

07-12-2010



103601880

To the Director of the U. S. Patent and

documents or the new address(es) below.

7/9/10

**1. Name of conveying party(ies):**

West Oregon Wood Products, Inc.

- Individual(s)
- General Partnership
- Corporation- State: OREGON
- Other
- Association
- Limited Partnership

Citizenship (see guidelines)

Additional names of conveying parties attached?  Yes  No

**3. Nature of conveyance )/Execution Date(s) :**

Execution Date(s) JUNE 24, 2010

- Assignment
- Security Agreement
- Other RELEASE THRU AFFIDAVIT OF HINDRUM
- Merger
- Change of Name

**2. Name and address of receiving party(ies)**

Additional names, addresses, or citizenship attached?  Yes  No

Name: St. Helens Community Federal Credit Union

Internal

Address:

Street Address: 1720 St. Helens Street

City: St. Helens

State: OR

Country: USA Zip: 97051

- Association
- General Partnership
- Limited Partnership
- Corporation
- Other Credit Union

Citizenship Oregon  
If assignee is not domiciled in the United States, a domestic representative designation is attached:  Yes  No (Designations must be a separate document from assignment)

**4. Application number(s) or registration number(s) and identification or description of the Trademark.**

A. Trademark Application No.(s)

9

B. Trademark Registration No.(s)

2197050; 1710675; 1881804; 2073819

Additional sheet(s) attached?  Yes  No

C. Identification or Description of Trademark(s) (and Filing Date if Application or Registration Number is unknown):

**5. Name & address of party to whom correspondence concerning document should be mailed:**

Name: PAUL D. MIGCHELBRINK

Internal Address: FARLEIGH WADA WITT

Street Address: 121 SW MORRISON ST., SUITE 600

City: PORTLAND

State: OR Zip: 97204

Phone Number: 503/228-6044

Fax Number: 503/228-1741

Email Address: pmichelbrink@fwwlaw.com

**6. Total number of applications and registrations involved:**

Four (4)

**7. Total fee (37 CFR 2.6(b)(6) & 3.41) \$115.00**

- Authorized to be charged to deposit account
- Enclosed

**8. Payment Information:**

07/13/2010 11:01:11 00000017 21/0000  
01 103601  
Deposit Account Number \_\_\_\_\_  
Authorized User Name \_\_\_\_\_

**9. Signature:**

Signature

July 9, 2010

Date

PAUL D. MIGCHELBRINK  
Name of Person Signing

Total number of pages including cover sheet, attachments, and document: **66**

Documents to be recorded (including cover sheet) should be faxed to (571) 273-0140, or mailed to: Mail Stop Assignment Recordation Services, Director of the USPTO, P.O. Box 1450, Alexandria, VA 22313-1450

1 AFFIDAVIT OF SHAWN HINDRUM IN SUPPORT OF ASSIGNMENT OF TRADEMARKS  
2 TO WEST OREGON WOOD PRODUCTS, INC.  
3  
4

5 STATE OF OREGON )  
6 County of Washington ) ss.  
7 )

8 I, Shawn Hindrum, being first duly sworn, say:

9 1. I am the Controller at West Oregon Wood Products, Inc. (“WOWP”). As  
10 such, I have control, custody and knowledge of WOWP’s loan documentation and other financial  
11 records, which files are kept in the regular course of business and include the file containing  
12 records of WOWP’s trademark assignments to Fremont Financial Corporation (“Fremont  
13 Financial”). I make this Affidavit based on my personal knowledge of the matters set forth  
14 herein.

15 2. On or about August 13, 1997, WOWP entered into a Loan and Security  
16 Agreement (“Loan Agreement”) with Fremont Financial. Attached hereto as Exhibit 1 is a true  
17 copy of the Loan Agreement.

18 3. The Loan Agreement provided that Fremont Financial agreed to extend  
19 credit to WOWP from time to time, and, as security for such credit, WOWP agreed to grant  
20 Fremont Financial a security interest in certain of WOWP’s assets, including its trademarks,  
21 trademark applications, tradenames, service marks, and service mark applications. Attached  
22 hereto as Exhibit 2 is a true copy of the Patent, Trademark and License Mortgage section of the  
23 Loan Agreement.

24 4. As a result of the Patent, Trademark and License Mortgage section of the  
25 Loan Agreement, WOWP’s trademarks BLAZER (reg # 1710675), LIL’ DEVILS (reg #  
26 1881804), NOAH’S CHOICE (reg # 2073819), and HOT SHOTS (reg # 2197050) were

1 assigned to Fremont Financial as security for the Loan Agreement. Attached hereto as Exhibit 3  
2 is a true copy of the Trademark Assignment Abstracts of Title showing that Fremont Financial  
3 became the assignee of WOWP's marks on August 13, 1997.

4  
5 5. On or about December 20, 1999, Fremont Financial was merged into  
6 FINOVA Capital Corporation ("FINOVA"). As a result of the merger, FINOVA obtained all of  
7 Fremont Financial's interest in the Loan Agreement and other related loan documents, including  
8 all of Fremont Financial's interest in WOWP's trademarks. Attached hereto as Exhibit 4 is a true  
9 copy of a letter WOWP received from Wayne Glen Elliott, Assistant Vice President of FINOVA,  
10 dated January 12, 2000, in which FINOVA notified WOWP of the merger and of FINOVA's  
11 acquisition of Fremont Financial's interest in the Loan Agreement.

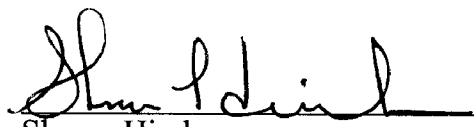
12  
13 6. On or about July 24, 2000, FINOVA notified WOWP that WOWP's  
14 obligations to FINOVA, successor to Fremont Financial, had been paid in full. As such, Jeffrey  
15 Stanek, Vice President of FINOVA, signed the Trust Deed formerly securing the Loan  
16 Agreement Guarantee to allow for the full reconveyance back to WOWP of property belonging  
17 to WOWP. Attached hereto as Exhibit 5 is a true copy of the letter and enclosure that WOWP  
18 received on or about July 24, 2000, from Mr. Stanek.

19  
20 7. As evidenced by Exhibit 5, WOWP's obligations to FINOVA under the  
21 Loan Agreement were paid in full as of July 24, 2000. Therefore, the trademark assignments  
22 should have been assigned back to WOWP on July 24, 2000. However, due to an oversight, such  
23 assignment was never recorded with the Patent and Trademark Office.

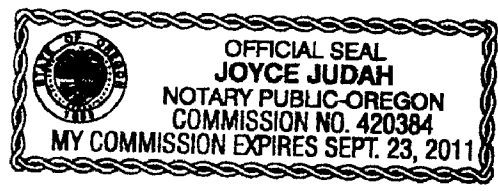
24  
25 8. I have learned that it is now not possible to contact FINOVA to get the  
26 trademark assignments signed because the FINOVA entities dissolved as of November 17, 2009,  
as part of a bankruptcy proceeding in the United States Bankruptcy Court for the District of

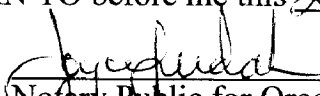
1 Delaware.

2 9. Because WOWP has satisfied its obligations to FINOVA in full under the  
3 Loan Agreement, I believe that WOWP is entitled to have its trademarks assigned back to  
4 WOWP. I respectfully ask that the Patent and Trademark Office record such assignment  
5 effective as of July 24, 2000.  
6

7   
8 Shawn Hindrum

9  
10 SUBSCRIBED AND SWORN TO before me this 24<sup>th</sup> day of June, 2010.



11   
12 Notary Public for Oregon  
13 Residing at: Scappoose, Oregon  
14 Commission Expires: 9-23-2011

# LOAN AND SECURITY AGREEMENT

# DRAFT

This LOAN AND SECURITY AGREEMENT is entered into as of August, 19 97 between FREMONT FINANCIAL CORPORATION, a California corporation (Fremont), with a place of business located at 2020 Santa Monica Boulevard, Suite 500, Santa Monica, California 90404-2023 and WEST OREGON WOOD PRODUCTS, INC., a n Oregon corporation (*Borrower*), with its chief executive office located at 2305 2nd Street, Columbia City, Oregon 97018

The parties agree as follows:

## 1. DEFINITIONS AND CONSTRUCTION

1.1 **Terms.** In addition to the terms that are defined within this Agreement, the following terms shall have the following definitions when used in this Agreement:

*Account Debtor* means any Person who is or who may become obligated under, with respect to, or on account of an Account.

*Accounts* means all presently existing and hereafter arising accounts receivable, contract rights, and all other forms of obligations owing to Borrower arising out of the sale or lease of goods or the rendition of services by Borrower, whether or not earned by performance, all credit insurance, guaranties, and other security therefor, as well as all goods returned to or reclaimed by Borrower, and Borrower's Books relating to any of the foregoing.

*Agreement* means this Loan and Security Agreement and any riders, addenda, extensions, supplements, amendments or modifications to or in connection with this Loan and Security Agreement.

*Authorized Representative* means any officer, employee or other representative of Borrower authorized in writing by Borrower to transact business with Fremont.

*Bankruptcy Code* means the United States Bankruptcy Code (11 U.S.C. Sections 101 et seq.), as amended, and any successor statute.

*Borrower's Books* means all of Borrower's books and records including all of the following: ledgers; records indicating, summarizing or evidencing Borrower's assets (including the Collateral) or liabilities; all information relating to Borrower's business operations or financial condition; and all computer programs, disk or tape files, printouts, runs or other computer prepared information, and the equipment containing such information.

*Business Day* means any day which is not a Saturday, Sunday or other day on which banks in the State of California are authorized or required to close.

*Code* means the California Uniform Commercial Code, as amended from time to time.

*Collateral* means all of the following: the Accounts; the Equipment; the General Intangibles; the Inventory; the Negotiable Collateral; any money or other assets of Borrower which hereafter come into the possession, custody or control of Fremont; and all proceeds and products, whether tangible or intangible, of any of the foregoing, including proceeds of insurance covering any or all of the Collateral, and any and all Accounts, Equipment, General Intangibles, Inventory, Negotiable Collateral, money, deposit accounts or other tangible or intangible property resulting from the sale or other disposition of the Collateral, or any portion thereof or interest therein, and the proceeds thereof.

*Eligible Accounts* means those Accounts created by Borrower in the ordinary course of business that arise out of Borrower's sale of goods or rendition of services, are owing from Account Debtors that are acceptable to Fremont, strictly comply with all of Borrower's representations and warranties to Fremont and are, and at all times continue to be, acceptable to Fremont in all respects; provided, however, that standards of eligibility may be fixed and revised from time to time by Fremont in Fremont's exclusive judgment. In determining such eligibility, Fremont may, but is not obligated to, rely on agings, reports and schedules of Accounts furnished by Borrower, but reliance by Fremont thereon from time to time shall not be deemed to limit Fremont's right to revise standards of eligibility at any time as to both Borrower's present and future Accounts. Eligible Accounts shall not include any of the following: (a) Accounts which the Account Debtor has failed to pay within ninety ( 90 ) days after the original invoice date;<sup>1</sup> (b) all Accounts owed by any Account Debtor that has failed to pay fifty percent (50%) or more of its Accounts owed to Borrower within ninety ( 90 ) days after the original invoice date; (c) Accounts with respect to which the Account Debtor is an officer, director, employee or agent of Borrower; (d) Accounts with respect to which the Account Debtor is a subsidiary of, related to, affiliated with or has common shareholders, officers or directors with Borrower; (e) Accounts with respect to which goods are placed on consignment, guaranteed sale, sale or return, sale on approval, bill and hold, or which contain other terms by reason of which payment by the Account Debtor may be conditional; (f) Accounts with respect to which the Account Debtor is not a resident of the United States; (g) Accounts with respect to which the Account Debtor is the United States or any department, agency or instrumentality of the United States; (h) Accounts with respect to which Borrower is or may become liable to the Account Debtor for goods sold or services rendered by the Account Debtor to Borrower or, for any other reason, are subject to any right of offset in favor of the Account Debtor; (i) Accounts with respect to an Account Debtor whose total obligations to Borrower exceed fifteen percent (15%) of all Accounts;<sup>2</sup> to the extent such obligations exceed such percentage; (j) Accounts with respect to which the Account Debtor disputes liability or makes any claim with respect thereto, or is subject to any Insolvency Proceeding, or becomes insolvent, or goes out of business; (k) Accounts that represent progress billings or other advance billings that are due prior to the completion of performance by Borrower of the subject contract for goods or services; or (l) Accounts that are payable in currency other than United States dollars.

*Eligible Inventory* means Inventory consisting of first quality finished goods held for sale in the ordinary course of Borrower's business ~~and raw materials for such finished goods~~ that are located at Borrower's premises, that strictly comply with all of Borrower's representations and warranties to Fremont and that are, and at all times continue to be, acceptable to Fremont in all respects; provided, however, that general criteria for Eligible Inventory may be established and revised from time to time by Fremont in Fremont's exclusive judgment. In determining such eligibility, Fremont may, but is not obligated to, rely on reports and schedules of Inventory furnished to Fremont by Borrower, but reliance thereon by Fremont from time to time shall not be deemed to limit Fremont's right to revise standards of eligibility at any time. Eligible Inventory shall not include slow moving or obsolete items, custom or proprietary items, work in process, components which are not part of finished goods, spare parts, packaging and shipping materials, supplies used or consumed in Borrower's business, goods returned to, repossessed by, or stopped in transit by Borrower, Inventory in the possession of Persons other than Borrower or subject to a security interest or lien in favor of any Person other than Fremont, bill and hold goods, Inventory which is not subject to Fremont's first priority, perfected security interest, returned or defective goods, "seconds" and Inventory acquired on consignment. Eligible Inventory shall be valued ~~at the~~ lower of cost or wholesale market value ~~basis~~.

*Environmental Law* means the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, the Resource Conservation and Recovery Act of 1976, the Hazardous Materials Transportation Act, the Toxic Substances Control Act, the regulations pertaining to such statutes, and any other safety, health or environmental statutes, laws, regulations or ordinances of the United States or of any state, county or municipality in which Borrower conducts its business or the Collateral is located.

*Equipment* means all of Borrower's present and hereafter acquired equipment, machinery, machine tools, motors, furniture, furnishings, fixtures, motor vehicles, rolling stock, processors, tools, parts, dies, jigs, goods (other than consumer goods, farm products or Inventory), wherever located, and any interest of Borrower in any of the foregoing, and all attachments, accessories, accessions, replacements, substitutions, additions and improvements to any of the foregoing, wherever located.

