

After Recording, Return To:

Chmelik Sitkin & Davis P.S.
1500 Railroad Avenue
Bellingham, Washington 98225

TISSUE MILL RESERVATION

In a Statutory Warranty Deed of an even date herewith, the Grantor, Georgia-Pacific Corporation, a Georgia corporation, and Georgia-Pacific West, Inc., an Oregon corporation (collectively "Georgia-Pacific") has conveyed to the Grantee, Port of Bellingham (the "Port") real estate, situated in Whatcom County, Washington (the "Property"), that is legally described in Exhibit "A" attached hereto, subject to the reservation of certain exclusive rights and non-exclusive rights described herein until June 30, 2008, at which time the reservation shall automatically terminate.

1. **Tissue Mill Operation.** It is the intent of the Grantor to reserve unto Grantor the exclusive and non-exclusive rights and interests necessary to operate the tissue mill (the "Tissue Mill") currently operating on the Property. This Tissue Mill Reservation (the "Reservation") sets forth those reservations.

2. **Exclusive Use of Tissue Mill Use Are and Other Structures.** The Grantor herein reserves the exclusive use of the Tissue Mill Use Are as depicted on Exhibit "B."

Exhibit	Document Name	Description
Exhibit "A"	Legal Description	Legal description of the Property
Exhibit "B"	Map of Tissue Mill Use Area and Access Area	This exhibit is a map of the Mill Property depicting the Tissue Mill Use Area and the Access Area
Exhibit "C"	GP Demolition Area Sheet 1 revised January 4, 2005	This exhibit is a map of the Mill Property. Each building or structure is numbered and depicted.
Exhibit "D"	GP Demolition Area Sheet 2 revised January 4, 2005	This exhibit is a list of all buildings and structures on the Mill Site and the ASB with a designation as to which structures and buildings will be removed by Georgia-Pacific and which structures and buildings will remain.

In addition, the Grantor hereby reserves exclusive use of the following structures which are depicted on Exhibit "C" and listed on Exhibit "D" to the date noted below at which time the reservation of the use of these structures shall automatically terminate.

Building Designation	Reservation Termination
Square 18	January 31, 2005
Square 50	February 28, 2005
Square 19	April 30, 2005
Square 46 & 48	April 30, 2005
Square 12	July 31, 2005
Circle 22	July 31, 2005
Circle 23	July 31, 2005
Circle 24	December 31, 2005
Square 1	December 31, 2005
Circle 4	December 31, 2005
Circle 16 and 28a, b	December 31, 2005
Circle 33-34	December 31, 2005
Triangle 41	December 31, 2005
Circle 32	December 31, 2006
Triangle 15	June 30, 2008

3. **Non-Exclusive Use of Access Area and the ASB.** The Grantor herein reserves the non-exclusive use of the Access Area for ingress and egress to the Tissue Mill. The Access Area is depicted on Exhibit "B. The Grantor herein reserves the non-exclusive use of the ASB until June 30, 2008 as described the Statutory Warranty Deed of an even date herewith. The Grantee may also use the ASB to dispose of the leachate from the Airport Landfill so long as such disposal does not violate the Grantor's applicable permits for the ASB.

4. **Term of Reservation.** This Reservation shall automatically terminate without further action of Grantor or Grantee on June 30, 2008. Notwithstanding the foregoing, the Grantor may terminate this Reservation, or any portion thereof, at any time by executing and delivering to Grantee a quitclaim deed as to the Reservation or any portion thereof. Upon termination of the Reservation, Grantor shall execute and deliver a quitclaim deed to Grantee evidencing the termination of the Reservation.

5. **Storm Water and Process Water Systems.** The Aeration Stabilization Basin (the "ASB") is currently used to process storm water and the process water from the Tissue Mill and the Encogen facility. During the term of this Reservation, the Grantor reserves the non-exclusive right to utilize the ASB to process this water. The Grantor shall be solely responsible for the operation of the ASB for this purpose including, but not limited to, maintaining all necessary permits for the use of the ASB for this purpose.

