

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

**LONGVIEW FIBRE CO**

CIK: **60302** | IRS No.: **910298760** | State of Incorp.: **WA** | Fiscal Year End: **1031**  
Type: **10-K** | Act: **34** | File No.: **001-10061** | Film No.: **94502824**  
SIC: **2670** Converted paper & paperboard prods (no containes/boxes)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 1993 Commission File No. 0-1370

LONGVIEW FIBRE COMPANY  
(Exact name of registrant as specified in its charter)

Washington 91-0298760  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

Longview, Washington 98632  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (206) 425-1550

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, \$1.50 Ascribed Value	New York Stock Exchange
Rights to purchase Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None  
(Title of Class)

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing.

Market value per share \$ 22.625 as of December 31, 1993 Total \$1,028,930,587

Indicate the number of shares outstanding of each of the issuer's class of common stock as of December 31, 1993. 51,881,819 shares outstanding

DOCUMENTS INCORPORATED BY REFERENCE

PART III - NOTICE OF ANNUAL MEETING OF SHAREHOLDERS AND PROXY STATEMENT  
dated December 15, 1993.

PART I

ITEM 1. BUSINESS

(a) General Development of Business

Longview Fibre Company, was incorporated on November 17, 1989 in the State of Washington as a successor to a company of the same name incorporated in the State of Delaware on August 2, 1926. No general development of material importance has occurred during the past fiscal year.

(b) Financial Information about Industry Segments

This item is completed by reference to Note 12 of Item 8 of this Form 10-K.

(c) Narrative Description of Business

(1) Business Done and Intended to be Done

(i) Principal Products, Markets and Methods of Distribution

Logs - The company owns and operates tree farms in Oregon and Washington which produce logs for sale in the domestic and export market.

Paper and Paperboard - Its pulp and paper mill at Longview, Washington produces pulp which is manufactured into kraft paper and containerboard.

Wrapping paper and converting paper (paper in large rolls for use by manufacturers of bags and other items) are sold by the company's sales force working out of San Francisco, California; Longview, Washington; Milwaukee, Wisconsin; and Atlanta, Georgia or through paper merchants. Sales are made primarily in the domestic market with some grades of paper sold in the export market.

Containerboard is sold in the export market and in the Pacific Coast states.

Converted Products - The company's fourteen converting plants in ten states produce shipping containers and merchandise and grocery bags. The tonnage of paper and containerboard used in the converting plants equals approximately 66% of the Longview mill production.

Bags are sold by the company's sales force working out of San Francisco and Los Angeles, California; Longview, Washington; and Waltham, Massachusetts. Sales are made directly or through paper merchants.

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Corrugated and solid fibre boxes are sold by the company's offices located at Longview, Seattle and Yakima, Washington; Portland, Oregon; San Francisco and Oakland, California; Twin Falls, Idaho; Spanish Fork, Utah; Milwaukee, Wisconsin; Rockford, Illinois; Cedar Rapids, Iowa; Minneapolis, Minnesota; Amsterdam, New York; and Springfield, Massachusetts.

The following table sets forth the contribution to sales by each

class of similar products which accounted for more than 10% of sales.

	1993	1992	1991
Logs	24%	17%	14%
Paper and Paperboard	28%	34%	35%
Converted Products	48%	49%	51%

- (ii) There has been no public announcement, or information which has become public, about a new product or line of business requiring the investment of a material amount of total assets of the company.
- (iii) Wood Supply and Timberlands - The raw material fibers come primarily from purchased wood chips and sawdust with important contributions from fiber reclaimed from post-consumer and post-industrial waste and augmented by log chipping operations owned by the Company and others. Wood chip costs were about one percent higher than in the prior year.

Lockup of federal and state timber for so-called threatened species (spotted owls and marbled murrelets) continues with no relief in sight. This keeps chip costs up, but enhances log revenues. Any adverse effect on our ability to log our private lands due to threatened species is presently estimated at under six percent.

The Leavenworth sawmill is improving. Dry kilns are being installed. When these are operative (estimated early 1994), operations should be in the black.

The company operates its 529,730 acres of tree farms on a sustained yield basis with rotations between 50 and 70 years; no large inventory of mature trees is maintained.

- (iv) Patents, trademarks, licenses, franchises and concessions held do not play an important part in the business of the company.
- (v) No material portion of the business of the company is seasonal.
- (vi) The practice of the company and the industry does not require an abnormal amount of working capital.
- (vii) The loss of a single customer, or a few customers, would not have a material effect on the business of the company.
- (viii) The backlog of orders is not material to an understanding of the business of the company.

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- (ix) There is no material portion of the business subject to renegotiation or termination of contracts at the election of the Government.
- (x) Practically all merchantable logs produced from the company's timberlands are sold to independent sawmills and plywood plants which purchase a substantial part of their log requirements, to U. S. exporters or direct to foreign importers. The company continues to emphasize quality, service, continuity and design of products to meet customers special needs. Accordingly, the company believes it is in an acceptable competitive posture as to its primary products in spite of high wood fiber costs in the region. As to converted products, the company believes it competes on even terms in highly competitive markets avoiding

large accounts which have reached excessive loss levels.

(xi) The amount spent on research and development is completed by reference to Note 11 of Item 8 of this Form 10-K.

(xii) Estimated capital expenditures for environmental protection are \$1,000,000 per year for 1994 and 1995.

(xiii) The company has approximately 3,500 employees.

(d) Financial Information about Foreign and Domestic Operations and Export Sales

Segment information (including amount of export sales) is completed by reference to Note 12 of Item 8 of this Form 10-K.

## ITEM 2. PROPERTIES

The principal plants and important physical properties of the company are held without any major encumbrances and their respective locations by industry segment are as follows:

Logs - As of October 31, 1993 the company owned in fee 529,730 acres of tree farms located in various counties of Washington and Oregon. The company as a matter of policy has consistently acquired and intends to continue to acquire more timberlands whenever purchasable at acceptable prices dependent on the location and quality of the site involved and the species and quality of the merchantable timber and growing stock thereon. The company operates its tree farms on a sustained yield basis with rotations between 50 and 70 years. No large inventory of mature trees is maintained.

Paper and Paperboard - At Longview, Washington on a site of approximately 350 acres owned by the company with deep water frontage on the Columbia River and featuring connections with two transcontinental railroads and adequate highway access, there is an integrated operation for producing pulp and delivering it to twelve paper and/or containerboard machines with full supporting facilities.

Mill utilization was at 76% during fiscal 1993.

Converted Products - On the same site at Longview there is a box factory for production of solid fibre and corrugated boxes.

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At each of the following twelve locations there are factories for the production of converted products:

Oakland, California	Corrugated Boxes Only
Twin Falls, Idaho	" " "
Rockford, Illinois	" " "
Cedar Rapids, Iowa	" " "
Springfield, Massachusetts	" " "
Minneapolis, Minnesota	" " "
Amsterdam, New York	" " "
Seattle, Washington	" " "
Yakima, Washington	" " "
Spanish Fork, Utah	Corrugated Boxes, Grocery Bags and Merchandise Bags
Milwaukee, Wisconsin	Corrugated and Solid Fibre Boxes
Waltham, Massachusetts	Merchandise Bags

The volume of converted products sold decreased during the past fiscal year. Capacity is available for increased sales.

Other - The company owns mineral rights on the majority of its tree farm acres.

Revenues from minerals are immaterial. Natural gas from company lands in Columbia County, Oregon produce some royalty income. These revenues make land ownership more attractive, but to date have had an immaterial impact on overall corporate results.

ITEM 3. LEGAL PROCEEDINGS

Nothing to report.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Nothing was submitted during the fourth quarter of the fiscal year to a vote of the Shareholders.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

(a) (1) (ii) Transaction prices per share as reported on the New York Stock Exchange are reported below.

Fiscal Quarter	1993		1992	
	High	Low	High	Low
1st	\$18.75	\$15.88	\$16.00	\$10.38
2nd	20.25	16.00	18.75	14.75
3rd	18.25	15.75	17.25	14.63
4th	18.25	15.88	17.38	12.88

(b) (1) The company estimates it now has approximately 11,650 shareholders.

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(c) (1) Dividends per share paid in fiscal 1993, 1992 and 1991:

	1993	1992	1991
January	\$0.10	\$0.10	\$0.13
April	0.10	0.10	0.13
July	0.10	0.10	0.13
October	0.22	0.22	0.13
	\$0.52	\$0.52	\$0.52

The Directors have declared a regular dividend of \$0.13 per share to be paid on January 10, 1994, to shareholders of record on December 24, 1993.

Restrictions on the company's ability to pay cash dividends are completed by reference to Notes 5, 10 and 13 of Item 8 of this Form 10-K.

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ITEM 6. SELECTED FINANCIAL AND OTHER DATA

<TABLE>

LONGVIEW FIBRE COMPANY

SELECTED FINANCIAL AND OTHER DATA

<S>	<C>	<C>	<C>	<C>	<C>
(dollars in thousands except per share)	1993	1992	1991	1990	1989
STATEMENT OF INCOME					
Net sales . . . . .	\$689,551	\$690,998	\$644,000	\$685,473	\$697,725
Logs . . . . .	166,822	114,944	90,785	94,615	80,113
Paper and paperboard . . . . .	189,787	234,119	223,260	241,974	256,167

Converted products . . . . .	332,942	341,935	329,955	348,884	361,445
Cost of products sold, including outward freight	554,984	571,453	556,329	530,246	544,518
Gross profit . . . . .	134,567	119,545	87,671	155,227	153,207
Selling, administrative and general expenses . .	49,994	48,971	46,737	46,752	43,461
Operating profit . . . . .	84,573	70,574	40,934	108,475	109,746
Logs . . . . .	101,471	61,006	45,286	51,781	41,350
Paper and paperboard . . . . .	(2,181)	14,398	15,183	42,483	46,334
Converted products . . . . .	(14,717)	(4,830)	(19,535)	14,211	22,062
Interest expensed. . . . .	(22,772)	(24,356)	(24,211)	(17,056)	(12,871)
Other income . . . . .	1,287	1,169	5,780	1,422	3,544
Income before income taxes . . . . .	63,088	47,387	22,503	92,841	100,419
Provision for income taxes . . . . .	22,800	15,300	5,860	31,700	33,900
Net income . . . . .	40,288	32,087	16,643	61,141	66,519

PER SHARE

Net income . . . . .	\$ 0.78	\$ 0.62	\$ 0.32	\$ 1.13	\$ 1.21
Dividends. . . . .	0.52	0.52	0.52	0.52	0.48
Earnings reinvested in the business. . . . .	0.26	0.10	(0.20)	0.61	0.73
Shareholders' equity at year-end . . . . .	7.69	7.39	7.29	7.49	7.05
Average shares outstanding (thousands) . . . . .	51,785	51,688	51,698	54,309	55,075
Shares outstanding at year-end (thousands) . . .	51,882	51,685	51,693	51,710	54,681

BALANCE SHEET DATA

Total assets . . . . .	\$944,373	\$950,768	\$926,852	\$873,901	\$738,924
Working capital. . . . .	34,308	30,119	27,791	26,578	31,356
Capital assets . . . . .	767,130	777,655	768,406	724,315	600,869
Deferred taxes . . . . .	(97,693)	(83,266)	(79,569)	(73,076)	(61,950)
Long-term debt . . . . .	327,486	362,400	356,025	303,450	194,505
Shareholders' equity . . . . .	398,795	382,117	377,035	387,478	385,396

OTHER DATA

Sales: Logs, thousands of board feet. . . . .	237,000	243,000	218,000	224,000	212,000
Paper, tons. . . . .	226,000	253,000	249,000	273,000	294,000
Paperboard, tons . . . . .	96,000	174,000	119,000	126,000	137,000
Converted products, tons . . . . .	506,000	525,000	520,000	539,000	570,000
Logs, \$/thousand board feet. . . . .	\$ 704	\$ 474	\$ 417	\$ 423	\$ 378
Paper, \$/ton FOB mill equivalent . . . . .	608	607	625	617	590
Paperboard, \$/ton FOB mill equivalent. . . . .	311	320	340	352	387
Converted products, \$/ton. . . . .	658	651	635	647	634
Primary production, tons . . . . .	822,000	894,000	831,000	873,000	918,000
Employees. . . . .	3,500	3,450	3,400	3,450	3,500
Funds: Used for plant and equipment . . . . .	\$ 53,256	\$ 66,744	\$101,950	\$133,088	\$127,678
Used for timber and timberlands. . . . .	4,700	7,579	1,730	40,627	7,957

</TABLE>

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS 1993 vs. 1992

1993 was the fifth unsatisfactory year in a row. While earnings improved by 26%, they are 58% below 1988 when shareholders' equity was 11% lower.

Log profits increased from \$61,006,000 to \$101,471,000 in fiscal 1993. The 66% improvement was primarily due to a 49% increase in average price. Footage sold decreased by 2%. Demand and prices remain at good levels in both the export and domestic markets but are below peak 1993 levels.

The company operates its 529,730 acres of tree farms on a sustained yield basis with rotations between 50 and 70 years. Based on recent purchases and sales, we now estimate the value of the tree farms to be between six and nine times

book value. Substantial new acquisitions completed after the end of the fiscal year are at market value; when they appear in subsequent balance sheets, the multiplier to estimate market value will, of course, be lower.