*ERISA* means the Employee Retirement Income Security Act of 1974, as amended, and the regulations thereunder.

1 (forty five (45) days for Accounts in which Home Depot is the Account Debtor)  
2 (except for Accounts in which the Account Debtor is Home Depot, in which case the percentage shall be fifty percent (50%) of all Accounts)  
3 on a first in, first out

*ERISA Affiliate* means each trade or business (whether or not incorporated and whether or not foreign) which is or may hereafter become a member of a group of which Borrower is a member and which is treated as a single employer under ERISA Section 4001(b)(1), or IRC Section 414.

*Event of Default* means the events specified in Section 8.

*Fremont Expenses* means all of the following: costs and expenses (including taxes, assessments and insurance premiums) required to be paid by Borrower under any of the Loan Documents which are paid or advanced by Fremont; filing, recording, publication, appraisal (including periodic Collateral appraisals), real estate survey, environmental audit and search fees assessed, paid or incurred by Fremont in connection with Fremont's transactions with Borrower; costs and expenses incurred by Fremont in the disbursement or collection of funds to or from Borrower; charges resulting from the dishonor of checks; costs and expenses paid or incurred by Fremont to correct any default or enforce any provision of the Loan Documents, or in gaining possession of, maintaining, handling, preserving, storing, shipping, selling, preparing for sale or advertising to sell the Collateral, or any portion thereof, irrespective of whether a sale is consummated; costs and expenses paid or incurred by Fremont that result from third party claims against Fremont covered by Borrower's indemnification of Fremont in Section 11.4; costs and expenses paid or incurred by Fremont in enforcing or defending the Loan Documents; and Fremont's reasonable attorneys fees and expenses incurred (including the allocated costs of Fremont's in-house counsel) in advising, structuring, drafting, reviewing, administering, amending, terminating, enforcing, defending or otherwise representing Fremont in connection with the Loan Documents or the Obligations (including attorneys fees and expenses incurred in connection with a workout, a restructuring, an action to lift the automatic stay of Section 362 of the Bankruptcy Code, any other action or participation by Fremont in an Insolvency Proceeding concerning Borrower or any guarantor of the Obligations or any defense or participation by Fremont in any lender liability, preference or fraudulent conveyance actions).

*General Intangibles* means all of Borrower's present and future general intangibles and other personal property (including contract rights, rights arising under common law, statutes or regulations, choses or things in action, goodwill, patents, trade names, trademarks, service marks, copyrights, blueprints, drawings, purchase orders, customer lists, monies due or recoverable from pension funds, monies due under any royalty or licensing agreements, route lists, infringement claims, computer programs, computer discs, computer tapes, literature, reports, catalogs, deposit accounts, insurance premium rebates, tax refunds and tax refund claims) other than goods and Accounts, and Borrower's Books relating to any of the foregoing.

*Hazardous Material* means any substance, material, emission or waste which is or hereafter becomes regulated or classified as a hazardous substance, hazardous material, toxic substance or solid waste under any Environmental Law, asbestos, petroleum products, urea formaldehyde, polychlorinated biphenyls (PCBs), radon and any other hazardous or toxic substance, material, emission or waste.

*Insolvency Proceeding* means any proceeding commenced by or against any Person under any provision of the Bankruptcy Code or under any other bankruptcy or insolvency law, including assignments for the benefit of creditors, formal or informal moratoria, compositions, extensions generally with its creditors or proceedings seeking reorganization, liquidation, arrangement or other similar relief.

*Inventory* means all present and future inventory in which Borrower has any interest, including goods held for sale or lease or to be furnished under a contract of service, Borrower's present and future raw materials, work in process, finished goods and materials used in or consumed in Borrower's business, goods which have been returned to, repossessed by or stopped in transit by Borrower, packing and shipping materials, wherever located, any documents of title representing any of the above, and Borrower's Books relating to any of the foregoing.

*IRC* means the Internal Revenue Code of 1986, as amended, and the regulations thereunder.

*Loan Documents* means, collectively, this Agreement, any Notes, any security agreements, pledge agreements, deeds of trust, mortgages or other encumbrances or agreements which secure the Obligations, any guaranties of the Obligations, any lock box or blocked account agreements and any other agreement entered into between Borrower or any guarantor of the Obligations and Fremont relating to or in connection with this Agreement.

*Multiemployer Plan* means a *multiemployer plan* as defined in ERISA Sections 3(37) or 4001(a)(3) or IRC Section 414(f) which covers employees of Borrower or any ERISA Affiliate.

EXHIBIT 1  
PAGE 3 OF 22

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**Negotiable Collateral** means all of Borrower's present and future letters of credit, notes, drafts, instruments, <sup>1</sup>certificates and unsecured securities, documents, leases and chattel paper, and Borrower's Books relating to any of the foregoing.

**Note** means any promissory note made by Borrower to the order of Fremont concurrently herewith or at any time hereafter.

**Obligations** means all loans, advances, debts, liabilities (including all amounts charged to Borrower's loan account pursuant to any agreement authorizing Fremont to charge Borrower's loan account), obligations, fees, lease payments, guaranties, covenants and duties owing by Borrower to Fremont of any kind and description (whether pursuant to or evidenced by the Loan Documents, by any note or other instrument or by any other agreement between Fremont and Borrower, and irrespective of whether for the payment of money), whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising, including any debt, liability or obligation owing from Borrower to others which Fremont may obtain by assignment or otherwise, and all interest thereon, including any interest that, but for the provisions of the Bankruptcy Code, would have accrued, and all Fremont Expenses which Borrower is required to pay or reimburse pursuant to the Loan Documents, by law or otherwise.

**Person** means and includes natural persons, corporations, limited partnerships, general partnerships, joint ventures, trusts, land trusts, business trusts or other organizations, irrespective of whether they are legal entities, and governments and agencies and political subdivisions thereof.

**Plan** means any plan described in ERISA Section 3(2) maintained for employees of Borrower or any ERISA Affiliate, other than a Multiemployer Plan.

**Reference Rate** means the variable rate of interest, per annum, published by The Wall Street Journal as the "Prime Rate" and based on "the base rate on corporate loans posted by at least 75% of the nation's 30 largest banks". The Reference Rate is nothing more nor less than an index for determining the interest rate payable under the terms of this Agreement. The Reference Rate is not necessarily the best rate, or any other definition of rates, offered by the banks that establish the rate or by Fremont. In the event The Wall Street Journal ceases to publish the "Prime Rate", Fremont may substitute any similar index for the Reference Rate.

**Term Loan** means any term loan made by Fremont to Borrower, evidenced by and repayable in accordance with the terms and conditions of a Note.

**1.2 Construction.** Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular, references to the singular include the plural, the term "including" is not limiting and the term "or" has the inclusive meaning generally represented by the phrase "and/or". The words *hereof*, *herein*, *hereby*, *hereunder*, and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Section, subsection, clause, exhibit and schedule references are to this Agreement unless otherwise specified. Any reference in this Agreement or in any of the other Loan Documents to this Agreement or any of the other Loan Documents shall include all alterations, amendments, changes, extensions, modifications, renewals, replacements, substitutions and supplements thereto and thereof.

**1.3 Accounting Terms.** All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles (*GAAP*) as in effect from time to time. When used herein, the term *financial statements* shall include the notes and schedules thereto.

**1.4 Riders, Exhibits, Etc.** The Conditions Precedent Rider to this Agreement and all of the other riders, exhibits, addenda and schedules to this Agreement shall be deemed incorporated herein by reference.

**1.5 Code.** Any terms used in this Agreement which are defined in the Code shall be construed and defined as set forth in the Code unless otherwise defined herein.

<sup>1</sup> investment property (including without limitation securities, whether certified or uncertified, securities entitlements and securities accounts),



*Negotiable Collateral* means all of Borrower's present and future letters of credit, notes, drafts, instruments, certificated and uncertificated securities, documents, leases and chattel paper, and Borrower's Books relating to any of the foregoing.

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2. ADVANCES AND TERMS OF PAYMENT

2.1 Loans.

A. Revolving Advances; Revolving Advance Limit. Upon the request of Borrower, made at any time or from time to time during the term hereof, and so long as no Event of Default has occurred and is continuing, Fremont shall, in its sole and absolute discretion, make advances (the Revolving Advances) to Borrower in an amount up to (a) eighty five percent (85 %) of the aggregate outstanding amount of Eligible Accounts, plus (b) the lesser of (1) forty percent (40 %) of the aggregate value of the Eligible Inventory or (2) Seven Hundred Thousand Dollars (\$ 700,000 ); provided, however, that in no event shall the aggregate amount of the outstanding Revolving Advances be greater than, at any time, the sum of One Million Three Hundred Ninety Six Thousand Dollars (\$ 1,396,000 ) (the Revolving Advance Limit). Fremont may reduce its advance rates on Eligible Accounts or Eligible Inventory, reduce the Revolving Advance Limit or establish reserves with respect to borrowing availability if Fremont determines, in its sole discretion, that there has occurred, or is likely to occur, an impairment of the prospect of repayment of all or any portion of the Obligations, the value of the Collateral or the validity or priority of Fremont's security interests in the Collateral.

B. Term Loan. Concurrently with the funding of the initial Revolving Advance, Fremont will make a Term Loan to Borrower in the original principal amount of Five Hundred Four Thousand Dollars (\$ 504,000 ), to be evidenced by and repayable in accordance with the terms and conditions of a Note of even date herewith. Such Term Loan and any other Term Loan subsequently made by Fremont to Borrower shall constitute Obligations and shall be secured by the Collateral. The occurrence of a default under such Note or under any Note made in respect of any subsequent Term Loan shall constitute an Event of Default hereunder.

C. Advance Limit. The sum of the Revolving Advance Limit plus the principal amount of all Term Loans outstanding from time to time, if any, is referred to herein as the Advance Limit.

2.2 Overadvances. All Revolving Advances made hereunder shall be added to and deemed part of the Obligations when made. If, at any time and for any reason, the aggregate amount of the outstanding Revolving Advances exceeds the dollar or percentage limitations contained in Section 2.1A (an Overadvance), then Borrower shall, upon demand by Fremont, immediately pay to Fremont, in cash, the amount of such excess.

2.3 Overadvance Fee. Without affecting Borrower's obligation to immediately repay to Fremont the amount of each Overadvance in accordance with the provisions of Section 2.2, in the event Fremont agrees to permit any Overadvance to exist and continue and in consideration for permitting such Overadvance to exist and continue, Fremont shall be entitled, in its sole discretion, to charge Borrower a fee in an amount equal to Four Hundred Fifty Dollars (\$450) per day for each day any Overadvance exists or, alternatively, such other fee as Fremont and Borrower may agree to at the time the Overadvance is made or discovered.

2.4 Authorization to Make Revolving Advances. Borrower hereby authorizes Fremont to make Revolving Advances based upon telephonic or other instructions received from anyone purporting to be an Authorized Representative, or, at the discretion of Fremont without instructions from or notice to Borrower, if such Revolving Advances are necessary to satisfy any Obligations. All requests for Revolving Advances hereunder shall specify the date on which the requested Revolving Advance is to be made (which day shall be a day that Fremont is open for business) and the amount of the requested Revolving Advance. Requests received after 11:00 a.m. Pacific time on any day shall be deemed to have been made as of the opening of business on the immediately following Business Day. All Revolving Advances made under this Agreement shall be conclusively presumed to have been made to, at the request of, and for the benefit of Borrower when deposited to the credit of Borrower or otherwise disbursed in accordance with the instructions of Borrower or in accordance with the terms and conditions of this Agreement.

1 during the months September through April, and sixty five percent (65%) during the months May through August

A. **Basic Rate; Default Rate.** Except where specified to the contrary in any Loan Document, the aggregate outstanding amount of all Obligations shall bear interest at the rate of three percent (3.0 %) per annum above the Reference Rate. The aggregate outstanding amount of all Obligations shall bear interest, from and after written notice by Fremont to Borrower of the occurrence of an Event of Default and without constituting a waiver of any such Event of Default, at the rate of six percent (6.0 %) per annum above the Reference Rate; provided, however, that in the event an Insolvency Proceeding is commenced by or against Borrower, Fremont may charge such default rate of interest without providing written notice thereof to Borrower. All interest payable under the Loan Documents shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed, based on the aggregate amount of the Obligations that are outstanding on each day. Interest shall continue to accrue until all of the Obligations are paid in full.

B. **Initial Rate.** The Reference Rate as of the date of this Agreement is \_\_\_\_\_ percent ( \_\_\_\_\_ %) per annum, and, therefore, the effective rate of interest hereunder as of the date of this Agreement is \_\_\_\_\_ percent ( \_\_\_\_\_ %) per annum. The interest rate payable by Borrower under the terms of this Agreement shall be adjusted in accordance with any change in the Reference Rate from time to time on the date of any such change. All interest payable by Borrower shall be due and payable on the first day of each calendar month during the term of this Agreement.

C. **Minimum Interest.** Notwithstanding anything to the contrary contained in the Loan Documents, Borrower shall pay Fremont a minimum monthly interest charge in respect of the Obligations equal to \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) per month. ~~For the amount of the aggregate interest charges which would have been payable during such month had the average outstanding daily balance of Obligations during such month been equal to \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), where such amount exceeds the actual interest charges payable in respect of the Obligations for such month.~~ See Addendum

2.6 **Verification and Collection of Accounts.** Fremont or Fremont's designee may, at any time, with or without notice to Borrower, (a) notify Account Debtors of Borrower that the Accounts have been assigned to Fremont and that Fremont has a security interest in the Accounts; (b) contact Account Debtors of Borrower, either in writing or by telephone, for the purpose of verifying the validity, amount or any other matter relating to any Accounts; and (c) collect the Accounts directly and charge the collection costs and expenses to Borrower's loan account. Unless and until Fremont begins direct collection of the Accounts or gives Borrower other written instructions, Borrower shall collect all Accounts and the proceeds of other Collateral for the benefit of Fremont, receive in trust all payments thereon as Fremont's trustee and immediately deliver said payments to Fremont in their original form as received by Borrower (subject to the terms of any lockbox, blocked account or similar agreement entered into for the purpose of collection of the Accounts).

