Credit Party to be covered by insurance, and of the institution of any suit or administrative proceeding which could reasonably be expected to have a Material Adverse Effect;

(b) promptly upon such Credit Party's becoming aware thereof, of any labor dispute to which such Credit Party may become a party, any strikes or walkouts relating to the Timberlands or any of the other Collateral, and the expiration of any labor contract to which such Credit Party is a party or by which such Credit Party is bound;

(c) promptly upon such Credit Party's becoming aware thereof, of any default of such Credit Party under any note, indenture, loan agreement, mortgage, lease, deed or other similar agreement relating to any indebtedness of such Credit Party or the Collateral (excluding the documents set forth in Section 3.16(e) hereof) that could reasonably be expected to have a Material Adverse Effect or any Default or Event of Default hereunder;

(d) promptly upon such Credit Party's becoming aware thereof, of any default by any obligor under any note or other evidence of debt payable to such Credit Party (excluding the documents set forth in Section 3.16(e)), which is material to the financial condition of such Credit Party that could reasonably be expected to have a Material Adverse Effect;

(e) promptly upon such Credit Party's becoming aware thereof, of any payment default or any other material default of such Credit Party under any Logging Agreement or of the termination of any Logging Agreement; and

(f) at least ten (10) days prior thereto, of any Credit Party's intention to relocate any Collateral from any location at which Lenders have a valid, perfected security interest with respect to such Collateral to any location with respect to which Lenders have not filed registrations, financing statements or similar notices necessary for the perfection of Lenders' security interest in such Collateral provided that no notice shall be required in connection with ordinary course sales, of timber or stumpage that are otherwise permitted under the Financing Documents.

3.17 **Estoppel Certificates.** Promptly upon request by Lenders, Borrower shall furnish Lenders from time to time with a statement, duly acknowledged and certified, setting forth (a) the amount of the original principal amount of the Notes, (b) the unpaid principal amount of the Notes, (c) the rate of interest on the Notes, (d) the date through which all installments of interest have been paid, (e) any known offsets or defenses to the payment of the principal and interest of the Loans, if any, and (f) that the Notes and this Agreement have not been modified or if modified (other than with the consent of Lenders), giving particulars of such modification.

3.18 **Intentionally Omitted.**

3.19 **Intentionally Omitted.**

3.20 **Management.** At all times during the term hereof Borrower shall have a contract with a third party independent contractor ("**Service Provider**") for the provisions of administrative or forest management services, including the operation of the Timberlands, which initial Service Provider shall be Green Crow (in such capacity, the "**Initial Service Provider**").

(a) Any amendment to the Green Crow Forest Management Agreement, Forest Management Agreement or any other management agreement shall be subject to Lenders' prior written approval as to form and substance, such approval not to be unreasonably withheld or delayed so long as no Event of Default then exists or would be caused thereby. Lenders shall be deemed to have approved such amendment if within fifteen (15) days after receiving notice of such amendment Lenders have not expressed their disapproval in writing. If an Event of Default under Section 5.1(a) has occurred and is continuing, to the extent that the applicable Service Provider is a Person other than the Initial Service Provider, Lenders shall have the right to require such Credit Party to replace any Service Provider with another Service Provider acceptable to Lenders and such Credit Party agrees to replace such Service Provider promptly. As of the Closing Date, the Green Crow Forest Management Agreement is in full force and effect and there is no default or violation by any party thereunder. The fees due under the Green Crow Forest Management Agreement and the terms and provisions of the Green Crow Forest Management Agreement are the personal obligations of Borrower.

(b) Upon any termination of any Forest Management Agreement, the Credit Party party thereto shall replace the Service Provider with a party reasonably acceptable to Lenders under a forest management agreement acceptable to Lenders and otherwise in

accordance with this Section 3.20. Such Credit Party shall promptly deliver to Lenders written notice of such termination, describing the name of the proposed party replacing the terminated Service Provider and attaching the proposed form of Forest Management Agreement thereto. So long as no Event of Default then exists or would be caused thereby, Lenders shall be deemed to have approved such termination (including the proposed replacement Service Provider and proposed form of Forest Management Agreement) if within fifteen (15) days after receiving notice of such termination Lenders have not expressed their disapproval in writing. Such Credit Party shall ensure that each Forest Management Agreement (other than the Green Crow Forest Management Agreement) provides such Credit Party the right to terminate such agreement without penalty in the event of a change in majority ownership and control of the Service Provider (a **"Service Provider Change of Control"**).

(c) Other than with respect to the Green Crow Forest Management Agreement and the Initial Service Provider, Borrower shall, after any Credit Party obtains knowledge of the occurrence of a Service Provider Change of Control, promptly notify Lenders in writing of such Service Provider Change of Control. Upon written demand from Lenders received within fifteen (15) days of Lenders' receipt of such notice, such Credit Party shall, within thirty (30) days of receipt of such demand, replace its existing Service Provider with a successor Service Provider acceptable to Lenders. So long as no Event of Default then exists or would be caused thereby, Lenders shall be deemed to have approved such successor Service Provider if within fifteen (15) days after receiving notice of such successor Service Provider Lenders have not expressed their disapproval in writing. If at any time Lenders consent to the appointment of a new Service Provider or approve a new management agreement, such Credit Party shall, as a condition of Lenders' consent or approval, furnish to Lenders an estoppel agreement in form and substance acceptable to Lenders, which estoppel agreement shall affirm that there are no amounts due and payable or owing by such Credit Party to the replaced Service Provider or pursuant to the terminated Forest Management Agreement. Such new Service Provider and Forest Management Agreement shall then be a Service Provider and a Forest Management Agreement hereunder, respectively.