The lockup of federal and state timber for so-called threatened species (spotted owls and marbled murrelets) continues with no relief in sight. The resulting reduced log supply in the marketplace keeps log prices at very good levels. Any adverse effect on our ability to log our private lands is presently estimated at under 6%.

For the year, sales of paper and paperboard decreased 19% while operating results declined from \$14,398,000 to \$(2,181,000). Tonnage sold during the year decreased 25% while the average prices for paper held steady at year ago levels and the average price for paperboard declined 3%.

Slow recovery from the recession and intense competitive conditions have kept mill production at about 76%. Chip costs were high and depreciation costs increased. Aggressive recycling of old corrugated containers helped control fiber costs and facilitated product marketing. An additional pulper will shortly be installed which will permit utilization of purchased bleached pulp in lieu of bleaching on-site. This will reduce chip demand and defer a decision on how to replace our old bleach plants, which while they meet current environmental rules could not meet proposed EPA rules to be effective in 1997 or 1998.

Labor costs in the Pacific Northwest paper industry were bargained to very high levels when the region had low chip costs and could afford wages substantially above typical manufacturing rates. But with the reduction of government timber sales, chip costs in the region are now around two-thirds higher than those of the South. The premium wage rates are now a severe penalty.

Current high chip costs, which are about 1% higher than in the prior year, put the Pacific Northwest mills at a disadvantage in competing with mills in other regions. Over time, one can expect this disadvantage to become less. Supply-demand balance should be helped by reduced chip exports, increased imports, more recycling, pulp mill closures, pulp wood plantations and the reduction in diameter of logs sawn which increases the ratio of chips to lumber.

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Chip costs in other regions are likely to rise because of increased exports, increased consumption and environmental constraints.

Converting results declined from \$(4,830,000) in fiscal 1992 to \$(14,717,000) in fiscal 1993. Sales declined 3% due to a 4% decrease in tonnage sold. Average price improved by 1%. Operating losses increased due to higher costs of containerboard used to manufacture boxes.

Paper, paperboard and corrugated box demand remained below industry capacity. Major competitors continue depressed price levels in the mistaken belief that market share and full operation in weak markets are more desirable than adequate margins.

The company continues to emphasize quality, service, continuity and the design of products to meet customers special needs, avoiding large accounts which have reached excessive loss levels.

Sale of power continues to make a substantial reduction in net cost of power used.

Selling, administrative and general expenses were 7% of sales in fiscal 1993 and fiscal 1992. Interest expensed decreased 7% in fiscal 1993 as compared with fiscal 1992 due to lower borrowing and lower interest rates.



A harsh governmental climate for business, especially for forest products and manufacturing industries, plus a weak world economy, make the prospects for recovery appear limited. If a sharp recovery should occur, the company's ability to take full advantage thereof may be limited by raw material availability. Should this happen, the company will move away from its lowest margined sales and will thus materially improve results. A dawdling recovery seem more likely, which would postpone any dramatic restoration of results to the previous peak level.

#### RESULTS OF OPERATIONS 1992 vs. 1991

1992 was the fourth unsatisfactory year in a row. While earnings improved by 93%, they were 67% below 1988 when shareholders' equity was 8% lower.

Log profits increased from \$45,286,000 in fiscal 1991 to \$61,006,000 in fiscal 1992. The 35% improvement was due to an 11% increase in footage sold and a 14% increase in average price. Demand and prices remain strong in both the export and domestic markets.

The company operates its 527,800 acres of tree farms on a sustained yield basis with rotations between 50 and 70 years. Based on recent purchases and sales, we now estimate the value of the tree farms to be between five and seven times book value.

Lockup of federal and state timber for so-called threatened species (spotted owls and marbled murrelets) continues with no relief in sight. The resulting reduced log supply in the marketplace keeps log prices at very good levels.

Any adverse effect on our ability to log our private lands is presently estimated at under 3%.

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For the year, sales of paper and paperboard improved 5% while operating profits declined from \$15,183,000 in fiscal 1991 to \$14,398,000 in fiscal 1992. Tonnage sold during the year increased 16% while average prices for paper and paperboard decreased 3% and 6% respectively.

Slow recovery from the recession and intense competitive conditions kept mill production at about 85% of capacity. Depreciation and interest costs increased due to the completion of major capital projects such as Number 22 recovery furnace. Labor costs remain high as do chip costs which were about 1% higher than the prior fiscal year.

Converting results improved from \$(19,535,000) in fiscal 1991 to \$(4,830,000) in fiscal 1992. Sales improved 4% due to a 3% increase in average price and modest increase in tonnage sold. Operating losses were reduced due to lower costs of containerboard used to manufacture boxes and a better product mix.

Demand for paper, paperboard and corrugated boxes remained below industry capacity. Product markets remain chaotic. Announced price increases are often not implemented. Excessively leveraged competitors continue to dump products in markets they do not customarily serve. Competitive earnings clearly show the futility of such dumping. Any competitor who succeeds in remaining sold out during slow business will inevitably disappoint some customers in a strong market.

The company continues to try to earn sales by quality, service, continuity and the design of custom grades and products, not by price cutting. The twelve machines with varied but overlapping capabilities, and with considerable flexibility in switching from paper to board or from liner to corrugating medium, permit excellent response to customer needs.

Sale of power continues to make a substantial reduction in net cost of power used.

Selling, administrative and general expenses were 7% of sales in fiscal 1992 and fiscal 1991. Interest expensed increased modestly due to increased borrowing and proportionately less interest attributable to uncompleted capital projects.

Short-term prospects continue to appear to be mediocre. Industry expansion appears to be modest and if and when strong economic recovery occurs, earnings should improve materially.

#### LIQUIDITY AND CAPITAL RESOURCES

Cash provided by operations increased \$22,161,000 in 1993 compared with 1992 due primarily to increased earnings and increases in noncash charges to earnings such as depreciation, depletion and deferred taxes.

Working capital was \$34,308,000 at October 31, 1993 compared to \$30,119,000 at October 31, 1992.

Long-term debt, current installments of long-term debt and short-term borrowings decreased by \$35,596,000 in 1993 due to reduced capital expenditures and increased cash provided by operations.

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At October 31, 1993, the company had bank lines of credit totaling \$247,000,000. Of this amount, \$170,000,000 was under a credit agreement with a group of banks expiring February 28, 1995, with renewal provisions beyond that date. The company had outstanding \$150,000,000 of notes payable under this agreement at October 31, 1993. Also available was \$77,000,000 of bank credit lines for additional borrowing needs. At October 31, 1993, the company had an outstanding balance of \$30,000,000 under these credit lines. The unused portion of all bank lines of credit was \$67,000,000 as of October 31, 1993, which is adequate for anticipated future needs.

Also outstanding at October 31, 1993 were senior notes of \$157,500,000 and revenue bonds of \$28,900,000.

Expenditures for fiscal 1993 for plant and equipment were \$53,256,000 and for timberland \$4,700,000. Expenditures for fiscal 1992 for plant and equipment were \$66,744,000. The backlog of approved capital projects as of October 31, 1993 is \$56,000,000. Timberland purchases of \$26,000,000 closed after October 31, 1993.

#### Capital projects:

Capacity of the old corrugated container (OCC) recycling plant will be increased by 33% in the first quarter of fiscal 1994.

The Leavenworth sawmill operation is improving. Dry kilns are being installed. When these are operative (estimated early 1994), operations should be in the black.

Engineering is proceeding on a 50,000 average kw cogeneration plant. When all necessary permits are received, the project can proceed. Cost of the plant is included in the capital backlog.

Capital investments in plant and equipment are expected to average \$45,000,000 per year.

During fiscal 1993 the company purchased 17,973 shares of its stock for an average price of \$16.62 per share. During fiscal 1992, the company purchased 8,323 shares for an average price of \$15.29 per share. Purchases began in

1964; the total number of shares acquired through fiscal 1993 is 21,198,381 shares for \$93,518,674 at an average cost of \$4.41 per share. Stock purchases increase interest costs and thus reduce corporate earnings. In most years when earnings are good, they increase earnings per share. In a bad year, the interest cost can decrease earnings per share slightly.

Dividends of \$.52 per share were paid in fiscal 1993 and 1992. Shareholders' equity increased \$16,678,000 in fiscal 1993 as compared with an increase of \$5,082,000 in fiscal 1992.

Due to timberland purchases of \$26,000,000, total borrowing will increase during the first fiscal quarter of 1994. It is expected that near-term capital expenditures will be financed from internally generated funds.

#### OTHER

The company has in place a process of reviewing any known environmental exposures which includes determining the costs of remediation. At the present time, the company is not aware of any environmental liabilities that would have a material impact on the consolidated financial statements.

The company's consolidated financial statements are prepared based on historical costs and do not portray the effects of inflation. The impact of inflation is most noticeable for inventories and capital assets, although most of the inflationary effect of inventories is already portrayed in the consolidated income statement by the use of the LIFO method of inventory valuation.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Schedules not included with this additional financial data have been omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Shareholders of  
Longview Fibre Company

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Longview Fibre Company and its subsidiaries at October 31, 1993, 1992 and 1991, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1993, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

As discussed in Note 1 to the financial statements, the Company changed its method of accounting for income taxes and for postretirement benefits other than pensions.

\s\ Price Waterhouse  
Price Waterhouse

Portland, Oregon  
December 8, 1993

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CONSOLIDATED STATEMENT OF INCOME

Years Ended October 31

(thousands except per share)	1993	1992	1991
Net sales . . . . .	\$689,551	\$690,998	\$644,000
Logs . . . . .	166,822	114,944	90,785
Paper and paperboard . . . . .	189,787	234,119	223,260
Converted products . . . . .	332,942	341,935	329,955
Cost of products sold, including			
outward freight . . . . .	554,984	571,453	556,329
Gross profit . . . . .	134,567	119,545	87,671
Selling, administrative and general expenses . . . . .	49,994	48,971	46,737
Operating profit . . . . .	84,573	70,574	40,934
Logs . . . . .	101,471	61,006	45,286
Paper and paperboard . . . . .	(2,181)	14,398	15,183
Converted products . . . . .	(14,717)	(4,830)	(19,535)
Interest income . . . . .	329	357	1,290
Interest expensed . . . . .	(22,772)	(24,356)	(24,211)
Miscellaneous . . . . .	958	812	4,490
Income before income taxes . . . . .	63,088	47,387	22,503
Provision for taxes on income (see Note 9)			
Current . . . . .	13,055	11,603	(633)
Deferred . . . . .	9,745	3,697	6,493
	22,800	15,300	5,860
Net income . . . . .	\$ 40,288	\$ 32,087	\$ 16,643
Per share . . . . .	\$ 0.78	\$ 0.62	\$ 0.32

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(thousands)	1993	1992	1991
<b>Common stock:</b>			
Balance at beginning of year . . . . .	\$ 77,527	\$ 77,540	\$ 77,565
Issued . . . . .	323	-	-
Ascribed value of stock purchased. . . . .	(27)	(13)	(25)
Balance at end of year . . . . .	\$ 77,823	\$ 77,527	\$ 77,540
<b>Additional paid-in capital:</b>			
Balance at beginning of year . . . . .	\$ -	\$ -	\$ -
On common stock issued . . . . .	3,306	-	-
Balance at end of year . . . . .	\$ 3,306	\$ -	\$ -
<b>Retained earnings:</b>			
Balance at beginning of year . . . . .	\$304,590	\$299,495	\$309,913
Net income . . . . .	40,288	32,087	16,643
Less cash dividends on common stock			
(\$0.52 per share). . . . .	(26,940)	(26,878)	(26,883)
Less purchases of common stock . . . . .	(272)	(114)	(178)
Balance at end of year . . . . .	\$317,666	\$304,590	\$299,495
<b>Common shares:</b>			
Balance at beginning of year . . . . .	51,685	51,693	51,710
Issued . . . . .	215	-	-
Purchases. . . . .	(18)	(8)	(17)
Balance at end of year . . . . .	51,882	51,685	51,693

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED BALANCE SHEET

	October 31		
(dollars in thousands except per share)	1993	1992	1991
<b>ASSETS</b>			
<b>Current assets:</b>			
Accounts and notes receivable. . . . .	\$ 82,563	\$ 91,671	\$ 84,121
Allowance for doubtful accounts. . . . .	(1,000)	(750)	(750)
Taxes on income, refundable. . . . .	-	-	3,620
Inventories (see Note 3) . . . . .	59,674	55,741	48,390
Other. . . . .	7,081	1,883	2,074
Total current assets . . . . .	148,318	148,545	137,455
<b>Capital assets:</b>			
Buildings, machinery and equipment at cost . . . . .	1,164,411	1,124,957	1,070,637
Accumulated depreciation . . . . .	548,538	499,228	452,619
Costs to be depreciated in future			
years (see Note 2). . . . .	615,873	625,729	618,018
Plant sites at cost. . . . .	2,423	2,423	2,318
	618,296	628,152	620,336
Timber at cost less depletion. . . . .	129,372	129,206	127,431
Roads at cost less amortization. . . . .	9,198	10,628	12,184
Timberland at cost . . . . .	10,264	9,669	8,455
	148,834	149,503	148,070
Total capital assets . . . . .	767,130	777,655	768,406
Other assets . . . . .	28,925	24,568	20,991
	\$ 944,373	\$ 950,768	\$ 926,852