2.7 **Crediting Payments.** For the purpose of calculating the availability of Revolving Advances under Section 2.1A, the receipt by Fremont of any wire transfer of funds, check or other item of payment shall be applied immediately to provisionally reduce the Obligations, but such receipt shall not be considered a payment on account unless such wire transfer is of immediately available federal funds and is made to the appropriate deposit account of Fremont or unless and until such check or other item of payment is honored when presented for payment. For the purpose of calculating interest under Section 2.5A, the receipt by Fremont of any wire transfer of funds, check or other item of payment shall be deemed to have occurred four (4) Business Days after the date Fremont actually receives such item of payment. In the event any check or other item of payment is not honored when presented for payment, Borrower shall be deemed not to have made such payment. Notwithstanding anything to the contrary contained herein, any wire transfer, check or other item of payment received by Fremont after 11:00 a.m. Pacific time shall be deemed to have been received by Fremont as of the opening of business on the immediately following Business Day.

2.8 **Annual Facility Fee.** Borrower shall pay Fremont an annual fee (the *Annual Facility Fee*) in the amount of Nine Thousand Five Hundred Dollars (\$ 9,500). The Annual Facility Fee shall be fully earned and is due and payable ~~on the date that the Revolving Advances are made hereunder and thereafter~~ annually on the anniversary of the date of this Agreement for the entire term of this Agreement, including all renewal terms, or so long as any of the Obligations are outstanding.

EXHIBIT 1  
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**Payment Mechanics.** As an administrative convenience to Borrower to ensure the timely payment of amounts owing by Borrower to Fremont under this Agreement, Borrower hereby requests Fremont to advance for the account of Borrower an amount each month sufficient to pay interest accrued on the principal amount of the Obligations during the immediately preceding month and all monthly principal installments or other payments due under a Note or other Loan Document and amounts from time to time sufficient to pay all fees and Fremont Expenses owing by Borrower under this Agreement. Borrower authorizes Fremont, in Fremont's sole discretion, to make a Revolving Advance for Borrower's account of a sum sufficient each month to pay, on the due date thereof, all interest accrued on the principal amount of the Obligations during the immediately preceding month and all monthly principal installments or other payments due under a Note or other Loan Document and sums from time to time sufficient to pay, on the due date thereof, all fees and Fremont Expenses owing by Borrower under this Agreement, and Fremont may apply the proceeds of each such Revolving Advance to the payment of such interest, installments, fees and Fremont Expenses. Each such Revolving Advance shall thereafter accrue interest at the rate then applicable under this Agreement. Fremont, however, shall not be obligated to make any such Revolving Advance and Borrower acknowledges that Fremont will be particularly disinclined to do so if an Event of Default or an Overadvance exists at the time of, or would result from the making of, such Revolving Advance.

### 3. TERM OF AGREEMENT AND EARLY TERMINATION

**3.1 Term.** This Agreement shall become effective in accordance with Section 14.1 and shall continue in full force and effect for a term ending three (3) years after the date hereof and shall be deemed automatically renewed for successive terms of one (1) year thereafter until terminated as of the end of the initial term or any renewal term (each a *Term*) by either party giving the other written notice at least sixty (60) days prior to the end of the then current Term.

**3.2 Early Termination.** Borrower, subject to the payment of the fee described below, may terminate this Agreement other than at the end of the then current Term by giving Fremont prior written notice of its intention to effect an early termination of this Agreement. Fremont may terminate this Agreement at any time upon or after the occurrence of an Event of Default. In view of the impracticability and extreme difficulty of ascertaining actual damages and by mutual agreement of the parties as to a reasonable calculation of Fremont's lost profits as a result of an early termination of this Agreement, in either of the instances described in the preceding two sentences, Borrower shall pay to Fremont, upon the effective date of such early termination and in addition to all other Obligations, an early termination fee (the *Early Termination Fee*) in an amount equal to: (a) five percent (5.0%) of the Advance Limit if such termination occurs at any time during the first year of the initial Term; (b) three percent (3.0%) of the Advance Limit if such termination occurs at any time during the second year of the initial Term; and (c) one percent (1.0%) of the Advance Limit if such termination occurs during the third year of the initial Term or during any renewal Term. The Early Termination Fee shall be presumed to be the amount of damages sustained by Fremont as the result of the early termination and Borrower agrees that it is reasonable under the circumstances currently existing. The Early Termination Fee shall be deemed included in the Obligations. Notwithstanding anything herein to the contrary, if and to the extent the Early Termination Fee constitutes interest under applicable law, the Early Termination Fee, when added to all other interest contracted for, charged or received under this Agreement or any other Loan Documents, shall not exceed, and shall be limited to an amount which constitutes, interest at the maximum lawful rate of interest allowable under applicable law.

**3.3 Effect of Termination.** Upon termination of this Agreement, all of the Obligations shall be immediately due and payable in full. No termination of this Agreement shall relieve or discharge Borrower of Borrower's duties, obligations and covenants hereunder until all of the Obligations have been fully and indefeasibly paid and satisfied, and Fremont's continuing security interest in the Collateral shall remain in effect until all of the Obligations have been fully and indefeasibly paid and satisfied.

### 4. CREATION OF SECURITY INTEREST

**4.1 Grant of Security Interest.** Borrower hereby grants to Fremont a continuing security interest in all presently existing and hereafter acquired or arising Collateral in order to secure prompt repayment of any and all Obligations and in order to secure prompt performance by Borrower of each and all of its covenants and duties under the Loan Documents. Fremont's security interest in the Collateral shall attach to all Collateral without further act on the part of Fremont or Borrower. Other than sales of Inventory to buyers in the ordinary course of business, Borrower has no authority, express or implied, to dispose of any item or portion of the Collateral.

**4.2 Negotiable Collateral.** In the event that any Collateral, including proceeds, is evidenced by or consists of Negotiable Collateral, Borrower shall, upon the request of Fremont, immediately endorse and assign such Negotiable Collateral to Fremont and deliver physical possession of such Negotiable Collateral to Fremont.

4.3

**Delivery of Additional Documentation Required.**

Borrower shall execute and deliver to Fremont, concurrently with Borrower's execution and delivery of this Agreement and at any time thereafter at the request of Fremont, all financing statements, continuation financing statements, fixture filings, security agreements, chattel mortgages, pledges, assignments, endorsements of certificates of title, applications for title, affidavits, reports, notices, schedules of accounts, letters of authority, and all other documents that Fremont may reasonably request, in form satisfactory to Fremont, to perfect and continue perfected Fremont's security interest in the Collateral and in order to fully consummate all of the transactions contemplated hereunder and under the other Loan Documents.

4.4

**Power of Attorney.**

Borrower hereby irrevocably designates, makes, constitutes and appoints Fremont (and any of Fremont's officers, employees or agents designated by Fremont) as Borrower's true and lawful attorney-in-fact, and Fremont, or Fremont's agent, may, without notice to Borrower and in either Borrower's or Fremont's name, but at the cost and expense of Borrower, at such time or times as Fremont in its sole discretion may determine: (a) demand payment of the Accounts from the Account Debtors, enforce payment of the Accounts by legal proceedings or otherwise, and generally exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (b) take control, in any manner, of any item of payment or proceeds relating to any Collateral; (c) prepare, file and sign Borrower's name to a proof of claim in bankruptcy or similar document against any Account Debtor or to any notice of lien, assignment or satisfaction of lien or similar document in connection with any of the Collateral; (d) sign Borrower's name on any of documents described in Section 4.3 or on any other similar documents to be executed, recorded or filed in order to perfect or continue perfected Fremont's security interest in the Collateral; (e) sign Borrower's name on any invoices, bills of lading, freight bills, chattel paper, documents, instruments or similar documents or agreements relating to the Accounts, Inventory or other Collateral, drafts against Account Debtors, schedules and assignments of Accounts, verifications of Accounts and notices to Account Debtors; (f) send requests for verification of Accounts; (g) endorse Borrower's name on any checks, notes, acceptances, money orders, drafts or other items of payment or proceeds relating to any Collateral that may come into Fremont's possession and deposit the same to the account of Fremont for application to the Obligations; (h) do all other acts and things necessary, in Fremont's determination, to fulfill Borrower's obligations under this Agreement or any of the other Loan Documents; (i) at any time that an Event of Default has occurred and is continuing, notify the post office authorities to change the address for delivery of Borrower's mail to an address designated by Fremont, to receive and open all mail addressed to Borrower, and to retain all mail relating to the Collateral and forward all other mail to Borrower; (j) at any time that an Event of Default has occurred and is continuing, use the information recorded on or contained in any data processing equipment and computer hardware and software relating to the Accounts, Inventory, Equipment and any other Collateral and to which Borrower has access; (k) at any time that an Event of Default has occurred and is continuing, make, settle and adjust all claims under Borrower's policies of insurance, make all determinations and decisions with respect to such policies of insurance and endorse the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance; (l) at any time that an Event of Default has occurred and is continuing, sell or assign any of the Accounts and other Collateral upon such terms, for such amounts and at such time or times as Fremont deems advisable; and (m) at any time that an Event of Default has occurred and is continuing, settle, adjust or compromise disputes and claims respecting the Accounts directly with Account Debtors, for amounts and upon terms that Fremont determines to be reasonable, and, in furtherance thereof, execute and deliver any documents and releases that Fremont determines to be necessary. The appointment of Fremont as Borrower's attorney-in-fact and each and every one of Fremont's rights and powers, being coupled with an interest, is irrevocable until all of the Obligations have been fully repaid and performed and this Agreement has been terminated.

4.5

**Right To Inspect.**

Fremont, through any of its officers, employees or agents, shall have the right at any time or times during Borrower's usual business hours, or during the usual business hours of any third party having control over any of Borrower's Books, to inspect Borrower's Books in order to verify the amount or condition of, or any other matter relating to, the Collateral or Borrower's financial condition. Fremont also shall have the right at any time or times during Borrower's usual business hours to inspect and examine the Inventory and the Equipment and to check and test the same as to quality, quantity, value and condition. If an Event of Default has occurred or if Fremont reasonably believes that an Event of Default has occurred, Fremont may conduct any of the inspections referenced in this Section 4.5 at any time without regard to Borrower's or any third party's usual business hours.

5. REPRESENTATIONS AND WARRANTIES

Borrower makes the following representations and warranties to Fremont and each such representation and warranty shall be deemed to be repeated with each Revolving Advance made by Fremont and shall be conclusively presumed to have been relied on by Fremont regardless of any investigation made or information possessed by Fremont. The following representations and warranties shall be cumulative and in addition to any and all other representations and warranties which Borrower shall now or hereafter give, or cause to be given, to Fremont.

5.1 No Prior Encumbrances; Security Interests. Borrower has good and indefeasible title to the Collateral, free and clear of liens, claims, security interests or encumbrances, except for those permitted under Section 7.2.

5.2 Accounts. All of Borrower's Accounts constitute bona fide existing obligations created by the sale and delivery of Inventory or the rendition of services to Account Debtors in the ordinary course of Borrower's business, and, in the case of Accounts created by the sale and delivery of Inventory, the Inventory giving rise to such Accounts has been delivered to the Account Debtor. At the time of the creation of each Eligible Account or the assignment thereof to Fremont, each such Eligible Account is unconditionally owed to Borrower without defense, dispute, offset, counterclaim or right of return or cancellation and Borrower has not received notice of actual or imminent bankruptcy, insolvency or material impairment of the financial condition of the Account Debtor regarding such Eligible Account.

5.3 Eligible Inventory. All Eligible Inventory is of good and merchantable quality, free from defects.

5.4 Location of Inventory and Equipment. The Inventory and Equipment are not stored with a bailee, warehouseman, processor or similar party unless Fremont has consented thereto in writing and are located only at the following locations: 2305 2nd Street, Columbia City, Oregon

5.5 Inventory Records. Borrower keeps correct and accurate records itemizing and describing the kind, type, quality and quantity of the Inventory and Borrower's cost therefor.

5.6 Location of Chief Executive Office. The chief executive office of Borrower is located at the address stated in the first paragraph of this Agreement.

5.7 Due Incorporation and Qualification. Borrower is a corporation duly organized and existing and in good standing under the laws of the state of its incorporation and is qualified or licensed to do business in, and is in good standing in, any state in which the failure to be qualified or licensed and in good standing could have a material adverse effect on Borrower's business or the Collateral.

5.8 Fictitious Name(s). Borrower is conducting its business at the present time under the following trade or fictitious name(s): Blazers, Hot Shots, Noah's Choice, Lil' Devil

Borrower has complied with the fictitious name laws of all jurisdictions in which compliance is required in connection with its use of such name(s). During the five (5) years prior to the date of this Agreement, Borrower conducted business under the following trade or fictitious name(s) in addition to those stated above: none

5.9 Permits and Licenses. Borrower holds all licenses, permits, franchises, approvals and consents as are required in the conduct of its business and the ownership and operation of its properties.

5.10 Due Authorization; No Conflict. The execution, delivery and performance of the Loan Documents to which Borrower is a party are within Borrower's corporate powers, have been duly authorized and are not in conflict with nor constitute a breach of any provision contained in Borrower's Articles or Certificate of Incorporation or Bylaws, nor will they create a default under any material agreement to which Borrower is a party.

5.11 **Litigation.** There are no actions or proceedings pending by or against Borrower before any court or administrative agency and Borrower has no knowledge or notice of any pending, threatened or imminent litigation, governmental investigations, or claims, complaints, actions or prosecutions involving Borrower or any guarantor of the Obligations, except for ongoing collection matters in which Borrower is the plaintiff and such matters as have been disclosed to Fremont in writing.

5.12 **Taxes.** All assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against Borrower or any of its property or in connection with Borrower's business have been paid in full prior to delinquency or the expiration of any extension period.

5.13 **No Material Adverse Change in Financial Condition.** All financial statements relating to Borrower which have been or may hereafter be delivered by Borrower to Fremont have been prepared in accordance with GAAP and fairly present Borrower's financial condition as of the date thereof and Borrower's results of operations for the period then ended. There has been no material adverse change in the financial condition of Borrower since the date of the most recent of such financial statements submitted to Fremont.

5.14 **Solvency.** Borrower is solvent and able to pay its debts (including trade debts) as they mature. No transfer of property is being made by Borrower and no obligation is being incurred by Borrower in connection with the transactions contemplated by this Agreement or the other Loan Documents with the intent to hinder, delay or defraud either present or future creditors of Borrower.

5.15 **ERISA.** Neither Borrower, nor any ERISA Affiliate nor any Plan is or has been in violation of any of the provisions of ERISA, any of the qualification requirements of IRC Section 401(a), or any of the published interpretations thereof. No lien upon the assets of Borrower has arisen with respect to any Plan. No *prohibited transaction* within the meaning of ERISA Section 406 or IRC Section 4975(c) has occurred with respect to any Plan. Neither Borrower nor any ERISA Affiliate has incurred any withdrawal liability with respect to any Multiemployer Plan. Borrower and each ERISA Affiliate have made all contributions required to be made by them to any Plan or Multiemployer Plan when due. There is no accumulated funding deficiency in any Plan, whether or not waived.