6. **Infrastructure and Utilities.** The Grantor reserves the exclusive right to utilize and maintain the infrastructure and utilities (the "Infrastructure and Utilities") now existing on the Property and described below:

A.	The water intake system that provides water to the Tissue Mill.
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B.	The electrical power supply system for the Tissue Mill, subject to the obligation to relocate as provided in the Demolition Plan.
C.	The steam and warm water intake system from the Encogen facility to the Tissue Mill.
D.	The water supply system to the Encogen facility.
E.	The sanitary sewer connections to the Tissue Mill.
F.	The natural gas supply system to the Tissue Mill.
G.	The storm water and process water systems used to discharge the Tissue Mill and Encogen storm water and process water to the ASB.
H.	The communications (voice and data) systems to the Tissue Mill.

6.1 **Cost of Utilization and Maintenance.** The utilization and maintenance of the Infrastructure and Utilities for the Tissue Mill and Encogen facility shall be at the sole cost of the Grantor. The Grantee shall not be liable for the maintenance or repair of the Infrastructure and Utilities.

7. **Grantor's Use of Reserved Rights and Interests.** Grantor shall utilize the Property solely to operate the Tissue Mill and provide the Infrastructure and Utilities. The Property shall not be used to store, distribute or otherwise handle flammable or dangerous materials, except as may be used in the normal course of Grantor's operation of the Tissue Mill.

8. **Security Services.** During the term of this Reservation or any extension thereof, the Grantor shall maintain and pay for security services for the Property, including the Tissue Mill, the Substation, Access Area, and the ASB.

9. **Condition of the Property.** Grantee shall have no maintenance liability on the Property arising from this Reservation.

10. **Maintenance of the Facilities.** The maintenance and repair of all the equipment, structures, improvements and utilities utilized by Grantor shall be the sole responsibility of Grantor. In the event that any equipment, structures, improvements or utilities are damaged or destroyed by any cause, Grantee shall not be responsible to repair or rebuild the damaged or destroyed equipment, structures, improvements or utilities.

11. **Utilities.** Grantor shall arrange and pay for any and all utility connections and services and distribution of such utilities required for its operation including, but not limited to, water, sewer, electricity, gas, storm water, and garbage removal. At the conclusion of this Reservation, Grantor shall arrange for such utility services to be terminated and for the final bill to be sent to Grantor.

12. **Parking.** Grantor shall provide space for the parking of vehicles in the number necessary to comply with applicable regulations and otherwise to accommodate its normal business requirements on portions of the Property included within this Reservation; and shall not rely on any public streets, right-of-ways or other properties not included in this Reservation for the parking of vehicles.

13. **Casualty Insurance.** The Grantor and the Grantee agree that the Grantee shall not be responsible to the Grantor for any property loss or damage done to the Grantor's property,

whether real, personal or mixed, occasioned by reason of any fire, storm or other casualty whatsoever. It shall be the Grantor's responsibility to provide its own protection against casualty losses of whatsoever kind or nature, regardless of whether or not such loss is occasioned by the acts or omissions of the Grantor, Grantee, third party, or act of nature.

14. **Liability Insurance**. The Grantor covenants and agrees that it will, at all times during the existence of this Reservation, carry a comprehensive general liability insurance policy, naming the Grantee as an "additional insured" with a bodily injury amount of not less than \$1,000,000 aggregate per person and per accident. Grantor shall provide evidence of such insurance to Grantee. The Grantor believes and states that the insurance obligation herein does not exceed that which the Grantor would otherwise normally place upon itself and obtain in order to operate its business in a prudent manner.

15. **Indemnification and Hold Harmless**. The Grantor covenants and agrees that it will protect, save, and keep the Grantee forever harmless and indemnified from any damages (including fines or penalties) arising as a result of accidents, injuries, or other occurrences, whether occasioned by the negligence or willful conduct of either the Grantor, or those on the Property in connection with the Grantor, regardless of who the injured party may be, during the term of this Reservation.