LIABILITIES AND SHAREHOLDERS' EQUITY

<b>Current liabilities:</b>			
Payable to bank resulting from			
checks in transit . . . . .	\$ 8,363	\$ 7,193	\$ 9,022
Accounts payable . . . . .	40,219	42,796	44,049
Short-term borrowings (see Note 4) . . . . .	20,000	35,000	9,000
Payrolls payable . . . . .	8,973	8,431	7,054
Federal income taxes payable . . . . .	1,502	4,057	-

Other taxes payable. . . . .	15,010	15,324	14,714
Current installments of long-term debt . . .	19,943	5,625	25,825
Total current liabilities . . .	114,010	118,426	109,664
Long-term debt (see Note 5) . . . . .	327,486	362,400	356,025
Deferred taxes - net (see Note 9). . . . .	97,693	83,266	79,569
Other liabilities. . . . .	6,389	4,559	4,559
Commitments (see Note 10). . . . .	-	-	-
Shareholders' equity:			
Preferred stock; authorized 2,000,000 shares	-	-	-
Common stock, ascribed value \$1.50 per share; authorized 150,000,000 shares; issued 51,881,819, 51,684,792 and 51,693,115 shares respectively (see Note 13) . . . . .	77,823	77,527	77,540
Additional paid-in capital . . . . .	3,306	-	-
Retained earnings. . . . .	317,666	304,590	299,495
Total shareholders' equity. . .	398,795	382,117	377,035
	\$ 944,373	\$ 950,768	\$ 926,852

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Years Ended October 31

(thousands)	1993	1992	1991
Cash provided by (used for) operations:			
Net income . . . . .	\$ 40,288	\$ 32,087	\$ 16,643
Charges to income not requiring cash -			
Depreciation . . . . .	60,859	57,371	52,396
Depletion and amortization . . . . .	8,166	6,036	5,600
Deferred taxes - net . . . . .	9,745	3,697	6,493
(Gain) loss on disposition of capital assets. . . . .	1,437	797	(1,285)
Change in:			
Inventories . . . . .	(3,190)	(7,351)	(353)
Taxes on income, refundable . . . . .	-	3,620	(3,620)
Other . . . . .	(516)	191	(299)
Accounts and notes receivable . . . . .	9,358	(7,550)	(2,173)
Accounts, payrolls and other taxes payable. . . . .	(3,049)	6,477	(271)
Federal income taxes payable. . . . .	(2,555)	4,057	(1,769)
Other noncurrent assets . . . . .	(4,357)	(3,577)	(3,321)
Other noncurrent liabilities. . . . .	1,830	-	-
Cash provided by operations. . . . .	118,016	95,855	68,041
Cash provided by (used for) investing:			
Additions to: Plant and equipment . . . . .	(53,256)	(66,744)	(101,950)
Timber and timberlands. . . . .	(4,700)	(7,579)	(1,730)
Proceeds from sale of capital assets . . . . .	905	871	2,878
Cash used for investing. . . . .	(57,051)	(73,452)	(100,802)
Cash provided by (used for) financing:			
Additions to long-term debt. . . . .	21,029	35,000	100,000
Reduction in long-term debt. . . . .	(41,625)	(48,825)	(37,655)
Short-term borrowings. . . . .	(15,000)	26,000	(14,877)
Payable to bank resulting from checks intransit. . . . .	1,170	(1,829)	9,022
Accounts payable for construction. . . . .	700	(5,744)	2,451
Cash dividends . . . . .	(26,940)	(26,878)	(26,883)
Purchase of common stock . . . . .	(299)	(127)	(203)
Cash provided by (used for) financing. . . . .	(60,965)	(22,403)	31,855

Decrease in cash position. . . . .	-	-	(906)
Cash position, beginning of year . . . . .	-	-	906
Cash position, end of year . . . . .	\$ -	\$ -	\$ -

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest (net of amount capitalized) . . . . .	\$ 23,231	\$ 24,037	\$ 23,484
Capitalized interest . . . . .	548	2,670	4,192
Income taxes . . . . .	16,134	9,727	5,061

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES:

Principles of consolidation

The financial statements include the accounts of the company and all subsidiaries after elimination of intercompany balances and transactions.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined on a last-in, first-out method except for supplies at current averages.

Property and depreciation

Buildings, machinery and equipment are recorded at cost and include those additions and improvements that add to production capacity or extend useful life. Cost includes interest capitalized during the construction period on all significant asset acquisitions. When properties are sold or otherwise disposed, the cost and the related accumulated depreciation are removed from the respective accounts and the resulting profit or loss is recorded in income. The costs of maintenance and repairs are charged to income when incurred.

Depreciation for financial accounting purposes is computed on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of assets range from 20 to 60 years for buildings and principally from 12 to 16 years for machinery and equipment.

Timberlands, depletion and amortization

Timber, timberlands and timber roads are stated at cost. Provision for depletion of timber and amortization of logging roads represents charges per unit of production (footage cut) based on the estimated recoverable timber. No gain or loss is recognized on timberland exchanges since the earnings process is not considered complete until timber is harvested and marketed.

Earnings per share

Net income per common share is computed on the basis of weighted average shares outstanding of 51,785,201, 51,688,336 and 51,697,653 for 1993, 1992 and 1991, respectively.

Pension and other benefit plan costs

The company's policy is to accrue as cost an amount computed by the actuary and to fund at least the minimum amount required by ERISA.

The Statement of Financial Accounting Standards No. 106 (FAS 106), "Employers' Accounting for Postretirement Benefits Other Than Pensions," was adopted during 1993. FAS 106 requires the company to accrue the estimated cost of retiree benefit payments, other than pensions, during the employees' active service period. The company elected to amortize the unrecognized transition obligation over 20 years. The transition obligation is \$10 million as of November 1, 1992. The annual pretax costs for postretirement benefits other than pensions are \$2 million greater in 1993 under the provisions of FAS 106 than under the

company's prior "pay-as-you-go" method of accounting (see Note 7).

Income taxes

The Statement of Financial Accounting Standards No. 109 (FAS 109), "Accounting for Income Taxes," was adopted during 1993. FAS 109 requires a change from the deferred method to the asset and liability method of accounting for income taxes.

Under FAS 109, the effect on deferred taxes of a change in tax rates is recognized in income in the period that includes the enactment date. Under the deferred method, deferred taxes were recognized using the tax rate applicable to the year of the calculation and were not adjusted for subsequent changes in tax rates. The cumulative effect of the change in the method of accounting for income taxes as of the beginning of fiscal 1993 was not material. Financial statements for prior years have not been restated (see Note 9).

Revenue recognition

The company generally recognizes revenues when goods are shipped.

NOTE 2 - BUILDINGS, MACHINERY AND EQUIPMENT:

At Cost - net of accumulated depreciation consist of the following:

	October 31		
(thousands)	1993	1992	1991
Buildings - net . . . . .	\$ 39,644	\$ 38,726	\$ 39,749
Machinery and equipment - net . . . . .	576,229	587,003	578,269
	\$615,873	\$625,729	\$618,018

NOTE 3 - INVENTORIES:

Inventories consist of the following:

	October 31		
(thousands)	1993	1992	1991
Finished goods. . . . .	\$14,977	\$12,861	\$10,261
Goods in process. . . . .	11,231	11,024	9,043
Raw materials and supplies. . . . .	33,466	31,856	29,086
	\$59,674	\$55,741	\$48,390

The amounts included above for inventories valued by the LIFO method are less than replacement or current cost by approximately \$39,306,000, \$41,331,000 and \$40,683,000 at October 31, 1993, 1992 and 1991, respectively.

NOTE 4 - SHORT-TERM BORROWINGS:

At October 31, 1993, the company had bank lines of credit totaling \$247 million. Of this amount, \$170 million was under a credit agreement with a group of banks providing various methods of borrowing. The company can request a "Competitive Bid" specifying dollar amounts and loan duration. The various banks may then bid, specifying rates and amounts, which the company may accept or reject. The agreement also provides for borrowings other than competitive bids, at the Euro Dollar Rate plus 5/8% or the bank's prime rate, whichever the company selects. The credit agreement contains certain financial covenants and provides for a 1/4% facility fee and a 1/8% commitment fee on the unused portion of the commitments. This agreement has an expiration date of February 28, 1995 with renewal provisions beyond that date. At October 31, 1993, the company had loans of \$150 million under the credit agreement.

The company also has an agreement whereby it can borrow money by issuing notes in the commercial paper market. The \$170 million credit agreement above provides credit back-up for commercial paper issued, therefore the combined borrowing under the credit agreement and the commercial paper agreement cannot exceed \$170 million. During the year no commercial paper was issued.

Also available was \$77 million of bank credit lines for additional borrowing



needs. Of this amount, two \$20 million agreements are committed lines of

credit which are subject to a nominal commitment fee and expire March 31, 1995 and November 1, 1996, respectively. The other \$37 million is uncommitted. At October 31, 1993, the company had an outstanding balance of \$30 million under these credit lines.

Short-term borrowings of \$160 million, \$176 million and \$199 million at October 31, 1993, 1992 and 1991, respectively, under the above agreements, have been reclassified as long-term debt because they are to be renewed and replaced with borrowings due beyond one year and into future periods.

Short-term borrowing activity including the amount reclassified as long-term is summarized as follows:

(thousands)	1993	1992	1991
Notes payable October 31 . . . . .	\$180,000	\$211,000	\$208,000
Interest rate October 31 . . . . .	4.0%	4.3%	6.1%
Average daily amount of notes payable outstanding during year . . . . .	\$179,601	\$193,573	\$186,476
Average* interest rate during year . . . . .	4.2%	5.0%	7.2%
Maximum amount of notes payable at any month end. . . . .	\$195,000	\$211,000	\$210,000

\*Computed by dividing interest incurred by average notes payable outstanding.

NOTE 5 - LONG-TERM DEBT:

Long-term debt consists of the following:

(thousands)	1993	October 31 1992	1991
Senior notes due through 1999 (7.70%-10.13%) - Note (a) . . . . .	\$157,500	\$163,125	\$153,750
Revenue bonds payable through 2015 (floating rates, currently 2.55%-2.75%) - Note (b) . . . . .	28,900	28,900	29,100
Other . . . . .	1,029	-	-
Notes payable - banks - Note 4 above . . . . .	160,000	176,000	199,000
	347,429	368,025	381,850
Less current installments . . . . .	19,943	5,625	25,825
Net long-term debt. . . . .	\$327,486	\$362,400	\$356,025

Scheduled maturities

1995	\$205,993
1996	34,119
1997	34,119
1998	14,119
1999-2015	39,136
	\$327,486

Note (a) Covenants of the senior notes include tests of minimum net worth, short-term borrowing, long-term borrowing, current ratio and restrictions on payments of dividends. Accordingly, at October 31, 1993, approximately \$47 million of consolidated retained earnings was unrestricted as to the payment of dividends.

Note (b) Primarily incurred upon the purchase of manufacturing equipment. At October 31, 1993 \$23,900,000 was secured by liens on the equipment.

NOTE 6 - RETIREMENT AND SAVINGS PLANS:

The company has two trustee defined benefit pension programs which cover a majority of employees who have completed one year of continuous service. The plans provide benefits of a stated amount for each year of service with an option for some employees to receive benefits based on an average earnings formula.

The weighted-average discount rate and rate of increase in the future compensation levels used in determining the actuarial present value of the projected benefit obligation were 7% and 5.25% for 1993, and 8% and 5.5% for 1992 and 1991, respectively. The expected long-term rate of return on assets was 9%.

The following table sets forth the plans' funded status and amounts recognized in the company's consolidated financial statements at October 31:

(thousands)	1993	1992	1991
Actuarial present value of benefit obligations:			
Vested . . . . .	\$132,030	\$112,824	\$106,879
Vested and nonvested . . . . .	\$132,803	\$113,429	\$107,574
Projected for service rendered . . . . .	\$147,395	\$127,745	\$121,149
Plan assets at fair value, primarily listed stocks . . . . .	235,763	197,524	187,911
Excess plan assets . . . . .	88,368	69,779	66,762
Items not recognized in earnings:			
Net (asset) at adoption of FAS No. 87 . . . . .	(10,164)	(11,534)	(12,903)
Unrecognized prior service cost . . . . .	7,487	8,925	9,847
Net (gain) subsequent to adoption . . . . .	(63,095)	(48,438)	(47,740)
Pension asset recognized in the consolidated balance sheet . . . . .	\$ 22,596	\$ 18,732	\$ 15,966
Net pension (income) includes the following:			
Benefits earned during period . . . . .	\$ 3,203	\$ 3,258	\$ 3,138
Interest cost on projected benefit obligation . . . . .	9,770	9,451	8,951
Actual (return) on plan assets . . . . .	(45,229)	(16,098)	(60,191)
Net amortization and deferral of items not recognized in earnings . . . . .	28,392	622	45,785
Net pension (income) . . . . .	\$ (3,864)	\$ (2,767)	\$ (2,317)

Voluntary savings plans are maintained for all employees who have completed one year of continuous service. The plans allow salary deferrals in accordance with IRC section 401(k) provisions. The company contribution as a matching incentive during 1993, 1992 and 1991 was \$857,000, \$826,000 and \$563,000, respectively.

NOTE 7 - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS:

The company provides postretirement health care insurance benefits for all salaried and certain non-salaried employees and their dependents. Individual benefits generally continue until age 65. The company does not pre-fund these benefits.

Postretirement benefit expense was \$2,274,000, \$390,000 and \$382,000 in 1993, 1992 and 1991, respectively.