5.16 **Environmental Laws and Hazardous Materials.** Borrower has complied with all Environmental Laws. Except as previously disclosed to Fremont in writing, Borrower has not caused or permitted any Hazardous Materials to be located, incorporated, generated, stored, manufactured, transported to or from, released, disposed of or used at, upon, under or within any premises at which Borrower conducts its business, or in connection with Borrower's business. To the best of Borrower's knowledge, no prior owner or operator of any premises at which Borrower conducts its business has caused or permitted any of the above to occur at, upon, under or within any of such premises.

5.17 **Intellectual Property.** Borrower does not own or have rights as licensee in or to any trademarks or patents or have any trademark or patent applications pending, except as has been disclosed in writing to Fremont.

5.18 **Labor and Employment Disputes.** There are no pending grievances, disputes or controversies with any union or other organization of Borrower's employees, or pending threats of strikes or work stoppages, or demands for collective bargaining by any union or other organization of Borrower's employees.

## 6. AFFIRMATIVE COVENANTS

Borrower covenants and agrees that during the term of this Agreement and until payment in full of the Obligations, and unless Fremont shall otherwise consent in writing, Borrower shall do all of the following:

6.1 **Accounting System.** Borrower at all times shall maintain a standard and modern system of accounting in accordance with GAAP with ledger and account cards or computer tapes, disks, printouts and records pertaining to the Collateral which contain information as may from time to time be requested by Fremont. Borrower also shall keep proper books of account showing all sales, claims and allowances on its Inventory.

6.2 **Collateral Reports.** Borrower shall deliver to Fremont, no later than the fifteenth day of each month during the term of this Agreement, a detailed aging of the Accounts, a reconciliation statement and a summary aging, by vendor, of all accounts payable and any book overdraft. Borrower shall deliver to Fremont, as Fremont may from time to time require, collection reports, sales journals, invoices, original delivery receipts, customers' purchase orders, shipping instructions, bills of lading and other documentation respecting shipment arrangements. Absent such a request by Fremont, copies of all such documentation shall be held by Borrower as custodian for Fremont.



6.3 **Returns.** Returns and allowances, if any, as between Borrower and its Account Debtors, shall be permitted by Borrower on the same basis and in accordance with the usual and customary practices of Borrower as they exist at the time of the execution and delivery of this Agreement. If any Account Debtor returns any Inventory to Borrower, Borrower shall promptly determine the reason for such return and, if Borrower accepts such return, issue a credit memorandum (with a copy to be sent to Fremont) in the appropriate amount to such Account Debtor. Borrower shall promptly notify Fremont of all returns and recoveries and of all disputes and claims.

6.4 **Designation of Inventory.** Borrower shall now and from time to time hereafter, but not less frequently than weekly, execute and deliver to Fremont a designation of Inventory specifying Borrower's cost and the wholesale market value of Borrower's raw materials, work in process and finished goods, and further specifying such other information as Fremont may reasonably request.

6.5 **Financial Statements, Reports, Certificates.** Borrower shall deliver to Fremont: (a) as soon as available, but in any event within thirty (30) days after the end of each month during each of Borrower's fiscal years, a company prepared balance sheet and profit and loss statement covering Borrower's operations during such period; and (b) as soon as available, but in any event within ninety (90) days after the end of each of Borrower's fiscal years, financial statements of Borrower for each such fiscal year, audited by independent certified public accountants acceptable to Fremont. All such annual financial statements shall include a balance sheet and profit and loss statement, together with the accountants' letter to management. Borrower shall also deliver Borrower's Form 10-Qs, 10-Ks or 8-Ks, and any other filings made by Borrower with the Securities and Exchange Commission, if any, as soon as the same become available, and any other report reasonably requested by Fremont relating to the Collateral or the financial condition of Borrower, including financial projections, and a certificate signed by the chief financial officer of Borrower to the effect that all reports, statements or computer prepared information of any kind or nature delivered or caused to be delivered to Fremont under this Section 6.5 fairly present the financial condition of Borrower and that there exists on the date of delivery of such certificate to Fremont no condition or event which constitutes an Event of Default. If Borrower is a parent company of one or more subsidiaries or is a subsidiary of another company, then, in addition to the financial statements referred to above, Borrower agrees to deliver financial statements prepared on a consolidating basis so as to present Borrower and each such related entity separately, and on a consolidated basis.

6.6 **Litigation.** Borrower shall promptly notify Fremont in writing of any litigation, governmental investigations or criminal prosecutions involving Borrower, other than collection matters in which Borrower is the plaintiff.

6.7 **Tax Returns, Receipts.** Borrower shall deliver to Fremont copies of each of Borrower's federal income tax returns, and any amendments thereto, within thirty (30) days after the filing thereof with the Internal Revenue Service. Furthermore, Borrower shall deliver to Fremont, promptly upon request by Fremont, satisfactory evidence of Borrower's payment of all federal withholding taxes required to be paid by Borrower.

6.8 **Guarantor Tax Returns.** Borrower shall cause each guarantor of the Obligations to deliver to Fremont copies of such guarantor's federal income tax returns within thirty (30) days after the filing thereof with the Internal Revenue Service.

6.9 **Title to Equipment.** Upon Fremont's request, Borrower shall immediately deliver to Fremont, properly endorsed, any and all evidences of ownership of, or certificates of title or applications for title to, any items of Equipment.

6.10 **Maintenance of Equipment.** Borrower shall keep and maintain the Equipment in good operating condition and repair and shall make all necessary replacements thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved. Borrower shall not permit any item of Equipment to become a fixture to real estate or an accession to other property, and the Equipment is now and shall at all times remain personal property.

6.11 **Taxes.** All assessments and taxes, whether real, personal or otherwise, due or payable by, or imposed, levied or assessed against Borrower or any of its property or in connection with Borrower's business shall be paid in full prior to delinquency or the expiration of any extension period. Borrower shall make due and timely payment or deposit of all federal, state and local taxes, assessments or contributions required of it by law and will execute and deliver to Fremont, on demand, appropriate certificates attesting to the payment or deposit thereof. Borrower shall make timely payment or deposit of all tax payments and withholding taxes required of it by applicable laws, including those laws concerning F.I.C.A., F.U.T.A., state disability and local, state and federal income taxes, and shall, upon request, furnish Fremont with proof satisfactory to Fremont indicating that Borrower has made such payments or deposits.

6.12 **Insurance.** Borrower, at its expense, shall keep and maintain the Collateral insured against all risk of loss or damage from fire, theft, vandalism, malicious mischief, explosion, sprinklers and all other hazards and risks of physical damage included within the meaning of the term "extended coverage" in such amounts as are ordinarily insured against by other similar businesses. Borrower shall also keep and maintain comprehensive general public liability insurance and property damage insurance, and insurance against loss from business interruption, insuring against all risks relating to or arising from Borrower's ownership and use of the Collateral and Borrower's other assets and the operation of Borrower's business. All such policies of insurance shall be in such form, with such companies and in such amounts as may be satisfactory to Fremont. Borrower shall deliver to Fremont certified copies of such policies of insurance and evidence of the payments of all premiums therefor. All such policies of insurance (except those of public liability and property damage) shall contain a Lender's Loss Payable endorsement in a form satisfactory to Fremont, naming Fremont as loss payee thereof (as its interests appear), and shall contain a waiver of warranties. All proceeds payable under any such policy shall be payable to Fremont to be applied to the Obligations.

6.13 **No Offsets or Counterclaims.** All payments hereunder and under the other Loan Documents made by or on behalf of Borrower shall be made without offset or counterclaim, and Borrower hereby waives any right to offset, against the repayment of the Obligations, any claims it may have against Fremont.

6.14 **Fremont Expenses.** Borrower shall immediately and without demand reimburse Fremont for all sums expended by Fremont which constitute Fremont Expenses and Borrower hereby authorizes and approves all Revolving Advances and payments by Fremont for items constituting Fremont Expenses. Borrower acknowledges that Fremont Expenses include, among other things, (a) Fremont's reasonable attorneys fees and expenses incurred in defending or otherwise representing Fremont concerning the Loan Documents or the Obligations and (b) charges resulting from the dishonor of checks. Since Fremont Expenses are a part of the Obligations which are secured by the Collateral, Fremont shall not be required to discharge any lien or terminate any security interest in the Collateral unless and until (y) Borrower and Fremont execute a mutual general release of liability and indemnification in favor of and acceptable to Fremont and (z) to the extent another financial institution refinances the Obligations, such financial institution delivers an agreement, acceptable to Fremont, to indemnify Fremont for loss arising from checks delivered to Fremont for collection and payment of the Obligations which are returned for non-payment or for any other reason.

6.15 **Compliance with Law.** Borrower shall comply with the requirements of all applicable laws, rules, regulations and orders of governmental authorities relating to Borrower and the conduct of Borrower's business, including the Fair Labor Standards Act and the Americans with Disabilities Act.

6.16 **Location of Inventory and Equipment.** Borrower shall keep the Inventory and Equipment only at the locations identified in Section 5.4.

6.17 **Environmental Laws and Hazardous Materials.** Borrower shall not permit any lien under any Environmental Law to be filed against any of the Collateral or any of Borrower's real property in which Fremont holds a lien, and will promptly notify Fremont of any proceeding, inquiry or claim relating to any alleged violation of any Environmental Law, or any alleged loss, damage or injury resulting from any Hazardous Material. Fremont shall have the right to join and participate in, as a party if it so elects, any legal or administrative proceeding initiated against Borrower or any guarantor of the Obligations with respect to any Hazardous Material or in connection with any Environmental Law.

## 7. NEGATIVE COVENANTS

Borrower covenants and agrees that during the term of this Agreement and until payment in full of the Obligations, Borrower will not do any of the following without Fremont's prior written consent:

7.1 **Indebtedness.** Create, incur, assume, permit or otherwise become liable with respect to any indebtedness outside of the ordinary and usual course of Borrower's business, except (a) indebtedness set forth in Borrower's latest financial statements submitted to Fremont prior to the date of this Agreement and renewals or extensions of such indebtedness and (b) the Obligations.

7.2 **Security Interests.** Create, incur, assume or permit to exist any security interest, lien, pledge, mortgage or encumbrance on any Collateral or on any of Borrower's real property in which Fremont holds a lien, except (a) the security interests granted to Fremont by Borrower, (b) the security interests disclosed in the UCC searches obtained by Fremont prior to the funding of the initial Revolving Advance hereunder and (c) any security interest which Borrower has disclosed in writing to Fremont and to which Fremont has given its prior written consent.

7.3 **Extraordinary Transactions.** Enter into any transaction not in the ordinary and usual course of Borrower's business, including the sale, lease or other disposition of, whether by sale or otherwise, any of Borrower's assets other than sales of Inventory in the ordinary and usual course of Borrower's business; or make any advance, loan or capital contribution to any Person except in the ordinary and usual course of Borrower's business.

7.4 **Change Name.** Change Borrower's name, business structure or identity, or add any new fictitious name.

7.5 **Fundamental Changes.** Enter into any acquisition, merger, consolidation, reorganization or recapitalization, or reclassify its capital stock, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all of the assets, stock or other beneficial ownership interest of any other Person.

7.6 **Guaranty.** Guaranty or otherwise become in any way liable with respect to the obligations of any third party except by endorsement of instruments or items of payment for deposit to the account of Borrower for negotiation and delivery to Fremont.

7.7 **Restructure.** Make any change in Borrower's capital structure or in the principal nature of Borrower's business operations.

7.8 **Prepayments.** Prepay any indebtedness owing to any third party.

7.9 **Change of Ownership.** Cause, permit or suffer any transfer, whether direct or indirect, of the ownership of ten percent (10%) or more of Borrower's outstanding capital stock or other beneficial ownership interest in any single transaction or series of transactions.

7.10 **Compensation.** Pay total compensation, including salaries, withdrawals, fees, bonuses, commissions, drawing accounts, management fees or other payments, whether directly or indirectly, in money or otherwise, during any fiscal year to all of Borrower's executives, officers, shareholders, affiliates, and directors (or any relatives thereof) in an aggregate amount in excess of one hundred ten percent (110 %) of those paid in the prior fiscal year.

7.11 **Loans to Insiders.** Make any loans, advances or extensions of credit to any officer, director, executive, employee or shareholder of Borrower, or any relative of any of the foregoing, or to any entity which is a subsidiary of, related to, affiliated with or has common shareholders, officers or directors with Borrower, which when aggregated with all other loans, advances or extensions of credit to any or all of the above Persons at any time outstanding during the term of this Agreement, exceeds none Dollars (\$          ).

7.12 **Capital Expenditures.** Make any capital expenditure, or any commitment therefor, in excess of Twenty Five Thousand Dollars (\$25,000) for any individual transaction or where the aggregate amount of such capital expenditures, made or committed for in any fiscal year, is in excess of One Hundred Thousand Dollars (\$100,000).

7.13 **Consignments.** Consign any Inventory; or sell any Inventory on bill and hold, sale on approval or other conditional terms of sale.

7.14 **Distributions.** Make any distribution or declare or pay any dividends (in cash or in stock) on, or purchase, acquire, redeem or retire any of Borrower's capital stock, of any class, whether now or hereafter outstanding.

7.15 **Accounting Methods.** Modify or change its method of accounting or enter into, modify or terminate any agreement currently existing or at any time hereafter entered into with any third party accounting firm or service bureau for the preparation or storage of Borrower's accounting records without said accounting firm or service bureau agreeing to provide Fremont information regarding the Collateral or Borrower's financial condition. Borrower waives the right to assert a confidential relationship, if any, it may have with any accounting firm or service bureau in connection with any information requested by Fremont pursuant to or in accordance with this Agreement, and agrees that Fremont may contact directly any such accounting firm or service bureau in order to obtain such information.

7.16 Suspension. Suspend or go out of business.

7.17 Location of Chief Executive Office. Relocate its chief executive office to a new location unless Fremont is given thirty (30) days prior written notice thereof.