16. **Environmental Indemnification and Hold Harmless**. Grantor shall indemnify and hold Grantee harmless from any and all claims, demands, judgments, orders, or damages resulting from hazardous substances discharged onto the Property by Grantor, its agents or employees during the term of this Reservation, except for the permitted normal discharge of storm water and process water from the operation of the Tissue Mill and/or the Encogen facility. It is the intent of the parties hereto that Grantor shall be responsible and shall hold Grantee harmless from any hazardous substances that are discharged onto the Property or into Bellingham Bay during the term of this Reservation. The term "hazardous substances," as used herein, shall mean any substance heretofore or hereafter designated as hazardous under the Resource Conservation and Recovery Act, 42 U.S.C. Sec. 6901 et seq.; the Federal Water Pollution Control Act, 33 U.S.C. Sec. 1257 et seq.; the Clean Air Act, 42 U.S.C. Sec. 2001 et seq.; the Comprehensive Environmental Response Compensation and Liability Act of 2080, 42 U.S.C. Sec. 9601 et seq.; or the Hazardous Waste Cleanup-Model Toxics Control Act, RCW 70.105D, all as amended and subject to all regulations promulgated thereunder.

17. **Indemnity Obligations Unconditional**. Grantor's indemnity obligations contained in this Reservation are unconditional and shall not be discharged or satisfied by termination of this Reservation or Grantee's exercise of any other remedy for Grantor's breach of any condition of this Reservation.

18. **Permits**. Grantor agrees to obtain and comply with all necessary permits for any operation on the Property during the term of this Reservation. If Grantor fails to obtain and comply with such permits, then Grantor shall be liable to Grantee for all costs, fines, and attorneys' fees arising from the failure to obtain or maintain such permits.

19. **Liens & Charges**. Grantor agrees to keep the Property free and clear of all liens and charges whatsoever. Grantor shall not allow any materialsmen's, mechanic's or other liens to

be placed upon the Property. If such a lien is placed of record, Grantor shall cause it to be discharged of record, at its own expense, within thirty (30) days of Grantee's demand.

20. **Laws and Regulations.** Grantor agrees to conform to and abide by all lawful rules, codes, laws, and regulations in connection with its use of the Property and not to permit the Property to be used in violation of any lawful rule, code, law, regulation or other authority.

20.1 **Environmental Laws.** The Grantor's obligations herein shall include, but in no way be limited to, the obligation to comply with all state and federal environmental laws and regulations. The Grantor shall indemnify and hold harmless the Grantee from any fine, penalty, or damage which may be imposed by any lawful authority, which may arise as a result of the Grantor's (or anyone acting on Grantor's behalf) failure to comply with the obligations of this section.

22. **Waste and Refuse.** Grantor shall (i) not allow conditions of waste and refuse to exist on the Property, (ii) shall keep the Property in a neat, clean, and orderly condition, and (iii) be responsible for all damages caused to the Property by Grantor, its agents or any third party during the term of this Reservation.

23. **Taxes and Assessments.** Grantor shall pay its pro rata share of all taxes and assessments including, but not limited to, storm water assessments assessed against the Property during the term of this Reservation. Without limiting the foregoing, Grantor shall be responsible for all real or personal property taxes due for rights and uses it has maintained on the Property during the term of this Reservation.

24. **Litigation Against Grantor.** In the event that Grantee shall be made a party to any litigation commenced by or against Grantor arising from this Reservation, then Grantor agrees to pay all costs, expert witness fees, and attorneys' fees, including all customary charges, incurred by Grantee in connection with such litigation. However, if Grantee is made a party defendant and Grantor undertakes the defense of the action on behalf of Grantee, then no obligation for costs and attorneys' fees will be chargeable against Grantor by Grantee for costs arising after the date of such undertaking. This paragraph shall not apply to any dispute solely between Grantor and Grantee concerning this Reservation.

25. **Lease After Expiration of Reservation.** Upon the expiration of this Reservation, the Grantor shall have the option to lease the Tissue Mill from the Grantee for the then fair market value and upon such other terms and conditions as the parties may agree. However, any such lease will not include the use of the ASB or the electrical substation that is inconsistent with the Grantee's development plans.

26. **Non Waiver.** Neither the acceptance of rent nor any other act or omission of Grantor or Grantee shall operate as a waiver or be construed to prevent Grantor or Grantee from promptly exercising any other right or remedy it has under this Reservation.