The components of expense in 1993 were as follows:

(thousands)		1993
Service cost . . . . .	\$	639
Interest cost. . . . .		1,137
Amortization of unrecognized transition obligation . . . . .		498
Net periodic postretirement benefit cost . . . . .	\$	2,274

The accumulated postretirement benefit obligation, comprises the following components:

(thousands)		1993
Retirees . . . . .	\$	(2,245)
Fully eligible active plan participants. . . . .		(3,025)
Other active plan participants . . . . .		(11,268)
Total accumulated postretirement benefit obligation. . . . .		(16,538)
Unrecognized net loss. . . . .		677
Unrecognized transition obligation . . . . .		9,472
Accrued postretirement benefit cost. . . . .	\$	(6,389)

Future benefit costs were calculated using a health care cost trend rate of 16% for the indemnity plan and 9% for the HMO plan. The trend rate declines each year until the ultimate health care cost trend rate, 5.5%, is reached in the year 2003 for the indemnity plan and the year 1999 for the HMO plan. A one percent change in the health care cost trend rate assumption has a \$2,029,000 effect on the accumulated postretirement benefit obligation as of October 31, 1993 and a \$251,000 effect on the net periodic postretirement benefit cost. The weighted-average discount rate used was 8% at November 1, 1992 and 7.5% at October 31, 1993.

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS:

Accounts receivable, revenue bonds and notes payable to banks approximate fair value as reported in the balance sheet. The fair value of senior notes is estimated using discounted cash flow analyses, based on the company's incremental borrowing rates for similar types of borrowing arrangements. The fair value of the company's long-term debt at October 31, 1993 is approximately \$9 million more than the stated value.

NOTE 9 - INCOME TAXES:

Provision (credit) for taxes on income is made up of the following components. The 1993 amounts reflect use of the liability method under FAS 109 while the 1992 and 1991 amounts reflect accounting using the deferred method which was required under previous rules.

(thousands)	1993	1992	1991
Current:			
Federal. . . . .	\$12,601	\$10,720	\$ (401)
State. . . . .	454	883	(232)
	13,055	11,603	(633)
Deferred:			
Federal. . . . .	8,699	2,880	6,101
State. . . . .	1,046	817	392
	9,745	3,697	6,493
	\$22,800	\$15,300	\$ 5,860

1992 and 1991 deferred income tax provision:

(thousands)	1992	1991
Depreciation . . . . .	\$13,642	\$11,690

Alternative minimum tax. . . . .	(9,600)	(5,652)
Other. . . . .	(345)	455
	\$ 3,697	\$ 6,493

An analysis of the effective income tax rate as compared to the expected federal income tax rate is as follows:

	1993	1992	1991
Expected federal income tax rate . .	35%	34%	34%
Foreign Sales Corporation. . . . .	(5)	(4)	(7)
State income taxes less			
federal income tax benefit . . . .	1	2	1
Enacted rate change impacting			
deferred taxes . . . . .	5	-	-
Other. . . . .	-	-	(2)
	36%	32%	26%

The deferred income tax liabilities (assets) recorded in the Consolidated Balance Sheet as of October 31, 1993, are as follows:

(thousands)	Non-Current	Current
Depreciation . . . . .	\$119,667	\$
Employee Benefit Plans . . . . .	8,363	
Alternative Minimum Tax. . . . .	(24,235)	
Other. . . . .	(6,102)	
Non-deductible accruals. . . . .		(4,682)
Deferred tax liabilities (assets). .	\$ 97,693	\$ (4,682)

Federal income tax returns through 1985 have been settled with the Internal Revenue Service.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

Estimated costs to complete approved capital projects were approximately \$56 million, \$18 million and \$47 million at October 31, 1993, 1992 and 1991, respectively.

NOTE 11 - SUPPLEMENTAL EXPENSE INFORMATION:

(thousands)	1993	1992	1991
Maintenance & repairs. . . . .	\$63,556	\$64,527	\$70,297
Taxes, other than income taxes:			
Payroll. . . . .	10,206	10,156	9,319
Property . . . . .	10,689	10,763	11,295
Sales and use. . . . .	3,548	3,797	4,246
Other. . . . .	7,823	7,561	7,240
Research and development . . . . .	462	725	788

NOTE 12 - SEGMENT INFORMATION:

The company owns and operates tree farms in Oregon and Washington which produce logs for sale. Its pulp and paper mill at Longview, Washington produces pulp which is manufactured into kraft paper and containerboard. The raw material fibers come primarily from purchased wood chips and sawdust with important contributions from fiber reclaimed from post-consumer and post-industrial waste, and augmented by log chipping operations owned by the company and others. The company's fourteen converting plants in ten states produce shipping containers, and merchandise and grocery bags. The tonnage of paper and containerboard used in the converting plants equals approximately 66% of the Longview mill tonnage.

Included in sales to customers are export sales, principally to Japan, Hong Kong, Taiwan and Southeast Asia in 1993, 1992 and 1991 of \$124,195,000, \$123,604,000 and \$89,588,000, respectively. All sales are made in U. S.

dollars.

There are no intersegment sales as all manufacturing operations to produce primary or converted products for sale are considered integrated from the purchased wood to the sale of the finished product.

Identifiable assets are segregated or allocated to segments as follows:

1. Assets used wholly within a segment are assigned to that segment.
2. Assets used jointly by two segments are allocated to each segment on a percentage determined by dividing total cost of product into cost of product produced for each segment. Paper and paperboard assets of \$275,417,000, \$262,105,000 and \$266,305,000 have been allocated to converted products at October 31, 1993, 1992 and 1991, respectively.

Depreciation, depletion and amortization and additions to capital assets have been segregated and allocated similarly to the method used for identifiable assets.

(thousands)	1993	1992	1991
Sales to customers:			
Logs . . . . .	\$166,822	\$114,944	\$ 90,785
Paper and paperboard . . . . .	189,787	234,119	223,260
Converted products . . . . .	332,942	341,935	329,955
Total . . . . .	689,551	690,998	644,000

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(thousands)	1993	1992	1991
Income (loss) on sales:			
Logs . . . . .	101,471	61,006	45,286
Paper and paperboard . . . . .	(2,181)	14,398	15,183
Converted products . . . . .	(14,717)	(4,830)	(19,535)
Interest expensed and other . . . . .	(21,485)	(23,187)	(18,431)
Income before income taxes . . . . .	63,088	47,387	22,503

Identifiable assets at October 31:			
Logs . . . . .	188,450	190,041	180,337
Paper and paperboard . . . . .	278,981	302,855	279,264
Converted products . . . . .	476,942	457,872	467,251
Total . . . . .	944,373	950,768	926,852

Depreciation, depletion and amortization:			
Logs . . . . .	11,010	8,114	6,196
Paper and paperboard . . . . .	19,907	20,225	17,533
Converted products . . . . .	38,108	35,068	34,267
Total . . . . .	69,025	63,407	57,996

Additions to capital assets:			
Logs . . . . .	5,453	12,797	17,714
Paper and paperboard . . . . .	15,162	27,898	35,922
Converted products . . . . .	37,341	33,628	50,044
Total . . . . .	\$ 57,956	\$ 74,323	\$103,680

NOTE 13 - SHAREHOLDER RIGHTS PLAN:

A Shareholder Rights Plan provides one right for each share of common stock. With certain exceptions, the rights will become exercisable only in the event that an acquiring party accumulates 20% or more of the company's voting stock or a party announces an offer to acquire 30% or more of the voting stock. The rights expire on March 1, 1999, if not previously redeemed or exercised. Each right entitles the holder to purchase one-tenth of one common share at a price

of \$4.00 (\$40 per whole share), subject to adjustment under certain circumstances. In addition, upon the occurrence of certain events, holders of the rights will be entitled to purchase a defined number of shares of an acquiring entity or the company's common shares at half their then current market value. The company will generally be entitled to redeem the rights at \$0.01 per right at any time until the tenth day following the acquisition of 20% or more, or an offer to acquire 30% or more, of the company's voting stock.

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QUARTERLY FINANCIAL DATA (UNAUDITED)

(thousands except per share)	Fiscal Year Quarters				Total Fiscal Year
	1st	2nd	3rd	4th	
1993					
Net sales . . . . .	\$155,873	\$179,045	\$175,826	\$178,807	\$689,551
Gross profit . . . . .	25,026	37,916	40,380	31,245	134,567
Net income . . . . .	5,089	13,363	14,625	7,211	40,288
Net income per share (1) . . .	0.10	0.26	0.28	0.14	0.78
1992					
Net sales . . . . .	\$152,696	\$172,868	\$177,878	\$187,556	\$690,998
Gross profit . . . . .	23,132	32,040	31,529	32,844	119,545
Net income . . . . .	3,904	9,679	8,689	9,815	32,087
Net income per share (1) . . .	0.08	0.18	0.17	0.19	0.62
1991					
Net sales . . . . .	\$152,355	\$158,106	\$161,320	\$172,219	\$644,000
Gross profit . . . . .	16,770	22,295	22,880	25,726	87,671
Net income . . . . .	1,458	3,279	4,523	7,383	16,643
Net income per share (1) . . .	0.03	0.06	0.09	0.14	0.32

(1) Per share statistics have been computed on the average of number of shares outstanding in the hands of the public. Per share statistics for the first three quarters may vary slightly from amounts reported on an interim basis due to changes in the number of shares outstanding.

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SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

(thousands)	Balance at beginning of period	Additions at cost	Retirements	Other changes- describe	Balance at end of period
For the Year Ended October 31, 1993					
Buildings . . . . .	\$ 63,957	\$ 2,504	\$ 370	\$	\$ 66,091
Machinery and equipment . . . . .	1,061,000	50,752	13,432		1,098,320
	1,124,957	53,256	13,802		1,164,411
Plant sites . . . . .	2,423	-	-		2,423
	1,127,380	53,256	13,802		1,166,834
Timber . . . . .	129,206	3,377	718	(5,864) (1)	129,372

				3,371	(5)	
Timber Roads . . .	10,628	968	12	(2,303)	(2)	9,198
				(83)	(3)	
Timberland . . .	9,669	355	18	258	(5)	10,264
	149,503	4,700	748	(4,621)		148,834
	\$1,276,883	\$ 57,956	\$14,550	\$ (4,621)		\$1,315,668

For the Year Ended October 31, 1992

Buildings. . .	\$ 63,672	\$ 539	\$ 254	\$		\$ 63,957
Machinery and equipment. . .	1,006,965	66,100	12,065			1,061,000
	1,070,637	66,639	12,319			1,124,957
Plant sites. . .	2,318	105	-			2,423
	1,072,955	66,744	12,319			1,127,380
Timber . . . .	127,431	6,487	17	(3,769)	(1)	129,206
				(926)	(4)	
Timber Roads . . .	12,184	804	2	(2,267)	(2)	10,628
				(91)	(3)	
Timberland . . .	8,455	288	-	926	(4)	9,669
	148,070	7,579	19	(6,127)		149,503
	\$1,221,025	\$ 74,323	\$12,338	\$ (6,127)		\$1,276,883

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SCHEDULE V

PROPERTY, PLANT AND EQUIPMENT

(thousands)

Description (7)	Balance at beginning of period	Additions at cost	Retirements	Other changes- describe	Balance at end of period
For the Year Ended October 31, 1991					
Buildings. . .	\$ 63,568	\$ 1,168	\$ 1,055	\$ (9) (6)	\$ 63,672
Machinery and equipment. . .	932,167	100,763	24,930	(1,035)	1,006,965
	995,735	101,931	25,985	(1,044)	1,070,637
Plant sites. . .	2,017	19	-	282	2,318
	997,752	101,950	25,985	(762)	1,072,955
Timber . . . .	127,651	1,519	6	(3,346) (1)	127,431
				890 (4)	
				723 (6)	
Timber Roads . . .	14,414	145	-	(2,254) (2)	12,184
				(94) (3)	
				(27) (4)	
Timberland . . .	9,215	66	2	(863) (4)	8,455
				39 (6)	
	151,280	1,730	8	(4,932)	148,070
	\$1,149,032	\$103,680	\$25,993	\$ (5,694)	\$1,221,025

- (1) Depletion of timber and amortization of aerial fertilization, charged to income.
- (2) Road amortization, charged to income.

- (3) Depreciation on bridges, culverts, and fireroads, charged to income.
- (4) Effect of timber trades.
- (5) Timber and timberland acquired through exchange of Longview Fibre Company common stock.
- (6) Effect of Los Angeles Box Plant exchange.
- (7) The methods used in computing the annual provisions are completed by reference to Item 8, Note 1 of this Form 10-K.

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SCHEDULE VI

ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION  
OF PROPERTY, PLANT AND EQUIPMENT

(thousands)

Description	Balance at beginning of period	Additions charged to costs and expenses	Retirements	Other changes - add (deduct) - describe	Balance at end of period
For the Year Ended October 31, 1993					
Buildings. . . .	\$ 25,231	\$ 1,524	\$ 308	\$	\$ 26,447
Machinery and equipment. . .	473,997	59,252	11,158		522,091
	\$499,228	\$60,776	\$11,466	\$	\$548,538
For the Year Ended October 31, 1992					
Buildings. . . .	\$ 23,923	\$ 1,496	\$ 188	\$	\$ 25,231
Machinery and equipment. . .	428,696	55,784	10,483		473,997
	\$452,619	\$57,280	\$10,671	\$	\$499,228
For the Year Ended October 31, 1991					
Buildings. . . .	\$ 23,482	\$ 1,492	\$ 1,051	\$	\$ 23,923
Machinery and equipment. . .	401,235	50,810	23,349		428,696
	\$424,717	\$52,302	\$24,400	\$	\$452,619

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There has been no change of accountants or disagreements on any matter of accounting principles, practices or financial statement disclosures required to be reported under this item.



PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Item 10, with the exception of the following information regarding executive officers of the company, is contained in the Notice of Annual Meeting of Shareholders and Proxy Statement which is incorporated as part of this Form 10-K.

Executive Officers of the Company

Name	Age	Office and Year First Elected
R. P. Wollenberg	78	(1) Chairman of the Board, President and Chief Executive Officer (1953)
R. E. Wertheimer	65	(2) Executive Vice President (1960)
W. H. Smith	65	(3) Vice President-Production (1992)
R. J. Parker	45	(4) Senior Vice President-Production (1994)
D. L. Bowden	58	(5) Senior Vice President-Timber (1989)
L. J. Holbrook	38	(6) Senior Vice President-Finance, Secretary and Treasurer (1989)
D. C. Stibich	62	(7) Senior Vice President-Paper Sales (1981)
R. B. Arkell	62	(8) Vice President-Industrial Relations and General Council (1986)

(1) R. P. Wollenberg  
 From 1985 Chairman, President and Chief Executive Officer  
 1978-1985 President and Chief Executive Officer  
 1969-1978 President  
 1960-1969 Executive Vice President

(2) R. E. Wertheimer  
 From 1985 Executive Vice President  
 1975-1985 Vice President-Container Division  
 1974-1975 Vice President-Production  
 1963-1974 Vice President-Container Sales

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(3) W. H. Smith  
 From 1992 Vice President-Production  
 1982-1992 Assistant Mill Manager

(4) R. J. Parker  
 From 1994 Senior Vice President-Production  
 1993-1994 Vice President and Assistant to the President  
 1992-1993 Pulp Mill Superintendent  
 1985-1992 Assistant Pulp Mill Superintendent

(5) D. L. Bowden  
 From 1992 Senior Vice President-Timber  
 1989-1992 Vice President-Timber

(6) L. J. Holbrook

From 1992 Senior Vice President-Finance, Secretary and Treasurer  
1991-1992 Vice President-Finance, Secretary and Treasurer  
1989-1991 Assistant Secretary and Assistant Treasurer

(7) D. C. Stibich

From 1986 Senior Vice President Paper Sales  
1981-1986 Vice President Paper Sales  
1968-1981 Manager Paper Sales

(8) R. B. Arkell

From 1979 Vice President Industrial Relations and General Counsel

ITEM 11. EXECUTIVE COMPENSATION

This item is completed by reference to Notice of Annual Meeting of Shareholders and Proxy Statement which is incorporated as part of this Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

- (a) Security ownership of certain beneficial owners. This item is completed by reference to Notice of Annual Meeting of Shareholders and Proxy Statement which is incorporated as part of this Form 10-K.
- (b) Security ownership of management. This item is completed by reference to Notice of Annual Meeting of Shareholders and Proxy Statement which is incorporated as part of this Form 10-K.
- (c) Changes in control. No known arrangements.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

- (a) Transactions with management and others. There have been no known transactions in an amount in excess of \$60,000 involving any of the specified persons.

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- (b) Certain business relationships. No director or nominee for director is known to be involved in any of the specified relationships with the company.
- (c) Indebtedness of management. None of the specified persons is indebted to the company in an amount in excess of \$60,000.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

- (a) The following financial statements, schedules and exhibits are filed as part of this Form 10-K.
  - (1) Financial Statements:

The 1991, 1992 and 1993 consolidated financial statements are included in Item 8 of this Form 10-K.

The individual financial statements of the company have been omitted since the company is primarily an operating company and all

subsidiaries included in the consolidated financial statements, in the aggregate, do not have minority equity interest and/or indebtedness to any person other than the company or its consolidated subsidiaries in amounts which together exceed 5% of total consolidated assets at October 31, 1993.

(3) Exhibits required to be filed by Item 601 of Regulation S-K:

- 3.1 Articles of Incorporation of Longview Fibre Company \*\*\*
- 3.2 Bylaws of Longview Fibre Company \*\*\*
- 4.1 Commercial Paper Facility \*
- 4.2 Rights Agreement \*\*
- 4.3 \$170,000,000 Credit Agreement
- 4.4 First Amendment to Credit Agreement
- 4.5 Loan Agreement
- 4.6 Other long-term debts that do not exceed 10% of the total assets of the company, details of which will be supplied to the Commission upon request:

Senior Notes due through 1999 (7.70% - 10.13%)	\$157,500,000
Revenue Bonds payable through 2015 (floating rates, 2.55% through 2.75% at October 31, 1993)	\$ 28,900,000
Other	\$ 1,029,000

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23. Consent of Independent Accountants

- \* Incorporated by reference to company's Annual Report on Form 10-K for the year ended October 31, 1988.
- \*\* Incorporated by reference to company's Annual Report on Form 10-K for the year ended October 31, 1989.
- \*\*\* Incorporated by reference to company's Annual Report on Form 10-K for the year ended October 31, 1990.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the quarter ended October 31, 1993.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LONGVIEW FIBRE COMPANY

Registrant

\s\ L. J. Holbrook  
L. J. Holbrook, Vice President-Finance,  
Secretary and Treasurer

1-25-94  
Date

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the company and in the capacities and on the dates indicated.

\s\ R. P. Wollenberg R. P. Wollenberg, Chief Executive Officer and Director	1-25-94 Date
\s\ L. J. Holbrook L. J. Holbrook, Chief Financial Officer and Director	1-25-94 Date
\s\ C. D. Norman C. D. Norman, Chief Accounting Officer	1-25-94 Date
\s\ R. B. Arkell R. B. Arkell, Director	1-25-94 Date
\s\ D. L. Bowden D. L. Bowden, Director	1-25-94 Date
\s\ M. A. Dow M. A. Dow, Director	1-25-94 Date
\s\ C. H. Monroe C. H. Monroe, Director	1-25-94 Date
\s\ G. E. Schwartz G. E. Schwartz, Director	1-25-94 Date
\s\ J. E. Wertheimer J. E. Wertheimer, Director	1-25-94 Date
\s\ D. A. Wollenberg D. A. Wollenberg, Director	1-25-94 Date

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EXHIBIT 23

CONSENT OF INDEPENDENT ACCOUNTANTS

LONGVIEW FIBRE COMPANY  
LONGVIEW, WASHINGTON

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 33-14358) and the Registration Statement on Form S-8 (No. 33-37836) and the Registration Statement on Form S-8 (No. 33-56620) of Longview Fibre Company of our report dated December 8, 1993, which appears at Item 8 of Longview Fibre Company's Annual Report on Form 10-K.

\s\ Price Waterhouse  
Price Waterhouse

Portland, Oregon  
January 25, 1994



EXHIBIT 4.3

\$170,000,000

CREDIT AGREEMENT

dated as of

February 26, 1993

among

Longview Fibre Company,

The Banks Listed Herein,

and

Seattle-First National Bank, as Agent

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CREDIT AGREEMENT

AGREEMENT dated as of February 26, 1993, among Longview Fibre Company, the Banks listed on the signature pages hereof, and Seattle-First National Bank as Agent.

The parties hereto agree as follows:

ARTICLE 1

DEFINITIONS

SECTION 1.1 Definitions. The following terms, as used herein, have the following meanings:

"Absolute Rate Auction" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Rates pursuant to Section 2.3.

"Adjusted Euro-Dollar Rate" has the meaning set forth in Section 2.7(b).

"Agent" means Seattle-First National Bank in its capacity as agent for the Banks hereunder, and its successors in such capacity.

"Applicable Lending Office" means, with respect to each Bank, such Bank's Domestic Lending Office in the case of a Prime Loan, such Bank's Euro-Dollar Lending Office in the case of a Euro-Dollar Loan and such Bank's Competitive Bid Lending Office in the case of a Competitive Bid Loan.

"Bank" means each bank listed on the signature pages hereof as having a Commitment, and its successors and assigns.

"Borrower" means Longview Fibre Company, a Washington corporation, and its successors.

"Borrowing" has the meaning set forth in Section 1.3.

"Code" means the Internal Revenue Code of 1986, as amended, or any successor statute.

"Commercial Paper Rating" is the rating given to the Borrower's outstanding commercial paper, without third-party credit enhancement, by Standard and Poor's Corporation and/or Moody's Investor's Service Inc.

"Commitment" means, with respect to each Bank, the amount set forth opposite the name of such Bank on the signature pages hereof as its Commitment.

"Competitive Bid Lending Office" means, as to each Bank, its Domestic Lending Office or such other office, branch or affiliate of such Bank as it may hereafter designate as its Competitive Bid Lending Office by notice to the Borrower, and the Agent; provided that any Bank may from time to time by notice to the Borrower, and the Agent designate separate Competitive Bid Lending Offices for its Competitive Bid LIBOR Loans, and/or its Competitive Bid Rate Loans, in which case all references herein to the Competitive Bid Lending Office of such Bank shall be deemed to refer to any one or more of such offices, as the context may require.

"Competitive Bid LIBOR Loan" means a Loan to be made by a Bank pursuant to a LIBOR Auction (including a Prime Loan made in substitution therefor pursuant to Section 8.1, 8.2 or 8.3).

"Competitive Bid Loan" means a Competitive Bid LIBOR Loan or a Competitive Bid Rate Loan.

"Competitive Bid Margin" has the meaning set forth in Section 2.3(d).

"Competitive Bid Notes" means promissory notes of the Borrower, substantially in the form of Exhibit C hereto, evidencing the obligation of the Borrower to repay the Competitive Bid Loans.

"Competitive Bid Quote" means an offer by a Bank to make a Competitive Bid Loan in accordance with Section 2.3.

"Competitive Bid Rate" has the meaning set forth in Section 2.3(d).

"Competitive Bid Rate Loan" means a Loan to be made by a Bank pursuant to an Absolute Rate Auction.

"Current Assets" means all assets of Borrower and its Subsidiaries, on a GAAP consolidated basis, which may be properly classified as current assets in accordance with GAAP; provided short-term investments shall be valued at cost or market, whichever is lower.

"Current Liabilities" means all indebtedness of Borrower and its Subsidiaries, on a GAAP consolidated basis, maturing on demand or within one (1) year from the date when Borrower's current liabilities are determined and which may be properly classified as current liabilities in accordance with GAAP.

"Default" means any condition, circumstance, or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would become an Event of Default.

"Domestic Business Day" means any day except a Saturday, Sunday, or other day on which commercial banks in New York City or Seattle, Washington are authorized by law to close.

"Domestic Lending Office" means, as to each Bank, its office located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Domestic Lending Office) or such other office as such Bank may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Agent.

"Effective Date" means that day on which the conditions precedent set out in Section 3.1 have been satisfied and the events described in Section 3.2 have occurred.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"Euro-Dollar Business Day" means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

"Euro-Dollar Lending Office" means, as to each Bank, its office, branch or affiliate located at its address set forth on the signature pages hereof (or identified on the signature pages hereof as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate as its Euro-Dollar Lending Office by notice to the Borrower and the Agent.

"Euro-Dollar Loan" means a Loan to be made by a Bank pursuant to Section 2.1 as a Euro-Dollar Loan in accordance with the applicable Notice of Borrowing, and each Replacement Loan made by a Bank pursuant to Section 3.2.

"Euro-Dollar Margin" has the meaning set forth in Section 2.7(b).

"Euro-Dollar Notes" means promissory notes of the Borrower, substantially in the form of Exhibit B hereto, evidencing the obligation of the Borrower to repay the Euro-Dollar Loans.

"Euro-Dollar Reserve Percentage" has the meaning set forth in Section 2.7(b).

"Event of Default" has the meaning set forth in Section 6.1.

"Existing Loan" shall have the meaning set forth in Section 3.2.

"Fixed Rate Loans" means Euro-Dollar Loans or Competitive Bid Loans (excluding Prime Loans made in substitution therefor pursuant to Section 8.1, 8.2 or 8.3) or any combination of the foregoing.

"GAAP" shall mean generally accepted accounting principles as in effect from time to time in the United States and as consistently applied by the Borrower and its Subsidiaries.

"Indebtedness" means all obligations of the Borrower and its Subsidiaries on a GAAP consolidated basis, included in the liability section of the balance sheet of the Borrower including, without limitation and without duplication of such amounts, and regardless of whether such items would otherwise not be shown on the liability side of a balance sheet:

(a) All obligations guaranteed or assumed by the Borrower or any of its Subsidiaries, directly or indirectly in any manner, or endorsed (other than for collection and deposit in the ordinary course of business) or discounted by the Borrower or any of its Subsidiaries with recourse, including all obligations guaranteed by the Borrower or any of its Subsidiaries through any agreement, contingent or otherwise, or secured by a Lien on any asset of the Borrower or any of its Subsidiaries;

(b) The aggregate amount of reserves established on the books of the Borrower with respect to contingent liabilities and other contingencies (except reserves which are properly treated as deductions from assets);

(c) All obligations for the payment of money or other property pursuant to leases under which the Borrower is leasing real or personal property. The total minimum lease payments under operating leases shall be calculated at the end of each fiscal year and carried forward to the next fiscal year;

(d) All accrued taxes, whether or not such taxes are due and payable; and

(e) All obligations of any partnership or joint venture of which the Borrower is a member, but only to the extent the Borrower is legally liable therefor.