## 8. EVENTS OF DEFAULT

The occurrence of any one or more of the following events shall constitute an "Event of Default" under this Agreement:

8.1 Failure to Pay. Borrower fails to pay when due and payable, or when declared due and payable, any portion of the Obligations (whether principal, interest, fees and charges due Fremont, reimbursement of Fremont Expenses, or other amounts constituting Obligations);

8.2 Failure to Perform. Borrower fails or neglects to perform, keep or observe any term, provision, condition, representation, warranty, covenant or agreement contained in this Agreement, in any of the other Loan Documents or in any other present or future agreement between Borrower and Fremont;

8.3 Misrepresentation. Any misstatement or misrepresentation now or hereafter exists in any warranty, representation, statement or report made to Fremont by Borrower or any officer, employee, agent or director of Borrower, or if any such warranty or representation is withdrawn by any of them;

8.4 Misrepresentation of Collateral. Any writing, document, aging, certificate or other evidence of the Eligible Accounts or Eligible Inventory shall be incomplete, incorrect or misleading at the time the same is furnished to Fremont; or Borrower shall fail to immediately remit to Fremont proceeds of Accounts and other Collateral, pursuant to the terms of Section 2.6;

8.5 Material Adverse Change. There is a material adverse change in Borrower's business or financial condition;

8.6 Material Impairment. There is a material impairment of the prospect of repayment of any portion of the Obligations owing to Fremont or a material impairment of the value or priority of Fremont's security interests in the Collateral;

8.7 Levy or Attachment. Any material portion of Borrower's assets is attached, seized, subjected to a writ or distress warrant, or is levied upon, or comes into the possession of any judicial officer;

8.8 Insolvency by Borrower. An Insolvency Proceeding is commenced by Borrower;

8.9 Insolvency Against Borrower. An Insolvency Proceeding is commenced against Borrower;

8.10 Injunction Against Borrower. Borrower is enjoined, restrained or in any way prevented by court order from continuing to conduct all or any material part of its business affairs;

8.11 Government Lien. A notice of lien, levy or assessment is filed of record with respect to any of Borrower's assets by the United States government, or any department, agency or instrumentality thereof, or by any state, county, municipal or other governmental agency, or any taxes or debts owing at any time hereafter to any one or more of such entities becomes a lien, whether choate or otherwise, upon any of Borrower's assets and the same is not paid on the payment date thereof;

8.12 Judgment. A judgment is entered against Borrower;

8.13 Cross Default to Material Agreements. There is a default in any material agreement to which Borrower is a party with one or more third parties or by which Borrower or Borrower's property or assets are bound;

8.14 Subordinated Debt Payments. Borrower makes any payment on account of indebtedness that has been contractually subordinated in right of payment to the payment of the Obligations, except to the extent such payment is permitted by the terms of the subordination agreement applicable to such indebtedness;

**8.15**                    **Loss of Guarantor.** Any guarantor of the Obligations dies, terminates his/her/its guaranty, becomes the subject of an Insolvency Proceeding, or contests his/her/its obligations under such a guaranty; or if any such guaranty of the Obligations ceases to be valid or enforceable for any reason;

**8.16**                    **ERISA Violation.** A *prohibited transaction* within the meaning of ERISA Section 406 or IRC Section 4975(c) shall occur with respect to a Plan which could have a material adverse effect on the financial condition of Borrower; any lien upon the assets of Borrower in connection with any Plan shall arise; Borrower or any ERISA Affiliate shall completely or partially withdraw from a Multiemployer Plan and such withdrawal could, in the opinion of Fremont, have a material adverse effect on the financial condition of Borrower; Borrower or any of its ERISA Affiliates shall fail to make full payment when due of all amounts which Borrower or any of its ERISA Affiliates may be required to pay to any Plan or any Multiemployer Plan as one or more contributions thereto; Borrower or any of its ERISA Affiliates creates or permits the creation of any accumulated funding deficiency, whether or not waived; the voluntary or involuntary termination of any Plan which termination could, in the opinion of Fremont, have a material adverse effect on the financial condition of Borrower; or Borrower shall fail to notify Fremont promptly and in any event within ten (10) days of the occurrence of any event which constitutes an Event of Default under this clause or would constitute such an Event of Default upon the exercise of Fremont's judgment; or

**8.17**                    **Criminal Proceedings.** Criminal proceedings are instituted against Borrower, any member of Borrower's senior management or any guarantor of the Obligations that could result in the forfeiture or loss of Collateral or a material impairment of the financial condition of Borrower or any guarantor of the Obligations.

Notwithstanding anything contained in this Section 8 to the contrary, Fremont shall refrain from exercising its rights and remedies and an Event of Default shall not be deemed to have occurred by reason of the occurrence of any of the events set forth in Sections 8.7, 8.9, 8.11 or 8.12 of this Agreement if, within ten (10) days from the date thereof, the same is released, discharged, dismissed, bonded against or satisfied; provided, however, Fremont shall not be obligated to make Revolving Advances to Borrower during such period.

## **9.        FREMONT'S RIGHTS AND REMEDIES**

**9.1**                    **Rights and Remedies.** Upon the occurrence of an Event of Default, Fremont may, at its election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Borrower:

- (a)        Declare all Obligations, whether evidenced by this Agreement, any of the other Loan Documents or otherwise, immediately due and payable in full;
- (b)        Cease advancing money or extending credit to or for the benefit of Borrower under this Agreement, any of the other Loan Documents or any other agreement between Borrower and Fremont;
- (c)        Terminate this Agreement and any of the other Loan Documents as to any future liability or obligation of Fremont, but without affecting Fremont's rights and security interest in the Collateral and without affecting the Obligations;
- (d)        Settle or adjust disputes and claims directly with Account Debtors for amounts and upon terms which Fremont considers advisable and, in such cases, Fremont will credit Borrower's loan account with only the net amounts received by Fremont in payment of such disputed Accounts, after deducting all Fremont Expenses incurred or expended in connection therewith;
- (e)        Cause Borrower to hold all returned Inventory in trust for Fremont, segregate all returned Inventory from all other property of Borrower or in Borrower's possession and conspicuously label said returned Inventory as the property of Fremont;

(f) Without notice to or demand upon Borrower or any guarantor, make such payments and do such acts as Fremont considers necessary or reasonable to protect its security interest in the Collateral. Borrower agrees to assemble the Collateral if Fremont so requires and to deliver or make the Collateral available to Fremont at a place designated by Fremont. Borrower authorizes Fremont to enter any premises where the Collateral is located, to take and maintain possession of the Collateral, or any part of it, and to pay, purchase, contest or compromise any encumbrance, charge or lien that in Fremont's determination appears to be prior or superior to its security interest and to pay all expenses incurred in connection therewith. With respect to any of Borrower's owned premises, Borrower hereby grants Fremont a license to enter into possession of such premises and to occupy the same, without charge, in order to exercise any of Fremont's rights or remedies provided herein, at law, in equity, or otherwise;

(g) Without notice to Borrower (such notice being expressly waived) and without constituting a retention of any collateral in satisfaction of an obligation (within the meaning of Section 9505 of the Code), set off and apply to the Obligations any and all (i) balances and deposits of Borrower held by Fremont (including any amounts received in a lockbox or blocked account), or (ii) indebtedness at any time owing to or for the credit or the account of Borrower held by Fremont;

(h) Hold, as cash collateral, any and all balances and deposits of Borrower held by Fremont (including any amounts received in a lockbox or blocked account) to secure the Obligations;

(i) Ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, advertise for sale and sell (in the manner provided for herein) the Collateral. Fremont is hereby granted a license or other right to use, without charge, Borrower's labels, patents, copyrights, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any property of a similar nature, as it pertains to the Collateral, in completing production of, advertising for sale and selling any Collateral. Borrower's rights under all licenses and all franchise agreements shall inure to Fremont's benefit;

(j) Sell the Collateral at either a public or private sale, or both, by way of one or more contracts or transactions, for cash or on terms, in such manner and at such places (including Borrower's premises) as Fremont determines is commercially reasonable. It is not necessary that the Collateral be present at any such sale;

(k) Fremont shall give notice of the disposition of the Collateral as follows:

(1) Fremont shall give the Borrower and each holder of a security interest in the Collateral who has filed with Fremont a written request for notice, a notice in writing of the time and place of public sale or, if the sale is a private sale or some other disposition other than a public sale is to be made, then the time on or after which the private sale or other disposition is to be made;

(2) The notice shall be personally delivered or mailed, postage prepaid, to Borrower as provided in Section 12, at least five (5) calendar days before the date fixed for the sale, or at least five (5) calendar days before the date on or after which the private sale or other disposition is to be made, unless the Collateral is perishable or threatens to decline speedily in value. Notice to Persons other than Borrower claiming an interest in the Collateral shall be sent to such addresses as they have furnished to Fremont;

(3) If the sale is to be a public sale, Fremont shall also give notice of the time and place by publishing a notice one time at least five (5) calendar days before the date of the sale in a newspaper of general circulation in the county in which the sale is to be held;

(l) Fremont may credit bid and purchase at any public sale;

(m) Any deficiency that exists after disposition of the Collateral as provided above shall be paid immediately by Borrower. Any excess will be remitted without interest by Fremont to the party or parties legally entitled to such excess; and

(n) In addition to the foregoing, Fremont shall have all rights and remedies provided by law and any rights and remedies contained in any other Loan Documents. All such rights and remedies shall be cumulative.

No Waiver. No delay on the part of Fremont in exercising any right, power or privilege under this Agreement shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege under this Agreement or otherwise, preclude other or further exercise of the right, power or privilege or the exercise of any other right, power or privilege.

## 10. TAXES AND EXPENSES REGARDING THE COLLATERAL

If Borrower fails to pay any monies (whether taxes, assessments, insurance premiums or otherwise) due to third parties regarding the Collateral, or fails to make any deposits or furnish any required proof of payment or deposit, or fails to perform any of Borrower's other covenants under the terms of this Agreement, then in its discretion and without prior notice to Borrower, Fremont may do any or all of the following: (a) make any payment which Borrower has failed to pay or any part thereof; (b) set up such reserves in Borrower's loan account as Fremont deems necessary to protect Fremont from the exposure created by such failure; (c) obtain and maintain insurance policies of the type described in Section 6.12 and take any action with respect to such policies as Fremont deems prudent; or (d) take any other action deemed necessary by Fremont to preserve and protect its interests and rights under this Agreement. Any payments made by Fremont shall not constitute an agreement by Fremont to make similar payments in the future or a waiver by Fremont of any Event of Default under this Agreement. Fremont need not inquire as to, or contest the validity of, any such expense, tax, security interest, encumbrance or lien and the receipt of notice for the payment thereof shall be conclusive evidence that the same was validly due and owing.

## 11. WAIVERS AND INDEMNIFICATIONS

**11.1 Waivers.** Borrower waives demand, protest, notice of protest, notice of default or dishonor, notice of payment and nonpayment, notice of any default, notice of nonpayment at maturity, notice of intention to accelerate and notice of acceleration, so that Fremont may exercise any and all rights and remedies under the Loan Agreement or any other Loan Documents, or as otherwise provided at law or in equity, immediately upon the occurrence of any Event of Default, without any further notice, grace or opportunity to cure whatsoever. Borrower further waives notice prior to Fremont's taking possession or control of the Collateral, any bond or security which might be required by any court prior to allowing Fremont to exercise any of Fremont's remedies, and the benefit of all valuation, appraisal and exemption laws. Borrower agrees that Fremont may compromise, settle or release without notice to Borrower any accounts, documents, instruments, chattel paper or guaranties at any time held by Fremont on which Borrower may in any way be liable.

**11.2 No Marshaling.** Borrower, on its own behalf and on behalf of its successors and assigns, hereby expressly waives all rights, if any, to require a marshaling of assets by Fremont or to require that Fremont first resort to some or any portion of the Collateral before foreclosing upon, selling or otherwise realizing on any other portion thereof.

**11.3 Fremont's Liability for Collateral.** So long as Fremont complies with its obligations, if any, under Section 9207 of the Code, Fremont shall not in any way or manner be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage thereto occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee, forwarding agency or other Person. All risk of loss, damage or destruction of the Collateral shall be borne by Borrower.

**11.4 Indemnification.** Borrower shall defend, indemnify and hold harmless Fremont, its directors, officers, agents, employees, participants and assigns, from and against any and all claims, suits, actions, causes of action, debts, liabilities, damages, losses, obligations, charges, judgments and expenses, including attorneys fees and costs, of any nature whatsoever, in any way relating to or arising from the transactions contemplated by this Agreement or any other Loan Document (including those relating to or arising from any alleged or actual violation of any Environmental Law, or any loss, damage or injury resulting from any Hazardous Material); provided that the foregoing indemnification shall not extend to liabilities, damages, losses, obligations, judgments and expenses proximately caused by the gross negligence or willful misconduct of Fremont. This indemnification provision shall survive the termination of this Agreement.

12. NOTICES

Unless otherwise provided in this Agreement, all notices or demands by any party relating to this Agreement, the Loan Documents or any other agreement entered into in connection herewith shall be in writing and (except for financial statements and other informational documents which may be sent by first-class mail, postage prepaid) shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, or by receipted overnight delivery service to Borrower or to Fremont, as the case may be, at their addresses set forth below:

If to Borrower: WEST OREGON WOOD PRODUCTS, INC.  
2305 2nd Street  
Columbia City, OR 97018  
Attn: Christopher Sharron, President

If to Fremont: FREMONT FINANCIAL CORPORATION  
2020 Santa Monica Boulevard, Suite 500  
Santa Monica, California 90404-2023  
Attn: Regional Credit Manager

The parties hereto may change the address at which they are to receive notices hereunder by notice in writing in the foregoing manner given to the other. All notices or demands sent in accordance with this Section 12, other than notices by Fremont in connection with Sections 9504 and 9505 of the Code, shall be deemed received on the earlier of the date of actual receipt or three (3) calendar days after the deposit thereof in the mail. Borrower acknowledges and agrees that notices sent by Fremont in connection with Sections 9504 or 9505 of the Code shall be deemed sent when deposited in the mail or otherwise sent by Fremont in accordance with the delivery methods set forth above.

13. DESTRUCTION OF BORROWER'S DOCUMENTS

All documents, schedules, invoices, agings or other papers delivered to Fremont may be destroyed or otherwise disposed of by Fremont four (4) months after they are delivered to or received by Fremont unless Borrower requests, in writing, the return of said documents, schedules, invoices, agings or other papers and makes arrangements, at Borrower's expense, for their return.

14. GENERAL PROVISIONS

14.1 Effectiveness. This Agreement and the other Loan Documents shall be binding and deemed effective when executed by Borrower and Fremont.