Lenders approve the Green Crow Forest Management Agreement as satisfying this Section 3.20.

3.21 **Single Purpose Entity/Separateness.** Borrower represents, warrants and covenants as follows in this Section 3.21:

(a) The purpose for which Borrower is organized shall be limited solely to (A) owning, holding, selling, leasing, transferring (including the transfer of rights via the granting of one or more easements), exchanging, harvesting, operating and managing the Timberlands which may include marketing and selling timber, logs and pulpwood, (B) entering into the Loans, (C) refinancing the Collateral in connection with a permitted repayment of the Loans, and (D) transacting any and all lawful business for which a limited liability company may be organized under Delaware law that is incident, necessary and appropriate to accomplish the foregoing.

(b) Borrower does not own and shall not own any Property other than (i) the Collateral, (ii) equipment acquired after the Closing Date to be used in the Timberlands Business with an aggregate value not to exceed five percent (5%) of the aggregate value of the Collateral

owned by Borrower, (iii) cash and (iv) receivables from the sale of timber in the ordinary course of the Timberlands Business.

(c) Borrower shall not engage in any business other than the Timberlands Business.

(d) Borrower is and shall remain solvent, and such Credit Party shall pay its debts and liabilities (including, as applicable, shared personnel and overhead expenses) from its assets as the same shall become due.

(e) Borrower shall do all things necessary to observe organizational formalities and preserve its separate legal existence, and Borrower shall not amend, modify or otherwise change its articles of organization, operating agreement or other organizational documents without the written consent of Lenders.

(f) Borrower shall maintain all of its books, records, financial statements and bank accounts separate from those of its Affiliates and any other Person. Borrower's assets shall not be listed as assets on the financial statement of any other Person, and Borrower shall have its own separate financial statement; provided, however, that Borrower's assets may be included in a consolidated financial statement of its parent companies if (A) inclusion on such a consolidated statement is required to comply with the requirements of GAAP and (B) such assets shall be listed on Borrower's own separate balance sheet. Borrower shall file its own Tax Returns.

(g) Borrower shall be, and at all times shall hold itself out to the public as, a legal entity separate and distinct from any other entity (including any Affiliate of Borrower), shall correct any known misunderstanding regarding its status as a separate entity, shall conduct business in its own name, and shall not identify itself or any of its Affiliates as a division or part of the other.

(h) Borrower shall maintain adequate capital for the normal obligations reasonably foreseeable in a business of its size and character and in light of its contemplated business operations.

(i) Borrower shall not dissolve, wind up, liquidate, consolidate or merge in whole or in part or sell or dispose of all or substantially all of its assets.

(j) Borrower shall not commingle the funds and other assets of Borrower with those of any other Person and shall not participate in a cash management system with any other Person unless any funds of Borrower which are deposited in such cash management system can at all times be identified as funds owned by Borrower.

(k) Borrower shall not guarantee or become obligated for the debts of any other Person or pledge its assets for the benefit of any Person and does not and shall not hold itself out as being responsible for the debts or obligations of any other Person.

(l) Borrower shall allocate fairly and reasonably any overhead expenses that are shared with an Affiliate, including paying for office space and services performed by any employee of an Affiliate.

(m) Borrower shall maintain its Property in such a manner that it is not costly or difficult to segregate, identify or ascertain Borrower's Property as separate from the Property of another Person and shall maintain its bank accounts separate from those of any other Person.

(n) Borrower shall hold regular meetings, as appropriate, to conduct the business of such Credit Party and observe all customary organizational and operational formalities.

(o) Borrower shall pay its own liabilities and expenses out of its own funds drawn on its own bank account.

(p) Borrower shall not acquire obligations or securities of its Affiliates.

(q) Borrower shall not hold out its credit as available to satisfy the obligations of any other Person.

(r) Borrower shall not buy or hold evidence of indebtedness issued by any other Person (other than cash and investment-grade securities to the extent otherwise permitted under this Agreement).

(s) Borrower shall maintain all required qualifications to do business in the state in which the Collateral is located.

3.22 [RESERVED].

3.23 Change in Capital Structure. Borrower shall not (i) create any Subsidiaries, (ii) enter into any partnership, joint venture or similar arrangement, or (iii) make any material change in its capital structure; in each of the above cases, without the prior written consent of Lenders.

3.24 Tax Status. Borrower shall not take any action that would change its classification to anything other than a partnership for federal income tax purposes (including making an election to be classified or treated as an association taxable as a corporation for federal income tax purposes).

3.25 New Markets Tax Credit Requirements.

(a) Borrower shall at all times have at least two members that have an economic interest in Borrower.

(b) Borrower shall not engage in any of the following: the development or holding of intangibles for sale or license; the operation of any private or commercial golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other facility used for gambling; the sale of alcoholic beverages; farming (within the meaning of Section 2032A(e)(5)(A) or (B) of the Internal Revenue Code, it being understood that planting,