"Interest Period" means:

(1) Euro-Dollar Borrowing. With respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one (1), two (2), three (3) or six (6) months thereafter, as the Borrower may

elect in the applicable Notice of Borrowing; provided that (subject to the proviso set forth below):

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month; and

(c) the Interest Periods of the Replacement Loans shall be as determined pursuant to Section 3.2.

(2) Prime Borrowing. With respect to each Prime Borrowing, the period commencing on the date of such Borrowing and ending thirty (30) days thereafter; provided that (subject to the proviso set forth below) any Interest Period (other than an Interest Period determined pursuant to the proviso set forth below) which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day;

(3) Competitive Bid LIBOR Borrowing. With respect to each Competitive Bid LIBOR Borrowing, the period commencing on the date of such Borrowing and ending one (1), two (2), three (3) or six (6) months thereafter, as the Borrower may elect in accordance with Section 2.3; provided that (subject to the proviso set forth below):

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day; and

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Euro-Dollar Business Day of a calendar month;

(4) Competitive Bid Rate Borrowing. With respect to each Competitive Bid Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but in no event earlier than seven (7) days or later than one (1) year thereafter), as the Borrower may elect in accordance with Section 2.3; provided that (subject to the proviso set forth below) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next

succeeding Euro-Dollar Business Day;

Provided that with respect to each Borrowing set forth above, if any Interest Period includes a date on which a payment of principal of the Loans is required to be made under Section 2.10 but does not end on such date, then the principal amount (if any) of each such Loan required to be repaid on such date shall have an Interest Period ending on such date.

"LIBOR Auction" means a solicitation of Competitive Bid Quotes setting forth Competitive Bid Margins based on the London Interbank Offered Rate pursuant to Section 2.3.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance with respect to such asset.

"Loan" means a Prime Loan or a Euro-Dollar Loan or a Competitive Bid Loan and "Loans" means Prime Loans or Euro-Dollar Loans or Competitive Bid Loans or any combination of the foregoing.

"Loan Documents" shall mean collectively this Agreement, the Notes, and all other documents, instruments and agreements now or hereafter executed in connection with this Agreement.

"London Interbank Offered Rate" has the meaning set forth in Section 2.7(b).

"Note" means a Prime Note or a Euro-Dollar Note or a Competitive Bid Note, and "Notes" means the Prime Notes or the Euro-Dollar Notes or the Competitive Bid Notes or any combination of the foregoing.

"Notice of Borrowing" means a Notice of Pro Rata Borrowing (as defined in Section 2.2) or a Notice of Competitive Bid Borrowing (as defined in Section 2.3(f)).

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by the Borrower or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which Borrower is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions.

"Prime Loan" means a Loan to be made by a Bank pursuant to Section 2.1 as a Prime Loan in accordance with the applicable Notice of Borrowing or

pursuant to Article 8.

"Prime Notes" means promissory notes of the Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of the Borrower to repay the Prime Loans.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by Seattle-First National Bank at its principal office in Seattle, Washington as its prime rate.

"Prior Credit Agreement" means that certain Credit Agreement dated as of December 30, 1987, among Borrower, the banks listed therein, Rainier National Bank, as Agent, and Security Pacific National Bank, as Administrative Agent, as such Credit Agreement has been subsequently amended to the date hereof.

"Pro Rata Loan" means a Prime Loan or a Euro-Dollar Loan.

"Reference Banks" means the principal New York office of ABN AMRO Bank N.V. and Continental Bank N.A. and the principal San Francisco office of Bank of America National Trust and Savings Association and each such other bank as may be appointed as a replacement pursuant to Section 9.7(c) and "Reference Bank" means any one of such Reference Banks.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Replacement Loan" shall have the meaning set forth in Section 3.2.

"Reportable Event" means any of the events set forth in Section 4043 of ERISA or the regulations thereunder (or any successor statute or regulations thereunder).

"Required Banks" means at any time Banks having at least 66-2/3% of the aggregate amount of the Commitments.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Borrower.

"Tangible Net Worth" means all assets appearing on the balance sheet of the Borrower and its Subsidiaries, on a GAAP consolidated basis, less, without limitation and without duplication of deductions, the sum of:

(a) Indebtedness;

(b) All reserves established by Borrower and its Subsidiaries for anticipated losses and expenses; and

(c) Net book value of all assets of Borrower and its

Subsidiaries which are treated as intangibles in accordance with GAAP, including, without limitation, all trademarks, trademark rights, trade names, copyrights, patents, patent applications, franchise rights, goodwill, royalties, licenses, permits, claims, causes of action, marketing expenses, and deferred research and development costs.

"Termination Date" means February 28, 1995 (or February 28 of such subsequent year to which the Termination Date may have been extended in accordance with Section 2.17 hereof) or, if such day is not a Euro-Dollar Business Day, the next preceding Euro-Dollar Business Day.

"Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of the Borrower to the PBGC or the Plan under Title IV of ERISA.

SECTION 1.2 Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared on a GAAP basis applied on a basis consistent (except for changes concurred in by the Borrower's independent public accountants) with the most recent audited consolidated financial statements of the Borrower and its consolidated Subsidiaries (consolidated on a GAAP basis) delivered to the Banks.

SECTION 1.3 Types of Borrowings. The term "Borrowing" denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 or Section 3.2 on a single date and for a single Interest Period.

Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a "Euro-Dollar Borrowing" is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 or Section 3.2 under which participation therein is determined (i.e., a "Pro Rata Borrowing" is a Borrowing under Section 2.1 in which all Banks participate in proportion to their Commitments, while a "Competitive Bid Borrowing" is a Borrowing under Section 2.3 in which the Bank participants are determined by the Agent in accordance therewith).

## ARTICLE 2

### THE CREDITS

SECTION 2.1 Pro Rata Commitments to Lend. Each Bank severally agrees, on the terms and conditions set forth in this Agreement, to lend to the Borrower pursuant to this Section from time to time amounts in the form of Pro Rata Loans, such amounts not to exceed in the aggregate at any one time outstanding the amount of its Commitment; provided, however, that the



aggregate amount of the Commitments of the Banks shall be deemed to be used from time to time to the extent of the aggregate amount of the Competitive Bid Loans then outstanding. Such deemed use of the aggregate amount of the Commitments shall be applied to the Banks ratably according to their respective Commitments. Each Borrowing under this Section shall be in an aggregate principal amount of Five Million Dollars (\$5,000,000) or any larger multiple of One Million Dollars (\$1,000,000) (except that any such Borrowing may be in the aggregate amount of the unused Commitments) and shall be made from the several Banks ratably in proportion to their respective Commitments.

Within the foregoing limits, the Borrower may borrow under this Section, repay, or to the extent permitted by Section 2.11, prepay Loans and reborrow at any time under this Section.

SECTION 2.2 Notice of Pro Rata Borrowings. The Borrower shall give the Agent notice (a "Notice of Pro Rata Borrowing") not later than 9:00 a.m. (Seattle time) on (x) the date of each Prime Borrowing and (y) the fourth Euro-Dollar Business Day before each Euro-Dollar Borrowing, specifying:

(a) the date of such Borrowing, which shall be a Domestic Business Day in the case of a Prime Borrowing or a Euro-Dollar Business Day in the case of a Euro-Dollar Borrowing,

(b) the aggregate amount of such Borrowing, and

(c) whether the Loans comprising such Borrowing are to be Prime Loans or Euro-Dollar Loans, and

(d) in the case of a Euro-Dollar Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period.

SECTION 2.3 Competitive Bid Borrowings.

(a) The Competitive Bid Option. In addition to Pro Rata Borrowings pursuant to Section 2.1, the Borrower may, as set forth in this Section, request the Banks to make offers to make Competitive Bid Loans to the Borrower; provided that following the making of each Competitive Bid Borrowing, the aggregate amount of the Loans then outstanding shall not exceed the aggregate Commitments of the Banks. The Banks may, but shall have no obligation to, make such offers and the Borrower may, but shall have no obligation to, accept any such offers in the manner set forth in this Section.

(b) Competitive Bid Quote Request. When the Borrower wishes to request offers to make Competitive Bid Loans under this Section, it shall transmit to the Agent by telex a Competitive Bid Quote Request substantially in the form of Exhibit D hereto so as to be received no later than 9:00 a.m. (Seattle time) on (x) the fifth Euro-Dollar Business Day prior to the date of Borrowing proposed therein, in the case of a LIBOR Auction, or (y) the second Domestic Business Day prior to the date of Borrowing proposed therein, in the case of an Absolute Rate Auction, specifying:

(i) the proposed date of Borrowing, which shall be a Euro-Dollar Business Day in the case of a LIBOR Auction or a Domestic Business Day in the case of an Absolute Rate Auction,

(ii) the aggregate amount of such Borrowing, which shall be Five Million Dollars (\$5,000,000) or a larger multiple of One Million Dollars (\$1,000,000) (subject to the limitation specified in the proviso of the first sentence of Section 2.3(a)),

(iii) the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period, and

(iv) whether the Competitive Bid Quotes requested are to set forth a Competitive Bid Margin or a Competitive Bid Rate.

The Borrower may request offers to make Competitive Bid Loans for more than one Interest Period in a single Competitive Bid Quote Request.

(c) Invitation for Competitive Bid Quotes. Promptly upon receipt of a Competitive Bid Quote Request, the Agent shall send to the Banks by telex or telefax, at the specific request of each Bank, an Invitation for Competitive Bid Quotes substantially in the form of Exhibit E hereto, which shall constitute an invitation by the Borrower to each Bank to submit Competitive Bid Quotes offering to make the Competitive Bid Loans to which such Competitive Bid Quote Request relates in accordance with this Section.

(d) Submission and Contents of Competitive Bid Quotes.

(i) Each Bank may submit (or cause to be submitted on its behalf) a Competitive Bid Quote containing an offer or offers to make Competitive Bid Loans in response to any Invitation for Competitive Bid Quotes. Each Competitive Bid Quote must comply with the requirements of this subsection (d) and must be submitted to the Agent by telex or facsimile at its offices specified in or pursuant to Section 9.1 not later than (x) 10:00 a.m. (Seattle time) on the fourth Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction, (y) 8:30 a.m. (Seattle time) on the proposed date of Borrowing, in the case of an Absolute Rate Auction (or, in any such case, such other time and date as the Borrower and the Agent may agree). Subject to Articles 3 and 6, any Competitive Bid Quote so made shall be irrevocable except with the written consent of the Agent given on the instructions of the Borrower.

(ii) Each Competitive Bid Quote shall be in substantially the form of Exhibit F hereto and shall in any case specify:

(A) the proposed date of Borrowing,

(B) the principal amount of the Competitive Bid Loan for which each such offer is being made, which principal amount (x) may be greater than or less than the Commitment of the quoting

Bank, (y) must be One Million Dollars (\$1,000,000) or a larger multiple of Five Hundred Thousand Dollars (\$500,000), and (z) may not exceed the principal amount of Competitive Bid Loans for which offers were requested,

(C) in the case of a LIBOR Auction, the margin above or below the applicable London Interbank Offered Rate (the "Competitive Bid Margin") offered for each such Competitive Bid Loan, expressed as a percentage (rounded to the nearest 1/10,000th of 1%) to be added to or subtracted from such applicable base rate,

(D) in the case of an Absolute Rate Auction, the fixed rate of interest per annum (rounded to the nearest 1/100th of 1%) (the "Competitive Bid Rate") offered for each such Competitive Bid Loan,

(E) the identity of the quoting Bank, and

(F) the minimum amount of principal (if any) which must be allocated to the quoting Bank in accordance with Section 2.3(g) in order for the Borrower to accept the quoting Bank's offer (no minimum amount to be assumed or required unless such amount is expressly stated in the Competitive Bid Quote).

(iii) Any Competitive Bid Quote shall be disregarded that:

(A) is not substantially in the form of Exhibit F hereto or does not specify all of the information required by subsection (d) (ii);

(B) contains qualifying, conditional or similar language;

(C) proposes terms other than or in addition to those set forth in the applicable Invitation for Competitive Bid Quotes; or

(D) arrives after the time set forth in subsection (d) (i).

(e) Notice to Borrower. The Agent shall promptly notify the Borrower of the terms (x) of any Competitive Bid Quote submitted by a Bank and (y) of any Competitive Bid Quote that amends, modifies or is otherwise inconsistent with a previous Competitive Bid Quote submitted by such Bank with respect to the same Competitive Bid Quote Request. Any such subsequent Competitive Bid Quote shall be disregarded by the Agent unless (i) the Agent is otherwise instructed by the Borrower or (ii) such subsequent Competitive Bid Quote is submitted solely to correct a manifest error in such former Competitive Bid Quote. The Agent's notice to the Borrower shall specify (A) the aggregate principal amount of Competitive Bid Loans for which offers have been received for each Interest Period specified in the related Competitive Bid Quote Request and (B) the respective principal amounts and Competitive Bid Margins or Competitive Bid Rates, as the case may be, so offered.