14.2 Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective successors and assigns of each of the parties; provided, however, that Borrower may not assign this Agreement or any rights or duties hereunder without Fremont's prior written consent and any prohibited assignment shall be void and of no effect as against Fremont. No consent to an assignment by Fremont shall release Borrower from its Obligations. Fremont and its successors and assigns may assign this Agreement and any other Loan Document and its rights and duties hereunder and thereunder. Fremont reserves the right to sell, assign, transfer, negotiate or grant participations in all or any part of, or any interest in Fremont's rights and benefits hereunder. In connection therewith, Fremont may disclose all documents and information which Fremont now or hereafter may have relating to Borrower or Borrower's business. Borrower expressly consents to any assignment by Fremont to its wholly owned subsidiary, Fremont Funding Inc., of certain of Fremont's rights hereunder and under the other Loan Documents, including the beneficial interest in loans made by Fremont, and any subsequent assignment by Fremont Funding Inc. to LaSalle National Bank (or any successor trustee), as trustee of the Fremont Small Business Loan Master Trust, of such rights.

14.3 Section Headings. Headings and numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each paragraph applies equally to this entire Agreement.



14.4 **Interpretation.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against Fremont or Borrower, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

14.5 **Severability of Provisions.** Each provision of this Agreement shall be severable from every other provision of this Agreement for the purpose of determining the legal enforceability of any specific provision.

14.6 **Amendments in Writing.** Neither this Agreement nor any provision hereof shall be amended, modified, waived or terminated orally or by course of conduct or pattern of dealing, but only by a written agreement signed by an authorized officer of Fremont. Any purported amendment, modification, waiver or termination of this Agreement or any provision hereof that is not in writing and signed by an authorized officer of Fremont shall be void and of no effect.

14.7 **Integration.** This Agreement, together with the other Loan Documents, reflects the entire agreement between the parties with respect to the subject matter hereof. This Agreement, together with the other Loan Documents, supersedes all prior agreements, understandings and negotiations, if any, which are merged into this Agreement and the other Loan Documents.

14.8 **Counterparts.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts each of which, when executed and delivered, shall be deemed to be an original and all of which, when taken together, shall constitute but one and the same Agreement.

14.9 **Revival and Reinstatement of Obligations.** If the incurrence or payment of the Obligations by Borrower or any guarantor of the Obligations or the transfer by either or both of such parties to Fremont of any property of either or both of such parties should for any reason subsequently be declared to be void or voidable under any state or federal law relating to creditors' rights, including provisions of the Bankruptcy Code relating to fraudulent conveyances, preferences and other voidable or recoverable payments of money or transfers of property (a *Voidable Transfer*), and if Fremont is required to repay or restore, in whole or in part, any such Voidable Transfer, or elects to do so upon the reasonable advice of its counsel, then, as to any such Voidable Transfer, or the amount thereof that Fremont is required or elects to repay or restore, and as to all reasonable costs, expenses and attorneys fees of Fremont related thereto, the liability of Borrower or such guarantor automatically shall be revived, reinstated and restored and shall exist as though such Voidable Transfer had never been made.

14.10 **Consultation with Counsel.** Borrower and Fremont acknowledge that they have been given the opportunity to consult with counsel and other advisors of their choice prior to entering into this Agreement.

14.11 **Limitation of Liability.** No claim may be made by Borrower or any other Person against Fremont or the officers, directors, employees or agents of Fremont for any special, indirect, punitive or consequential damages in respect of any claim for breach of contract or any other theory of liability arising out of or related to the transactions contemplated by this Agreement, or any act, omission or event occurring in connection therewith, and Borrower hereby waives, releases and agrees not to sue upon any claim for any such damages.

14.12 **Telefacsimile Execution.** Delivery of an executed counterpart of this Agreement or any other Loan Document by telefacsimile transmission shall be equally as effective as delivery of an executed hard copy of the same. Any party delivering an executed counterpart of this Agreement or any other Loan Document by telefacsimile transmission shall also deliver an executed hard copy of the same, but the failure by such party to deliver an executed hard copy shall not affect the validity, enforceability and binding effect of this Agreement or such other Loan Document.

14.13 **Finance Lender License.** Fremont is licensed as a Finance Lender by the California Department of Corporations, file number 603 2362.

15. CHOICE OF LAW AND VENUE

THE VALIDITY OF THIS AGREEMENT, ITS CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT AND THE RIGHTS OF THE PARTIES HERETO SHALL BE DETERMINED UNDER, GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA; PROVIDED, HOWEVER, THAT THE LAWS OF THE STATE IN WHICH THE COLLATERAL IS LOCATED SHALL GOVERN WITH RESPECT TO (A) THE CREATION OF LIENS ON COLLATERAL LOCATED IN SUCH STATE AND (B) THE METHOD, MANNER AND PROCEDURE FOR FORECLOSURE OF FREMONT'S LIENS UPON ANY PORTION OF THE COLLATERAL LOCATED IN SUCH STATE AND THE ENFORCEMENT IN SUCH STATE OF FREMONT'S OTHER REMEDIES WITH RESPECT TO THE COLLATERAL LOCATED IN SUCH STATE.

THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE COURTS LOCATED IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, THE FEDERAL COURTS WHOSE VENUE INCLUDES THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, OR, AT THE SOLE OPTION OF FREMONT, IN ANY OTHER COURT IN WHICH FREMONT SHALL INITIATE LEGAL OR EQUITABLE PROCEEDINGS AND WHICH HAS SUBJECT MATTER JURISDICTION OVER THE MATTER IN CONTROVERSY. THE PARTIES EXPRESSLY SUBMIT AND CONSENT IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR PROCEEDING COMMENCED IN ANY SUCH COURT, AND THE PARTIES HEREBY WAIVE ANY OBJECTION WHICH EITHER MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION AND HEREBY CONSENT TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY ANY SUCH COURT. FURTHERMORE, BORROWER AND FREMONT EACH WAIVES, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF "FORUM NON CONVENIENS" OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 15.

16. WAIVER OF JURY TRIAL

BORROWER AND FREMONT HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. BORROWER AND FREMONT REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed at Fremont's place of business in Santa Monica, California.

BORROWER:

WEST OREGON WOOD PRODUCTS, INC. \_\_\_\_\_

a(n) Oregon \_\_\_\_\_ corporation

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

Print Name: Christopher Sharron

Title/Capacity: President

FREMONT FINANCIAL CORPORATION,  
a California corporation

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

Print Name: David Klages

Title/Capacity: Vice President

## PATENT, TRADEMARK AND LICENSE MORTGAGE

THIS PATENT, TRADEMARK AND LICENSE MORTGAGE (the "Mortgage") made as of this \_\_\_ day of August, 1997, by West Oregon Wood Products, Inc., an Oregon corporation, with its chief executive office and principal place of business at 2305 2<sup>nd</sup> Street, Columbia City, Oregon 97018 ("Mortgagor"), is in favor of Fremont Financial Corporation ("Mortgagee"), with an office at 2020 Santa Monica Blvd., Suite 500, Santa Monica, California 90404, with reference to the following facts:

WHEREAS, Mortgagor and Mortgagee are parties to a certain Loan and Security Agreement dated as of August \_\_\_, 1997 (the "Loan Agreement"), which Loan Agreement provides (i) for Mortgagee to, from time to time, extend credit to or for the account of Mortgagor and (ii) for the grant by Mortgagor to Mortgagee, of a security interest in certain of Mortgagor's assets, including, without limitation, its patents, patent applications, trademarks, trademark applications, tradenames, service marks, service mark applications, goodwill and licenses;

NOW, THEREFORE, in consideration of the premises set forth herein and for other good and valuable consideration, the receipt, sufficiency and adequacy of which are hereby acknowledged, Mortgagor agrees as follows:

1. Capitalized Terms. All terms capitalized but not otherwise defined herein shall have the same meanings hereih as in the Loan Agreement.

2. Mortgage of Patents Trademarks and Licenses. To secure the complete and timely satisfaction of all of the Obligations, Mortgagor hereby assigns, creates a security interest in and pledges to Mortgagee, as and by way of a first mortgage and security interest having priority over all other security interests, all of Mortgagor's right, title and interest in and to all of its now existing and hereafter created or acquired:

(a) patents and patent applications, including, without limitation, the inventions and improvements described and claimed therein, and those patents listed on Exhibit A attached hereto and hereby made a part hereof, and (i) the reissues, divisions, continuations, renewals, extensions and continuations-in-part thereof, (ii) all income, damages and payments now and hereafter due or payable under or with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing patents and applications, together with the items described in clauses (i)-(iv) of this subsection 2(a), are sometimes hereinafter referred to individually as a "Patent" and, collectively, as the "Patents");

EXHIBIT 2  
PAGE 1 OF 11

(b) trademarks, trademark registrations, trademark applications, tradenames and tradestyles, service marks, service mark registrations and service mark registration applications, including, without limitation, the trademarks, tradenames, service marks, registrations and applications for registration listed on Exhibit B attached hereto and hereby made a part hereof, and (i) renewals or extensions thereof, (ii) all income, damages and payments now and hereafter due or payable with respect thereto, including, without limitation, damages and payments for past or future infringements thereof, (iii) the right to sue for past, present and future infringements thereof, and (iv) all rights corresponding thereto throughout the world (all of the foregoing trademarks, tradenames and tradestyles, service marks and applications and registrations thereof, together with the items described in clauses (i)-(iv) of this subsection 2(b), are sometimes hereinafter referred to individually as a "Trademark", and, collectively, as the "Trademarks");

(c) all license agreements with respect to any of the Patents or the Trademarks or any other patent, trademark, service mark or any registration or application for registration or any other tradename or tradestyle between Mortgagor and any other party, whether Mortgagor is a licensor or licensee under any such license agreement, including, without limitation, the licenses listed on Exhibit C attached hereto and hereby made a part hereof (all of the foregoing license agreements and Mortgagor's rights thereunder are hereinafter referred to collectively as the "Licenses"); and

(d) the goodwill of Mortgagor's business connected with and symbolized by the Trademarks.

Upon the occurrence of an Event of Default, Mortgagee shall have the power, to the extent permitted by law, to sell the Patents, Trademarks and Licenses. Until such time as Mortgagee exercises such right to sell, Mortgagor retains all rights to use the Patents, Trademarks and Licenses in the ordinary course of its business, subject to the terms of this Mortgage.

3. Warranties, Representations and Covenants. Mortgagor warrants and represents to Mortgagee that:

(a) No Patent, Trademark or License has been adjudged invalid or unenforceable or has been canceled, in whole or in part, and each such Patent, Trademark and License is presently subsisting;

(b) Each of the Patents, Trademarks and Licenses is valid and enforceable;

(c) Mortgagor is the sole and exclusive owner of the entire and unencumbered right, title and interest in and to each of the Patents, Trademarks and Licenses, free and clear of any liens, charges and encumbrances, including without limitation licenses, shop rights and covenants by Mortgagor not to sue third persons;

EXHIBIT 2  
PAGE 2 OF 11

(d) Mortgagor has adopted, used and is currently using, or has a bona fide intention to use, all of the Trademarks;

(e) Mortgagor has no notice of any suits or actions commenced or threatened with reference to the Patents, Trademarks or Licenses; and

(f) Mortgagor has the right to execute and deliver this Mortgage and perform its terms.

4. Restrictions on Future Agreements. Mortgagor agrees that until the Obligations shall have been satisfied in full and the Loan Agreement shall have been terminated, Mortgagor shall not sell or assign its interest in, or grant any license under, the Patents, Trademarks or Licenses, or enter into any other agreement with respect to the Patents, Trademarks or Licenses which is inconsistent with the obligations under this Mortgage, without the prior written consent of Mortgagee, and Mortgagor further agrees that it shall not take any action, or permit any action to be taken by others subject to its control, including licensees, or fail to take any action, which would affect the validity or enforcement of the rights transferred to Mortgagee under this Mortgage.

5. New Patents, Trademarks, and Licenses. Mortgagor represents and warrants that the Patents, Trademarks and Licenses listed on Exhibits A, B and C, respectively, constitute all of the Patents and Trademarks now owned, and Licenses granted by or to Mortgagor. If, before the Obligations shall have been satisfied in full or before the Loan Agreement has been terminated, Mortgagor shall (a) obtain rights to any new patentable inventions, Patents, Trademarks or Licenses, or (b) become entitled to the benefit of any Patents, Trademarks, or Licenses or any improvement on any Patent, the provisions of this Mortgage above shall automatically apply thereto and Mortgagor shall give to Mortgagee prompt written notice thereof. Mortgagor hereby authorizes Mortgagee to modify this Mortgage by amending Exhibits A, B and C, as applicable, to include any such Patents, Trademarks and Licenses.

6. Royalties; Term. The term of the mortgages granted herein shall extend until the earlier of (a) the expiration of each of the respective Patents, Trademarks and Licenses assigned hereunder, and (b) the date on which the Obligations have been paid in full and the Loan Agreement has been terminated. Upon the occurrence of an Event of Default, Mortgagor agrees that the use by Mortgagee of all Patents, Trademarks and Licenses shall be worldwide and without any liability for royalties or other related charges from Mortgagee to Mortgagor.

7. Grant of License to Mortgagor. Unless and until an Event of Default shall have occurred, Mortgagee hereby grants to Mortgagor the exclusive, nontransferable right and license to use the Trademarks in the ordinary course of its business, to exercise Mortgagee's rights under the Licenses, and to make, have made, use and sell the inventions disclosed and claimed in the Patents for Mortgagor's own benefit and account and for none other. Mortgagor shall use the Trademarks only on goods of at least as high quality as the goods on which Mortgagor or its predecessor used the goods prior to the date hereof. Mortgagor agrees not to sell or assign its interest in, or grant any sublicense under, the license granted to Mortgagor in this Section 7, without the prior written consent of Mortgagee. From and after the occurrence of an Event of Default, Mortgagor's license with respect to the Patents, Trademarks and Licenses set forth in this Section 7 shall terminate forthwith and Mortgagee shall have, in addition to all other rights and remedies given it by this Mortgage, those allowed by law and the rights and remedies of a

secured party under the Uniform Commercial Code (or such other applicable laws) as enacted in any of the jurisdictions in which the Patents, Trademarks or Licenses may be located.

8. Mortgagee's Right to Inspect. Mortgagee shall have the right, at any time and from time to time during normal business hours and prior to payment in full of the Obligations and termination of the Loan Agreement, to inspect Mortgagor's premises and to examine Mortgagor's books, records and operations, including, without limitation, Mortgagor's quality control processes. Mortgagor agrees (a) to maintain the quality of any and all products in connection with which the Trademarks are used, consistent with the quality of said products as of the date hereof and (b) to provide Mortgagee, upon Mortgagee's request from time to time, with a certificate of an officer of Mortgagor certifying Mortgagor's compliance with the foregoing. Upon the occurrence of an Event of Default, Mortgagor agrees that Mortgagee, or a conservator appointed by Mortgagee, shall have the right to establish such additional product quality controls as Mortgagee, or said conservator, in its sole judgment, may deem necessary to assure maintenance of the quality of products sold by Mortgagor under the Trademarks.