27. **Notices.** Any notice, demand, request, consent, approval or communication that either party desires or is required to give to the other party shall be in writing addressed to the other party at the addresses as follows:

TO GRANTEE: PORT OF BELLINGHAM
Post Office Box 1677
1801 Roeder Avenue
Bellingham, Washington 98227
Attn: Executive Director

TO GRANTOR: GEORGIA-PACIFIC WEST, INC.
Bellingham Operations
300 West Laurel Street
Bellingham, Washington 98225
Attn: Roger J. Hilarides

With a copy to: GEORGIA-PACIFIC CORPORATION
133 Peachtree Street, N.E.
Atlanta, Georgia 30303
Attn: Carol A. Stephens

or other address as may have been specified by notifying the other party, in writing, of such change of address. Notice shall be deemed served on the date of actual delivery or the first attempted delivery as shown on the return receipt if mailed with the United States Postal Service by certified mail, return receipt requested.

28. **Interpretation.** In any dispute between the Grantor and Grantee, the language of this Reservation shall in all cases be construed as a whole according to its fair meaning and not for or against either the Grantor or the Grantee. If any provision is found to be ambiguous, the language shall not be construed against either the Grantor or the Grantee solely on the basis of which party drafted the provision. If any word, clause, sentence, or combination thereof for any reason is declared by a court of law or equity to be invalid or unenforceable against one party or the other, then such finding shall in no way affect the remaining provisions of this Reservation.

29. **Survival.** All obligations of the Grantor and the Grantee, as provided for in this Reservation, shall not cease upon the termination of this Reservation and shall continue as obligations until fully performed. All clauses of this Reservation which require performance beyond the termination date, shall survive the termination date of this Reservation until fully performed.

30. **Further Cooperation.** Grantor and Grantee recognize that this Reservation is part of the larger transaction set forth in the Purchase and Sale Agreement whereby the Grantee is acquiring substantially all the property of Grantor on the Bellingham waterfront. Therefore, the parties shall cooperate in all respects to allow Grantor to continue to operate the Tissue Mill and allow Grantee to undertake environmental remediation and develop activities on the balance of the Property.

31. **Entire Agreement.** This Reservation contains all of the understandings between the Grantor and the Grantee with regard to the reservation of exclusive rights and non-exclusive rights for the continued operation of the Tissue Mill. Each party represents that no promises, representations or commitments have been made by the other as a basis for this Reservation which have not been reduced to writing herein or contained in the Purchase and Sale

Agreement. No oral promises or representations shall be binding upon either party, whether made in the past or to be made in the future, unless such promises or representations are reduced to writing in the form of a modification to this Reservation executed with all necessary legal formalities by the Commission of the Port of Bellingham.

Dated and effective this _____ day of January, 2005.

PORT OF BELLINGHAM

By _____
Its _____

GEORGIA-PACIFIC CORPORATION

By _____
Its _____

GEORGIA-PACIFIC WEST, INC.

By _____
Its _____

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this ____ day of January, 2005, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the person who signed as _____ of Georgia-Pacific Corporation, one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that (s)he was duly elected, qualified and acting as said officer of the corporation, that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

DATED: _____
_____ [Notary Signature]

[Type or Print Name of Notary]
NOTARY PUBLIC for the State of Washington,
residing at _____
My appointment expires: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this ____ day of January, 2005, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____, to me known to be the person who signed as _____ of Georgia-Pacific West, Inc., one of the corporations that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that (s)he was duly elected, qualified and acting as said officer of the corporation, that (s)he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

DATED: _____
_____ [Notary Signature]

[Type or Print Name of Notary]
NOTARY PUBLIC for the State of Washington,
residing at _____
My appointment expires: _____

EXHIBIT "A"

[LEGAL DESCRIPTION OF PROPERTY]

EXHIBIT "B"

[MAP OF TISSUE MILL USE AREA AND ACCESS AREA]

EXHIBIT "C"

[GP DEMOLITION AREA SHEET 1 REVISED JANUARY 4, 2005]

EXHIBIT "D"

[GP DEMOLITION AREA, SHEET 2 REVISED JANUARY 4, 2005]