(f) Acceptance and Notice by Borrower. Not later than 10:00 a.m. (Seattle time) on (x) the third Euro-Dollar Business Day prior to the proposed date of Borrowing, in the case of a LIBOR Auction, (y) the proposed date of Borrowing in the case of an Absolute Rate Auction, the Borrower shall notify the Agent of its acceptance or nonacceptance of the offers so notified to it pursuant to subsection (e). In the case of acceptance, such notice (a "Notice of Competitive Bid Borrowing") shall specify the aggregate principal amount of offers for each Interest Period that are accepted. Subject to minimum amounts specified pursuant to Section 2.3(d)(ii)(F), the Borrower may accept any Competitive Bid Quote in whole or in part; provided that:

(i) the aggregate principal amount of each Competitive Bid Borrowing may not exceed the applicable amount set forth in the related Competitive Bid Quote Request,

(ii) the principal amount of each Competitive Bid Borrowing must be Five Million Dollars (\$5,000,000) or a larger multiple of One Million Dollars (\$1,000,000),

(iii) acceptance of offers may only be made on the basis of ascending Competitive Bid Margins or Competitive Bid Rates from lowest to highest, as the case may be (provided that the Borrower may reject any offer that is subject to a minimum amount pursuant to Section 2.3(d)(ii)(F) and such rejection shall not affect Borrower's rights to accept any other offers pursuant to the terms hereof), and

(iv) the Borrower may not accept any offer that is described in subsection (d)(iii) or that otherwise fails to comply with the requirements of this Agreement.

(g) Allocation by Agent. If offers are made by two or more Banks with the same Competitive Bid Margins or Competitive Bid Rates, as the case may be, for a greater aggregate principal amount than the amount in respect of which offers are accepted for the related Interest Period, the Borrower (subject to minimum amounts specified pursuant to Section 2.3(d)(ii)(F)) may specify in its Notice of Competitive Bid Borrowing the allocation among such Banks of the principal amount of Competitive Bid Loans in respect of which such offers are accepted. If such allocation is not specified by the Borrower, the principal amount of Competitive Bid Loans in respect of which such offers are accepted shall be allocated by the Agent among such Banks as nearly as possible (in such multiples, not greater than One Hundred Thousand Dollars (\$100,000), as the Agent may deem appropriate) in proportion to the aggregate principal amount of such offers. In the event that such proportion to be allocated to any offer shall be less than the minimum amount specified for such offer pursuant to Section 2.3(d)(ii)(F), then such offer shall be rejected and allocations shall be made among the remaining Banks with the same Competitive Bid Margins or Competitive Bid Rates, as the case may be. Determinations by the Agent of the amounts of Competitive Bid Loans shall be conclusive in the absence of

manifest error.

#### SECTION 2.4 Notice to Banks; Funding of Loans.

(a) Upon receipt of a Notice of Borrowing, the Agent shall promptly notify, each Bank of the contents thereof and, in the case of Competitive Bid Borrowings, shall also notify each Bank which has made a Competitive Bid Quote in connection with such Borrowing of such Bank's ratable share of such Borrowing, and such Notice of Borrowing shall not hereafter be revocable by the Borrower.

(b) Not later than 12:00 noon (Seattle time) on the date of each Borrowing, each Bank participating therein shall (except as provided in subsection (c) of this Section) make available its ratable share of such Borrowing, in Federal or other funds immediately available in Seattle, to the Agent at its address specified in or pursuant to Section 9.1. Unless the Agent determines that any applicable condition specified in Article 3 has not been satisfied, the Agent will make the funds so received from the Banks available to the Borrower at the Agent's aforesaid address.

(c) If any Bank makes a new Loan hereunder on a day on which the Borrower is to repay all or any part of an outstanding Loan from such Bank, such Bank shall apply the proceeds of its new Loan to make such repayment and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by such Bank to the Agent as provided in subsection (b), or remitted by the Borrower to the Agent as provided in Section 2.12 as the case may be.

#### SECTION 2.5 Notes.

(a) The Prime Loans of each Bank shall be evidenced by a single Prime Note payable to the order of such Bank for the account of its Domestic Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Prime Loans.

(b) The Euro-Dollar Loans of each Bank shall be evidenced by a single Euro-Dollar Note payable to the order of such Bank for the account of its Euro-Dollar Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Euro-Dollar Loans.

(c) The Competitive Bid Loans of each Bank shall be evidenced by a single Competitive Bid Note payable to the order of such Bank for the account of its Competitive Bid Lending Office in an amount equal to the aggregate unpaid principal amount of such Bank's Competitive Bid Loans.

(d) Each Bank may, by notice to the Borrower, and the Agent (to be given not later than two (2) Domestic Business Days prior to the first Borrowing) request that its Prime Loans be evidenced by separate Prime Notes and/or that its Competitive Bid LIBOR Loans and Competitive Bid Rate Loans be evidenced by separate Competitive Bid Notes, in each case in an amount equal to the aggregate unpaid principal amount of such Loans. Each such Note shall

be in substantially the form of Exhibit A or C hereto, as the case may be, with appropriate modifications to reflect the fact that it evidences solely Loans of the relevant type. Each reference in this Agreement to the "Notes," "Prime Note," "Euro-Dollar Note," or "Competitive Bid Note" of such Bank shall be deemed to refer to and include any or all of such Notes, as the context may require.

(e) Upon receipt of each Bank's Notes pursuant to Section 3.2(a), the Agent shall mail such Notes to such Bank or shall otherwise deliver such Notes as such Bank shall direct. Each Bank shall record or cause to be recorded, and prior to any transfer of its Notes shall endorse on the schedules forming a part thereof appropriate notations to evidence, the date, amount and maturity of each Loan made by it and the date and amount of each payment of principal made by the Borrower with respect thereto; provided that the failure of any Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank is hereby irrevocably authorized by the Borrower so to endorse its Notes and to attach to and make a part of any Note a continuation of any such schedule as and when required.

SECTION 2.6 Maturity of Loans. Each Loan included in any Borrowing shall mature, and the principal amount thereof shall be due and payable, on the last day of the Interest Period applicable to such Borrowing.

#### SECTION 2.7 Interest Rates.

(a) Each Prime Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the greater of (i) the Prime Rate for such day, or (ii) the sum of the Adjusted Euro-Dollar Rate and the Euro-Dollar Margin. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Prime Loan shall bear interest, payable on demand, for each day until paid, at a rate per annum equal to the sum of one percent (1%) plus the greater of (i) the Prime Rate for such day, or (ii) the sum of the Adjusted Euro-Dollar Rate and the Euro-Dollar Margin.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable Adjusted Euro-Dollar Rate. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three (3) months, at intervals of three (3) months after the first day thereof.

"Euro-Dollar Margin," during fiscal quarter of Borrower, means: (a) .625%, if the ratio of Indebtedness to Tangible Net Worth (as determined pursuant to Section 5.5 hereof) as of the end of the preceding fiscal quarter was equal to or less than 1.25 to 1.0, and (b) if such ratio was then greater than 1.25 to 1.0, shall mean .75%.

The "Adjusted Euro-Dollar Rate" applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.

The "London Interbank Offered Rate" applicable to any Interest Period means the average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the respective rates per annum at which deposits in dollars are offered to each of the Reference Banks in the London inter-bank market at approximately 11:00 a.m. (London time) two Euro-Dollar Business Days before the first day of such Interest Period in an amount approximately equal to the principal amount of the Euro-Dollar Loan of such Reference Bank to which such Interest Period is to apply and for a period of time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement including, without limitation, basic, supplemental, marginal and emergency reserves) for a member bank of the Federal Reserve System in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted Euro-Dollar Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

(c) Any overdue principal of and, to the extent permitted by law, overdue interest on any Euro-Dollar Loan shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 1% plus the Euro-Dollar Margin plus the quotient obtained (rounded upwards, if necessary, to the next higher 1/100 of 1%) by dividing (i) the rate per annum at which one day (or, if such amount due remains unpaid more than three Euro-Dollar Business Days, then for such other period of time not longer than three months as the Agent may elect) deposits n dollars in an amount approximately equal to such overdue payment due to each of the Reference Banks are offered to such Reference Bank in the London interbank market for the applicable period determined as provided above by (ii) 1.00 minus the Euro-Dollar Reserve Percentage (or, if the circumstances described in clause (a) or (b) of Section 8.1 shall exist, at a rate per annum equal to the sum of 1% plus the rate applicable to Prime Loans for such day).

(d) Subject to Section 8.1(a), each Competitive Bid LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.7(b) as if each Euro-Dollar Reference Bank were to participate in the related Competitive Bid Borrowing ratably in proportion to

its Commitment) plus (or minus) the Competitive Bid Margin quoted by the Bank making such Loan in accordance with Section 2.3. Each Competitive Bid Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Competitive Bid Rate quoted by the Bank making such Loan in accordance with Section 2.3. Such interest shall be payable for each Interest Period on the last day thereof. Any overdue principal of and, to the extent permitted by law, overdue interest on any Competitive Bid Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 1% plus the Prime Rate for such day.

(e) The Agent shall determine each interest rate applicable to the Loans hereunder. The Agent shall give prompt notice to the Borrower and the participating Banks by telex or cable of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(f) Each Reference Bank agrees to use its best efforts to furnish quotations to the Agent as contemplated by this Section. If any Reference Bank does not furnish a timely quotation, the Agent shall determine the relevant interest rate on the basis of the quotation or quotations furnished by the remaining Reference Bank or Banks or, if none of such quotations is available on a timely basis, the provisions of Section 8.1 shall apply.

#### SECTION 2.8 Fees.

(a) Facility Fee. Borrower shall pay to the Agent quarterly in arrears, for the account of the Banks ratably in proportion to their Commitments, a facility fee equal to 1/4 of 1% per annum of the aggregate Commitments.

(b) Commitment Fee. Borrower shall pay to the Agent quarterly in arrears, for the account of the Banks ratably in proportion to their Commitments, a commitment fee equal to 1/8 of 1% per annum on the daily difference between (i) the aggregate of all Commitments, and (ii) the aggregate daily outstanding principal balance of all Notes.

(c) Agency Fee. Borrower shall pay to the Agent, for its own account, an agency fee as may be negotiated from time to time between Borrower and Agent.

(d) Payments. Accrued commitment fees and facility fees under this Section shall be payable at the end of every calendar quarter after the date hereof and upon the Termination Date or, if earlier, the date of termination of the Commitments in their entirety. The Agency fee under this Section shall be payable as of the effective date of this Agreement.

SECTION 2.9 Optional Termination or Reduction of Commitments. On any Domestic Business Day the Borrower may, upon at least five (5) Domestic Business Days' notice to the Agent terminate at any time, or reduce from time



to time by an aggregate amount of Five Million Dollars (\$5,000,000) or any larger multiple thereof, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the loans. Any terminations shall reduce ratably the respective Commitments of the Banks.

SECTION 2.10 Mandatory Termination. The Commitments shall terminate on the Termination Date, and any Loans then outstanding (together with accrued interest thereon) shall be due and payable on such date.

SECTION 2.11 Optional Prepayments. (a) The Borrower may, upon at least two Domestic Business Days' notice to the Agent prepay any Prime Borrowing in whole at any time, or from time to time in part in amounts aggregating Five Million Dollars (\$5,000,000) or a larger multiple of One Million Dollars (\$1,000,000), by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Prime Loans of the several Banks included in such Borrowing.

(b) Except as provided in Sections 8.2 and 8.3, the Borrower may not prepay all or any portion of the principal amount of any Fixed Rate Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share of such prepayment and such notice shall not thereafter be revocable by the Borrower.

SECTION 2.12 General Provisions as to Payments. The Borrower shall make each payment of principal of, and interest on, the Loans and of additional compensation hereunder, not later than 12:00 Noon (Seattle time) on the date when due, in Federal or other funds immediately available in Seattle, to the Agent at its address referred to in Section 9.1. The Agent will promptly distribute to each Bank its ratable share of each such payment received by the Agent for the account of the Banks. Whenever any payment of principal of, or interest on, the Prime Loans or of additional compensation shall be due on a day which is not a Domestic Business Day, the date for payment thereof shall be extended to the next succeeding Domestic Business Day. Whenever any payment of principal of, or interest on, the Euro-Dollar Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. Whenever any payment of principal of, or interest on, the Competitive Bid Loans shall be due on a day which is not a Euro-Dollar Business Day, the date for payment thereof shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case the date for payment thereof shall be the next preceding Euro-Dollar Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time. The Borrower's obligations for payment hereunder and under the Notes and the other

Loan Documents shall be absolute and unconditional under any and all circumstances, whether now foreseen or unforeseen, and shall not be affected by any setoff, counterclaim, recoupment, defense or other right which the Borrower may have against the Agent, any Bank or any other Person for any reason whatsoever.

SECTION 2.13 Funding Losses. If the Borrower makes any payment of principal with respect to any Fixed Rate Loan (pursuant to this Article 2, Article 6, Article 8 or otherwise) on any day other than the last day of the Interest Period applicable thereto, or the end of an applicable period fixed pursuant to Section 2.7(c), or if the Borrower fails to borrow any Fixed Rate Loans after notice has been given to any Bank in accordance with Section 2.4, the Borrower shall reimburse each Bank on demand for any resulting loss (including loss of anticipated profits, provided that in the case of substitution of a Prime Loan pursuant to Section 8.2 or 8.3(d) hereof, such lost profits shall be included only to the extent such loss is not mitigated by profit the affected Bank reasonably expects to enjoy under such Prime Loan, loss of anticipated profits, or expense incurred by it (or by an existing or prospective participant in the related Loan), including, without limitation, any loss incurred in obtaining, liquidating or employing deposits from third parties, provided that such Bank shall have delivered to the Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

SECTION 2.14 Computation of Interest and Fees. Interest rates, commitment fees, facility fees, and all other fees shall be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed (including the first day but excluding the last day).