9. Release of Mortgage. This Mortgage is made for collateral purposes only. Upon payment in full of the Obligations and termination of the Loan Agreement, Mortgagee shall execute and deliver to Mortgagor all deeds, assignments and other instruments, and shall take such other actions, as may be necessary or proper to re-vest in Mortgagor full title to the Patents, Trademarks, and Licenses, subject to any disposition thereof which may have been made by Mortgagee pursuant hereto or pursuant to the Loan Agreement.

10. Expenses. All expenses incurred in connection with the performance of any of the agreements set forth herein shall be borne by Mortgagor. All fees, costs and expenses, of whatever kind or nature, including reasonable attorneys fees and legal expenses, incurred by Mortgagee in connection with the filing or recording of any documents (including all taxes in connection therewith) in public offices, the payment or discharge of any taxes, reasonable counsel fees, maintenance fees, encumbrances or otherwise in protecting, maintaining or preserving the Patents, Trademarks and Licenses, or in defending or prosecuting any actions or proceedings arising out of or related to the Patents, Trademarks and Licenses, shall be borne by and paid by Mortgagor on demand by Mortgagee and until so paid shall be added to the principal amount of the Obligations and shall bear interest at the then applicable rate as provided in Section 2.5 of the Loan Agreement.

11. Duties of Mortgagor. Mortgagor shall have the duty (a) to prosecute diligently any patent, trademark or service mark applications pending as of the date hereof or hereafter until the Obligations shall have been paid in full, (b) to make application on unpatented but patentable inventions and on trademarks and service marks, as appropriate, (c) to preserve and maintain all rights in the Patents, Trademarks and Licenses, and (d) to ensure that the Patents, Trademarks and Licenses are and remain enforceable. Any expenses incurred in connection with Mortgagor's obligations under this Section 11 shall be borne by Mortgagor. Mortgagor shall not abandon any right to file a patent, trademark or service mark application, or abandon any pending patent application, or any other Patent, Trademark or License without the prior written consent of Mortgagee.

EXHIBIT 2  
PAGE 4 OF 11

12. Mortgagee's Right to Sue. After the occurrence of an Event of Default, Mortgagee shall have the right, but shall in no way be obligated, to bring suit in its own name to enforce the Patents, Trademarks and Licenses, and, if Mortgagee shall commence any such suit, Mortgagor shall, at the request of Mortgagee, do any and all lawful acts and execute any and all proper documents required by Mortgagee in aid of such enforcement and Mortgagor shall promptly, upon demand, reimburse and indemnify Mortgagee for all reasonable costs and expenses incurred by Mortgagee in the exercise of its rights under this Section 12.

13. Waivers. No course of dealing between Mortgagor and Mortgagee, nor any failure to exercise, nor any delay in exercising, on the part of Mortgagee, any right, power or privilege hereunder or under the Loan Agreement shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or thereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

14. Severability. The provisions of this Mortgage are severable, and if any clause or provision shall be held invalid and unenforceable in whole or in part in any jurisdiction, then such invalidity or unenforceability shall affect only such clause or provision, or part thereof, in such jurisdiction, and shall not in any manner affect such clause or provision in any other jurisdiction, or any other clause or provision of this Mortgage in any jurisdiction.

15. Modification. This Mortgage cannot be altered, amended or modified in any way, except as specifically provided in Section 5 hereof or by a writing signed by the parties hereto.

16. Cumulative Remedies: Power of Attorney: Effect on Loan Agreement. All of Mortgagee's rights and remedies with respect to the Patents, Trademarks and Licenses, whether established hereby or by the Loan Agreement, or by any other agreements or by law shall be cumulative and may be exercised singularly or concurrently. Upon the occurrence of an Event of Default, Mortgagor hereby authorizes Mortgagee to make, constitute and appoint any officer or agent of Mortgagee as Mortgagee may select, in its sole discretion, as Mortgagor's true and lawful attorney-in-fact, with power to (a) endorse Mortgagor's name on all applications, documents, papers and instruments necessary or desirable for Mortgagee in the use of the Patents, Trademarks and Licenses, or (b) take any other actions with respect to the Patents, Trademarks and Licenses as Mortgagee deems to be in its best interest, or (c) grant or issue any exclusive or non-exclusive license under the Patents, Trademarks or Licenses to anyone, or (d) assign, pledge, convey or otherwise transfer title in or dispose of the Patents, Trademarks or Licenses to anyone. Mortgagor hereby ratifies all that such attorney shall lawfully do or cause to be done by virtue hereof. This power of attorney shall be irrevocable until the Obligations shall have been paid in full and the Loan Agreement, including any amendments thereto, has been terminated. Mortgagor acknowledges and agrees that this Mortgage is not intended to limit or restrict in any way the rights and remedies of Mortgagee under the Loan Agreement but rather is intended to facilitate the exercise of such rights and remedies. Mortgagee shall have, in addition to all other rights and remedies given it by the terms of this Mortgage and the Loan Agreement, all rights and remedies allowed by law and the rights and remedies of a secured party under the Uniform Commercial Code (or such other applicable law) as enacted in any jurisdiction in which the Patents, Trademarks or Licenses may be located.

17. Binding Effect; Benefits. This Mortgage shall be binding upon Mortgagor and its respective successors and permitted assigns, and shall inure to the benefit of Mortgagee and its successors, nominees and assigns.

18. GOVERNING LAW. THIS MORTGAGE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

19. CONSENT TO FORUM AND WAIVERS. TO INDUCE MORTGAGEE TO MAKE THE LOAN, AS EVIDENCED BY THE LOAN AGREEMENT AND THIS AGREEMENT, MORTGAGOR IRREVOCABLY AGREES THAT, SUBJECT TO MORTGAGEE'S SOLE AND ABSOLUTE ELECTION, ALL SUITS, ACTIONS OR OTHER PROCEEDINGS IN ANY WAY, MANNER OR RESPECT ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT OR ANY DOCUMENTS EXECUTED IN CONNECTION HEREWITH, SHALL BE SUBJECT TO LITIGATION IN COURTS HAVING SITUS WITHIN LOS ANGELES, CALIFORNIA. MORTGAGOR HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED WITHIN LOS ANGELES, CALIFORNIA. MORTGAGOR HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF ANY SUIT, ACTION OR OTHER PROCEEDING BROUGHT AGAINST MORTGAGOR BY MORTGAGEE IN ACCORDANCE WITH THIS SECTION. MORTGAGOR AND MORTGAGEE HEREBY WAIVE, TO THE EXTENT PERMITTED BY LAW, TRIAL BY JURY. MORTGAGOR FURTHER WAIVES ANY BOND OR SURETY OR SECURITY UPON SUCH BOND WHICH MIGHT, BUT FOR THIS WAIVER, BE REQUIRED OF MORTGAGEE.

20. Headings. Paragraph headings used herein are for convenience only and shall not modify the provisions which they precede.

21. Further Assurances. Mortgagor agrees to execute and deliver such further agreements, instruments and documents, and to perform such further acts, as Mortgagee shall reasonably request from time to time in order to carry out the purpose of this Mortgage and agreements set forth herein.



22. Survival of Representations. All representations and warranties of Mortgagor contained in this Mortgage shall survive the execution and delivery of this Mortgage and shall be remade on the date of each borrowing under the Loan Agreement.

IN WITNESS WHEREOF, Mortgagor has duly executed this Mortgage in favor of Mortgagee as of the date first written above.

WEST OREGON WOOD PRODUCTS, INC.,  
an Oregon corporation

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

Agreed and Accepted this \_\_\_\_\_ day of August, 1997.

FREMONT FINANCIAL CORPORATION,  
a California corporation

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

ACKNOWLEDGEMENT BY MORTGAGOR BEFORE NOTARY PUBLIC

State of Oregon )  
County of \_\_\_\_\_ )

On \_\_\_\_\_ before me, \_\_\_\_\_, personally appeared \_\_\_\_\_ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature \_\_\_\_\_ (Seal)

AFTER FILING RETURN THIS INSTRUMENT TO:

Steve Ogus  
Fremont Financial Corporation  
2020 Santa Monica Blvd., Suite 500  
Santa Monica, California 90404

EXHIBIT A

Patents

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EXHIBIT B

Trademarks

EXHIBIT C

Licenses

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### Trademark Assignment Abstract of Title

**Total Assignments: 1**

Serial #: 74174483      Filing Dt: 06/10/1991      Reg #: 1710675      Reg. Dt: 08/25/1992

Registrant: WEST OREGON WOOD PRODUCTS, Inc.

Mark: BLAZER

**Assignment: 1**

Reel/Frame: 1652/0720      Received: 11/13/1997      Recorded: 10/30/1997      Pages: 13

Conveyance: PATENT, TRADEMARK AND LICENSE MORTGAGE

Assignor: WEST OREGON WOOD PRODUCTS

Exec Dt: 08/13/1997

Entity Type: CORPORATION

Citizenship: OREGON

Entity Type: CORPORATION

Citizenship: CALIFORNIA

Assignee: FREMONT FINANCIAL CORPORATION

2020 SANTA MONICA BOULEVARD, STE. 500

ATTN: DAVID KLAGES

SANTA MONICA, CALIFORNIA 90404

Correspondent: DAVID KLAGES

2020 SANTA MONICA BLVD., #500

SANTA MONICA, CA 90404

Search Results as of: 05/24/2010 03:16 PM

If you have any comments or questions concerning the data displayed, contact PRD / Assignments at 571-272-3350.  
Web interface last modified: October 18, 2008 v.2.0.2

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EXHIBIT 3  
PAGE 1 OF 4



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Assignments on the Web > [Trademark Query](#)

## Trademark Assignment Abstract of Title

### Total Assignments: 1

Serial #: [74501536](#)

Filing Dt: 03/18/1994

Reg #: [1881804](#)

Reg. Dt: 03/07/1995

Registrant: WEST OREGON WOOD PRODUCTS, INC.

Mark: LIL' DEVILS

### Assignment: 1

Reel/Frame: [1652/0720](#)

Received: 11/13/1997

Recorded: 10/30/1997

Pages: 13

Conveyance: PATENT, TRADEMARK AND LICENSE MORTGAGE

Assignor: [WEST OREGON WOOD PRODUCTS](#)

Exec Dt: 08/13/1997

Entity Type: CORPORATION

Citizenship: OREGON

Entity Type: CORPORATION

Citizenship: CALIFORNIA

Assignee: [FREMONT FINANCIAL CORPORATION](#)

2020 SANTA MONICA BOULEVARD, STE. 500

ATTN: DAVID KLAGES

SANTA MONICA, CALIFORNIA 90404

Correspondent: DAVID KLAGES

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Filing Dt: 07/01/1996

Reg #: [2073819](#)

Reg. Dt: 06/24/1997

Registrant: West Oregon Wood Products, Inc.

Mark: NOAH'S CHOICE

**Assignment: 1**Reel/Frame: [1652/0720](#)

Received: 11/13/1997

Recorded: 10/30/1997

Pages: 13

Conveyance: PATENT, TRADEMARK AND LICENSE MORTGAGE

Assignor: [WEST OREGON WOOD PRODUCTS](#)

Exec Dt: 08/13/1997

Entity Type: CORPORATION

Citizenship: OREGON

Entity Type: CORPORATION

Citizenship: CALIFORNIA

Assignee: [FREMONT FINANCIAL CORPORATION](#)

2020 SANTA MONICA BOULEVARD, STE. 500

ATTN: DAVID KLAGES

SANTA MONICA, CALIFORNIA 90404

Correspondent: DAVID KLAGES

2020 SANTA MONICA BLVD., #500

SANTA MONICA, CA 90404

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## Trademark Assignment Abstract of Title

### Total Assignments: 1

**Serial #:** [75206550](#)      **Filing Dt:** 12/02/1996      **Reg #:** [2197050](#)      **Reg. Dt:** 10/20/1998

**Registrant:** West Oregon Wood Products, Inc.

**Mark:** HOT SHOTS

### Assignment: 1

**Reel/Frame:** [1652/0720](#)      **Received:** 11/13/1997      **Recorded:** 10/30/1997      **Pages:** 13

**Conveyance:** PATENT, TRADEMARK AND LICENSE MORTGAGE

**Assignor:** [WEST OREGON WOOD PRODUCTS](#)

**Exec Dt:** 08/13/1997

**Entity Type:** CORPORATION

**Citizenship:** OREGON

**Entity Type:** CORPORATION

**Citizenship:** CALIFORNIA

**Assignee:** [FREMONT FINANCIAL CORPORATION](#)

2020 SANTA MONICA BOULEVARD, STE. 500

ATTN: DAVID KLAGES

SANTA MONICA, CALIFORNIA 90404

**Correspondent:** DAVID KLAGES

2020 SANTA MONICA BLVD., #500

SANTA MONICA, CA 90404

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If you have any comments or questions concerning the data displayed, contact PRD / Assignments at 571-272-3350.  
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5/24/2010

January 12, 2000

Via Facsimile and Certified Mail

Mr. Christopher Sharron  
President  
WEST OREGON WOOD PRODUCTS, INC.  
2305 2<sup>nd</sup> Street  
Columbia City, Oregon 97018

Re: **Loan and Security Agreement dated August 13, 1997 (as heretofore amended, the "Loan Agreement"; capitalized terms shall have the meanings given in the Loan Agreement unless otherwise defined) between West Oregon Wood Products, Inc. ("Borrower") and Fremont Financial Corporation ("Fremont").**

Dear Mr. Sharron:

As you are aware, on December 20, 1999 Fremont was merged into FINOVA Capital Corporation ("FINOVA"). FINOVA now has all of Fremont's interest in the Loan Agreement and the other Loan Documents.

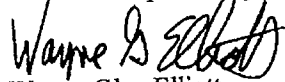
As you are also aware, on or about July 16, 1999, Fremont sent Borrower a letter notifying it of defaults existing under the Loan Agreement and that, as a result of these Events of Default, interest on the Obligations is accruing at the default rate. Since that date, and without waiving any other rights it has under the Loan Document, Fremont/FINOVA has continued to make discretionary Revolving Advances in part to allow Borrower time to seek replacement financing. However, FINOVA cannot continue to finance Borrower indefinitely given the Events of Default.

Therefore, effective February 1, 2000, FINOVA shall reduce the rate of advance against Eligible Inventory by ten percent (10%), and shall reduce the rate of advance against Eligible Inventory by ten percent (10%) on the first Business Day of each subsequent month until and including May 1, 2000, when such rate of advance against Eligible Inventory shall be reduced to, and shall remain at, zero percent (0%).

Please contact me if you wish to discuss.

Very truly yours,

FINOVA Capital Corporation



Wayne Glen Elliott  
Assistant Vice President

cc: Mr. Christopher Sharron, Guarantor [via Certified Mail]  
Mr. Francis Sharron, Guarantor [via Certified Mail]  
C & F Partnerships, Guarantor [via Certified Mail]

EXHIBIT 4  
PAGE 1 OF 1

TRADEMARK

REEL: 004242 FRAME: 0042

FINOVA CAPITAL CORPORATION  
BUSINESS CREDIT

355 SOUTH GRAND AVENUE  
SUITE 2400  
LOS ANGELES, CA 90071

TEL 213 253 1600  
FAX 213 253 4683

Via Federal Express

July 24, 2000

Mr. John Herschelman  
Chief Financial Officer  
WEST OREGON WOOD PRODUCTS, INC.  
2305 2<sup>nd</sup> Street  
Columbia City, Oregon 97018

Dear Mr. Herschelman:

Please find enclosed the signed original Trust Deed for the property formerly securing the Continuing Guarantee of Francis Sharron. I have signed the Trust Deed to allow for the full reconveyance of the property as all of West Oregon Woods, Inc. Obligations have been paid in full to FINOVA Capital Corporation, successor by merger to Fremont Financial Corporation.

Sincerely,  
FINOVA CAPITAL CORPORATION


  
Jeffrey Stanek  
Vice President

EXHIBIT 5  
PAGE 1 OF 6

TRUST DEED

THIS TRUST DEED ade this 12 day of gus, 1997, between Francis Sharron, First American Title Insurance Company, Fremont Financial Corporation, as Grantor, as Trustee, and as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in Columbia County, Oregon, described as:

See Exhibit A attached hereto

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with the property.

01-140 FIRST AMERICAN TITLE COMPANY ORDER NO. 97-140

TO HAVE THE PROCEEDS OF SUCH SALE PAID TO THE BENEFICIARY AS SHOWN ON THE FACE OF THE DEED AND TO BE PAID TO THE BENEFICIARY IN FULL OF ANY AND ALL MORTGAGES, LIENS AND ENCUMBRANCES WHICH MAY BE INCURRED BY THE GRANTOR OR ANY OTHER PERSON ON THE PROPERTY DESCRIBED IN THIS DEED...

To protect the security of this trust deed, grantor agrees:

- 1. To protect, preserve and maintain the property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of the property.
2. To complete or restore promptly and in good and habitable condition any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.
3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property; if the beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the beneficiary.
4. To provide and continuously maintain insurance on the buildings now or hereafter erected on the property against loss or damage by fire and such other hazards as the beneficiary may from time to time require.
5. To keep the property free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against the property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to beneficiary; should the grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiary with funds with which to make such payment, beneficiary may, at its option, make payment thereof, and the amount to paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 6 and 7 of this trust deed, shall be added to and become a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property heretofore described, as well as the grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of the beneficiary, render all sums secured by this trust deed immediately due and payable and constitute a breach of this trust deed.
6. To pay all costs, fees and expenses of this trust including the cost of title search as well as the other costs and expenses of the trustee incurred in connection with or in enforcing this obligation and trustee's and attorney's fees actually incurred.
7. To appear in and defend any action or proceeding purporting to affect the security rights or powers of beneficiary or trustee; and in any suit, action or proceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed, to pay all costs and expenses, including evidence of title and the beneficiary's or trustee's attorney's fees; the amount of attorney's fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the beneficiary's or trustee's attorney's fees on such appeal.
8. In the event that any portion or all of the property shall be taken under the right of eminent domain or condemnation, beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking,

NOTE: The Trust Deed Act provides that the trustee hereunder must be either an attorney, who is an active member of the Oregon State Bar, a bank, trust company or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real property of this state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 696.305 to 696.385.

TRUST DEED

Francis Sharron
33993 Lawrence Road
Deer Island, Oregon 97054
Grantor
Fremont Financial Corporation

e within instr- rd and recorded State of Oregon.

G 15 A11-43

STATE OF OREGON,



TRADEMARK

County Clerk

Deputy

Pages 30

FES \$ 12.00

5

2 OF 6

PARCEL 4:

Commencing at the Southwest corner of Section 6, Township 5 North, Range 1

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111.  
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EXHIBIT "A"

LEGAL DESCRIPTION:

PARCEL 1:

BEGINNING at a point that is North 21.82 chains from the Southwest corner of Section 6, Township 5 North, Range 1 West, Willamette Meridian, Columbia County Oregon;  
Thence North along the West line of said Section 6, a distance of 40 feet;  
Thence North 87 degrees 56' East 40 feet;  
Thence South parallel with the West line of said Section 6, a distance of 40 feet;  
Thence South 87 degrees 56' West 40 feet to the POINT OF BEGINNING.

PARCEL 2:

BEGINNING at the East quarter corner of Section 1, Township 5 North, Range 2 West, Willamette Meridian, Columbia County, Oregon;  
Thence Westerly along the center line of said Section 1, to the Northwest quarter of the Southeast quarter of Section 1, Township 5 North, Range 2 West, Willamette Meridian, Columbia County, Oregon;  
Thence South along West line of said Northeast quarter of the Southeast quarter, 74 rods, more or less, to a point which is South 34 rods (measured on Section line) West 80 rods (parallel with the North line of Section 12, Township 5 North, Range 2 West, Willamette Meridian) and North 120 rods (parallel with the East line of Section 12) from the Northeast corner of Section 12, Township 5 North, Range 2 West, Willamette Meridian;  
Thence East and parallel with the South line of said Section 1, 80 rods to the East line of said Section 1;  
Thence North on Section line to the POINT OF BEGINNING.  
EXCEPTING THEREFROM tract conveyed to Lyle L. Ackerson, et ux, by deed Recorded March 23, 1978 in Book 216, Page 825, Deed Records of Columbia County, Oregon.

PARCEL 3:

The West 60 feet of that portion of the Northwest quarter of the Northwest quarter of Section 7, Township 5 North, Range 1 West, Willamette Meridian, Columbia County, Oregon, lying North of Lawrence Road.

CONTINUED ON NEXT PAGE

EXHIBIT 5  
PAGE 3 OF 6

TRADEMARK  
REEL: 004242 FRAME: 0045

which are in excess of the amount... red to pay all reasonable costs, expenses and attorney fees necessarily paid or incurred by grantor in such proceedings, shall be paid to beneficiary and applied by it first upon any reasonable costs and expenses and attorney's fees, both in the trial and appellate courts, necessarily paid or incurred by beneficiary in such proceedings, and the balance applied upon the indebtedness secured hereby; and grantor agrees, at its own expense, to take such actions and execute such instruments as shall be necessary in obtaining such compensation, promptly upon beneficiary's request.

9. At any time and from time to time upon written request of beneficiary, payment of its fees and presentation of this deed... (A) consent to the making of any map or plat of the property; (B) join in granting any easement or creating any restriction thereon; (C) join in any subordination or other agreement affecting this deed or the lien or charge thereon; (d) reconvey, without warranty, all or any part of the property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be not less than \$5.

10. Upon any default by grantor hereunder, beneficiary may at any time without notice, either in person, by agent or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of the property or any part thereof, in its own name sue or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees upon any indebtedness secured hereby, and in such order as beneficiary may determine.

11. The entering upon and taking possession of the property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by grantor in payment of any indebtedness secured hereby or in grantor's performance of any agreement hereunder, time being of the essence with respect to such payment and/or performance, the beneficiary may declare all sums secured hereby immediately due and payable. In such an event the beneficiary may elect to proceed to foreclose this trust deed by advertisement and sale, or may direct the trustee to foreclose this trust deed by advertisement and sale, or may direct the trustee to pursue any other right or remedy, either at law or in equity, which the beneficiary may have. In the event the beneficiary elects to foreclose by advertisement and sale, the beneficiary or the trustee shall execute and cause to be recorded a written notice of default and election to sell the property to satisfy the obligation secured hereby whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 86.735 to 86.795.

13. After the trustee has commenced foreclosure by advertisement and sale, and at any time prior to 5 days before the date the trustee conducts the sale, the grantor or any other person so privileged by ORS 86.753, may cure the default or defaults. If the default consists of a failure to pay, when due, sums secured by the trust deed, the default may be cured by paying the entire amount due at the time of the cure other than such portion as would not then be due had no default occurred. Any other default that is capable of being cured may be cured by tendering the performance required under the obligation or trust deed. In any case, in addition to curing the default or defaults, the person effecting the cure shall pay to the beneficiary all costs and expenses actually incurred in enforcing the obligation of the trust deed together with trustee's and attorney's fees not exceeding the amounts provided by law.

14. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which the sale may be postponed as provided by law. The trustee may sell the property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the trustee, but including the grantor and beneficiary, may purchase at the sale.

15. When trustee sells pursuant to the powers provided herein, trustee shall apply the proceeds of sale to payment of (1) the expenses of sale, including the compensation of the trustee and a reasonable charge by trustee's attorney, (2) to the obligation secured by the trust deed, (3) to all persons having recorded liens subsequent to the interest of the trustee in the trust deed as their interests may appear in the order of their priority and (4) the surplus, if any, to the grantor or to any successor in interest entitled to such surplus.

16. Beneficiary may from time to time appoint a successor or successors to any trustee named herein or to any successor trustee appointed hereunder. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

17. Trustee accepts this trust when this deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other deed of trust or of any action or proceeding in which grantor, beneficiary or trustee shall be a party unless such action or proceeding is brought by trustee.

The grantor covenants and agrees to and with the beneficiary and the beneficiary's successor in interest that the grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto

1 [obligations described in the Rider to Trust Deed]

and that the grantor will warrant and forever defend the same against all persons whomsoever.

The grantor warrants that the proceeds of the loan represented by the trust deed and this trust deed are: (a) for the grantor's personal, family, household, or other personal purposes, or (b) for an organization, or even if grantor is a natural person, are for business or commercial purposes.

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein.

In constituting this trust deed, it is understood that the grantor, trustee and/or beneficiary may each be more than one person; that if the context so requires, the singular shall be taken to mean and include the plural, and that generally all grammatical changes shall be made, assumed and implied to make the provisions hereof apply equally to corporations and to individuals.

IN WITNESS WHEREOF, the grantor has executed this instrument the day and year first above written.

Francis Sharron

Francis Sharron

33993 Lawrence Road  
Deer Island, Oregon 97054

Columbia

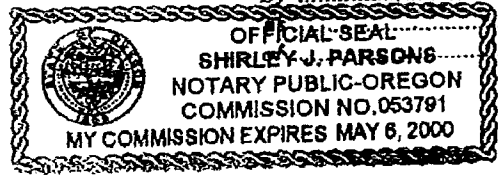
STATE OF OREGON, County of Columbia ss. August 12, 1997

This instrument was acknowledged before me on August 12, 1997

by Francis Sharron This instrument was acknowledged before me on \_\_\_\_\_, 19\_\_\_\_

by \_\_\_\_\_

\* IMPORTANT NOTICE: Delete, by lining out, whichever warranty (a) or (b) is not applicable; if warranty (a) is applicable and the beneficiary is a creditor as such word is defined in the Truth-in-Lending Act and Regulation Z, the beneficiary MUST comply with the Act and Regulation by making required disclosures; for this purpose use Stevens-Mess Form No. 1319, or equivalent. If compliance with the Act is not required, disregard this notice.



Shirley J. Parsons  
Notary Public for Oregon  
My commission expires 5/6/2000

REQUEST FOR FULL RECONVEYANCE (To be used only when obligations have been paid.)

TRADEMARK  
REEL: 004242 FRAME: 0046

TO: \_\_\_\_\_, Trustee

# RIDER TO TRUST DEED

given by

**FRANCIS SHARRON**

This Rider to Trust Deed given by Francis Sharron (this "Rider") dated August 12, 1997, is made a part of and incorporated into that Trust Deed to which it is attached, executed by Francis Sharron, as Grantor, in favor of Fremont Financial Corporation ("Fremont"), as Beneficiary, in connection with that Loan and Security Agreement (together with all supplements and riders thereto and amendments thereof, the "Loan Agreement") of even date herewith between Fremont and West Oregon Wood Products, Inc. ("Borrower"), and provides as follows:

1. **THIS TRUST DEED SECURES OBLIGATIONS THAT INCLUDE A CONTINUING GUARANTY OF INDEBTEDNESS CONSISTING OF REVOLVING DEBT, AND THE INTEREST RATE APPLICABLE TO SUCH OBLIGATIONS IS A VARIABLE RATE OF INTEREST.**

## 2. OBLIGATIONS SECURED

Grantor makes the foregoing grant and assignment for the purpose of securing the obligations described in the Trust Deed and the following obligations (collectively, the "Secured Obligations") which Grantor covenants to pay and perform, or cause to be paid and performed, promptly in accordance with their terms:

1. Payment and performance of all present and future indebtedness and obligations of Grantor to Beneficiary under that certain Continuing Guaranty of even date herewith (as it may from time to time be amended, modified, renewed, extended, supplemented, restated or replaced, the "Guaranty"), including without limitation the payment of all principal of, interest on, and fees and expenses relating to advances made by Beneficiary to Borrower;

2. Payment to Beneficiary of all indebtedness evidenced by any amendment, restatement, modification, supplement, or replacement of the Guaranty;

3. Payment to Beneficiary of all indebtedness for such further sums and/or performance of such further obligations as Grantor or any then record owner of the property secured by the Trust Deed ("Subject Property") may undertake in writing to pay and/or perform (whether as principal, surety or guarantor) for the benefit of Beneficiary, its successors or assigns, when said borrowings and/or obligations are evidenced by a writing or writings reciting that it or they are so secured; and

4. Performance by Grantor of each obligation, agreement, and covenant of Grantor contained in this Trust Deed, reimbursement by Grantor to

EXHIBIT 5  
PAGE 5 OF 6

Beneficiary of any and all advances made by Beneficiary for the account of Grantor or with respect to the Subject Property pursuant to the terms of this Trust Deed, together with interest thereon at the variable rate of interest then in effect under the Loan Agreement, and payment by Grantor of each fee, cost, and expense now or hereafter owed Grantor pursuant to this Trust Deed.

WHEREFORE, Grantor has caused this Rider to be executed as of the date first written above.

  
FRANCIS SHARRON

EXHIBIT 5  
PAGE 6 OF 6