SECTION 2.15 Maximum Interest Rate.

(a) Nothing contained in this Agreement or the Notes shall require the Borrower to pay interest at a rate exceeding the maximum rate permitted by applicable law.

(b) If the amount of interest payable for the account of any Bank on any interest payment date in respect of the immediately preceding interest computation period, computed pursuant to Section 2.7, would exceed the maximum amount permitted by applicable law to be charged by such Bank, the amount of interest payable for its account on such interest payment date shall be automatically reduced to such maximum permissible amount.

(c) If the amount of interest payable for the account of any Bank in respect of any interest computation period is reduced pursuant to clause (b) of this Section and the amount of interest payable for its account in respect of any subsequent interest computation period, computed pursuant to Section 2.7, would be less than the maximum amount permitted by applicable law to be charged to such Bank, then the amount of interest payable for its account in respect of such subsequent interest computation period shall be automatically increased to such maximum permissible amount; provided that at no time shall the aggregate amount by which interest paid for the account of any Bank has been increased pursuant to this clause (c) exceed the aggregate

amount by which interest paid for its account has theretofore been reduced pursuant to clause (b) of this Section.

SECTION 2.16 Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made free and clear of and without deduction for any and all present or future income, stamp and other taxes, levies, imposts, duties, deductions, charges, fees, or withholdings, and all liabilities with respect thereto, now or hereafter imposed, levied, collected, withheld or assessed by the United States (or by any political subdivision or taxing authority thereof or therein) excluding, in the case of each Bank and the Agent, net income and franchise taxes imposed on it, by the jurisdiction under the laws of which such Bank or the Agent (as the case may be) is organized or any political subdivision thereof and, in the case of each Bank, net income and franchise taxes imposed on it, by the jurisdiction of such Bank's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Bank or the Agent, (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 2.16) such Bank or the Agent (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. The Borrower will indemnify each Bank and the Agent for the full amount of any Taxes (including, without limitation, any Taxes imposed by any jurisdiction on amounts payable under this Section 2.16) paid by such Bank or the Agent (as the case may be) and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes were correctly or legally asserted. This indemnification shall be made within thirty (30) days from the date such Bank or the Agent (as the case may be) makes written demand therefore. Within thirty (30) days after the date of any payment of Taxes, the Borrower will furnish to the Agent the original or a certified copy of a receipt evidencing payment thereof. Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 2.16 shall survive the payment in full of principal and interest hereunder and under the Notes.

(b) Any Bank changing the jurisdiction of its Applicable Lending Office or claiming any additional amounts payable pursuant to this Section 2.16 shall use its best efforts (consistent with its internal policies and legal regulatory restrictions) to select a jurisdiction for its Applicable Lending Office or change the jurisdiction of its Applicable Lending Office, as the case may be, so as to avoid the imposition of any Taxes or to eliminate the amount of any such additional amounts which may thereafter accrue; provided that no such selection or change of the jurisdiction for its Applicable Lending Office shall be made if, in the reasonable judgment of such Bank, such selection or change would be disadvantageous to such Bank. Any Bank changing the jurisdiction of its Applicable Lending Office agrees to use

its best efforts to give the Borrower and the Agent thirty (30) days' prior notice thereof (or such lesser period as such Bank can reasonably provide); provided that the failure to give such notice shall not affect the rights of the Bank under this Section.

(c) Prior to the date of the initial Borrowing hereunder, and from time to time thereafter if requested by the Borrower or the Agent, each Bank organized under the laws of a jurisdiction outside the United States shall provide the Agent and the Borrower with the forms prescribed by the Internal Revenue Service of the United States certifying such Bank's exemption from United States withholding taxes with respect to all payments to be made to such Bank hereunder and under the Notes. Unless the Borrower and the Agent have received forms or other documents satisfactory to them indicating that payments hereunder or under any Note are not subject to United States withholding tax or are subject to such tax at a rate reduced by an applicable tax treaty, the Borrower or the Agent shall withhold taxes from such payments at the applicable statutory rate in the case of payments to or for any Bank organized under the laws of a jurisdiction outside the United States.

SECTION 2.17 Termination Date Extension. If the Borrower shall give to the Agent written notice during December, 1993, of Borrower's desire to extend the Termination Date for one additional year, then such Termination Date shall be so extended if each Bank by February 28, 1994, shall have provided its written consent to such extension and Borrower shall have paid such appropriate fees and expenses as may be required by the Banks. In the event that any Bank shall decline such consent or Borrower desires to substitute any bank for another Bank at this time, Borrower shall have the right to replace such Bank or Banks with such successor bank or banks as shall be satisfactory to the Agent; provided, that any such bank shall, pursuant to a written instrument in form and substance satisfactory to the Agent effectively agree to become a party hereto and a "Bank" hereunder and be bound by the terms hereof. Any such replacement or substitution of Banks shall be effective as of the close of business on the then-current Termination Date.

### ARTICLE 3

#### THE EFFECTIVE DATE; CONDITIONS TO BORROWINGS

SECTION 3.1 Conditions Precedent to Effective Date. On the Effective Date, the Agent shall have received the following in form and substance satisfactory to the Agent and (except for the Notes) in sufficient copies for each Bank:

(a) for the account of each Bank a duly executed Prime Note, Euro-Dollar Note and Competitive Bid Note, each dated the Effective Date, complying with the provisions of Section 2.5;

(b) an opinion of Bogle & Gates, legal counsel to the Borrower, substantially in the form of Exhibit G hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(c) an opinion of Davis Wright Tremaine, special counsel for the Banks and the Agent, substantially in the form of Exhibit H hereto and covering such additional matters relating to the transactions contemplated hereby as the Required Banks may reasonably request;

(d) a certificate signed by the Senior Vice President of the Borrower, to the effect set forth in clause (f) of this Section 3.1 and clauses (c) and (d) of Section 3.4;

(e) all documents it may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance satisfactory to the Agent, and including, without limitation, a certified copy of the resolutions of Borrower's Board of Directors authorizing generally the transactions contemplated herein and the execution, delivery and performance of this Agreement and all Loan Documents in substantially the same form as Exhibit I attached hereto and a certificate of incumbency as to the corporate titles and signatures of those people executing the Loan Documents on behalf of the Borrower; and

(f) confirmation of Borrower's current Commercial Paper Rating. The documents and opinions referred to in this Section shall be delivered to the Agent no later than the Effective Date. The certificate and opinions referred to in clauses (b), (c) and (d) above shall be dated the Effective Date.

SECTION 3.2 Effective Date Events. On the Effective Date, the following events will occur:

(a) The outstanding principal balance of each loan then outstanding under Prior Credit Agreement (an "Existing Loan") made by a Bank shall be renewed and replaced by a Loan hereunder (a "Replacement Loan") in the same amount. Each Replacement Loan shall bear interest at the same rate as did the replaced Existing Loan and have an Interest Period ending on the last day of the Interest Period (as defined in the Prior Credit Agreement) of the replaced Existing Loan.

(b) Borrower shall pay to Agent for distribution to Royal Bank of Canada ("Royal Bank") the outstanding principal balance of all Existing Loans made by it, plus all accrued and unpaid interest thereon and all fees and other amounts accrued for the account of Royal Bank through the Effective Date under the Prior Credit Agreement. The Bank of Nova Scotia ("Nova Scotia") shall make Loans to Borrower in the principal balance of such repaid Existing Loans of Royal Bank. Such initial Loans made by Nova Scotia shall be deemed Replacement Loans for the repaid Existing Loans of Royal Bank and shall have interest rates and Interest Periods determined pursuant to Section 3.2(b) above.

(c) Each Bank (other than Nova Scotia) shall mark the

promissory notes executed and delivered to it by Borrower pursuant to the Prior Credit Agreement "Renewed" and shall return same to Agent for delivery to the Borrower.

(d) The Prior Credit Agreement shall be deemed replaced and superseded by this Agreement.

SECTION 3.3 Carryover Interest and Fees. Interest on each Existing Loan made by a Bank that is accrued but unpaid as of the Effective Date ("Carryover Interest") will be paid by Borrower concurrently with its payment of interest on the Replacement Loan made to replace such Existing Loan. Facility fees and commitment fees accrued under the Prior Credit Agreement in respect of the Commitments (as defined therein) of the Banks that are unpaid as of the Effective Date ("Carryover Fees") shall be paid by Borrower on March 31, 1993, concurrently with the first payment pursuant to Section 2.8 of facility fees and commitments fees accrued hereunder. Borrower shall be obligated under this Credit Agreement to make such payments of Carryover Interest and Carryover Fees to the same extent and with the same effect as Borrower is obligated hereunder to pay interest and fees accruing hereunder. On receipt of payments of Carryover Interest and Carryover Fees, Agent shall distribute same to the Banks (other than Nova Scotia) ratably in proportion to their Commitments.

SECTION 3.4 Conditions to All Borrowings. In the case of each Borrowing (including the Borrowings comprised of Replacement Loans made pursuant to Section 3.2 hereof), the obligation of any Bank to make a Loan on the occasion of any Borrowing is subject to the satisfaction of the following conditions:

(a) receipt by the Agent of a Notice of Borrowing as required by Section 2.2 or 2.3, as the case may be;

(b) the fact that, immediately after such Borrowing, the aggregate outstanding principal amount of the Loans will not exceed the aggregate amount of the Commitments;

(c) the fact that, immediately after such Borrowing, no Default shall have occurred and be continuing; and

(d) the fact that the representations and warranties of the Borrower contained in this Agreement, any of the Loan Documents, or any certificate, document, or financial statement furnished at any time in connection herewith shall be true and correct on and as of the date of such Borrowing with the same effect as though such representations and warranties are made on or as of such date, except to the extent such representations and warranties expressly relate to an earlier date.

Each Borrowing hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing as to the facts specified in clauses (b), (c) and (d) of this Section.

## ARTICLE 4

### REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants that:

SECTION 4.1 Corporate Existence. The Borrower is duly organized, validly existing and in good standing as a corporation under the laws of the State of Washington and has the corporate power, authority and legal right, including, without limitation, adequate franchises, permits, licenses and rights, to own or operate its property or lease the property it operates and to conduct the business in which it is currently engaged.

SECTION 4.2 Corporate Qualifications. The Borrower is duly qualified as a corporation in good standing under the laws of the State of Washington and each other jurisdiction where its ownership, lease or operation of its property or the conduct of its business requires such qualification; except in those jurisdictions where the failure to so qualify would not have a materially adverse effect upon its financial condition.

SECTION 4.3 Authorization to Borrow. The Borrower possesses all requisite corporate power, authority and legal right to execute, deliver and perform all of its obligations under this Agreement and all other Loan Documents evidencing or otherwise relating to the obligations herein or therein, and has taken all necessary corporate action to authorize its execution, delivery and performance of this Agreement, the Notes and all other Loan Documents, and the execution, delivery and performance of this Agreement, the Notes and all other Loan Documents do not require any action by or in respect of, or filing with, any governmental body, agency or official.

SECTION 4.4 Enforceability. This Agreement constitutes and the Notes, when executed and delivered by Borrower pursuant to the terms of this Agreement or otherwise, shall constitute legal, valid and binding obligations of the Borrower which are enforceable against the Borrower in accordance with their respective terms.

SECTION 4.5 No Legal Bar. The execution, delivery and performance of this Agreement, the Notes or any other Loan Document by Borrower, and the use of the proceeds thereof shall not violate any provision of any existing law or regulation applicable to Borrower; any decree, judgment, order, injunction, finding or determination applicable to Borrower of any court, arbitrator or governmental agency or body of any kind; Borrower's articles of incorporation or bylaws; any security issued by Borrower, or any material mortgage, indenture, lease, contract, undertaking or other agreement or instrument to which Borrower is a party or by which Borrower or any of its property may be bound; and shall not result in the creation or imposition of any Lien on any material asset of Borrower or any of its Subsidiaries.

SECTION 4.6 Financial Information. All financial statements, annual reports, filings with the Securities and Exchange Commission and related

schedules furnished by Borrower to the Agent or the Banks in connection with Borrower's application for credit hereunder or any Borrowing (including, without limitation, the balance sheet dated as of October 31, 1992, and the related consolidated statements of income, shareholders' equity and changes in financial position for the fiscal year then ended as set forth in the Borrower's annual report on Form 10-K for 1992, as filed with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934) have been prepared on a GAAP consolidated basis, and fully and accurately represent the financial condition of Borrower and its Subsidiaries and the results of their operation as of the dates and for the periods indicated. Since October 31, 1992, there has not been any materially adverse change in Borrower's business, property, operations or condition (financial or otherwise) sufficient to impair Borrower's ability to repay the Loans.

SECTION 4.7 Litigation. Except as disclosed in writing to the Banks, there is no threatened (to Borrower's knowledge), or pending action, proceeding, investigation or claim against or affecting the Borrower before any court, arbitrator or governmental agency or body which, if adversely determined to Borrower, would have a materially adverse effect on its business, property, operations or condition (financial or otherwise), or would question the enforceability or validity of this Agreement or the Notes or seeks to enjoin the consummation of any of the transactions contemplated herein.

SECTION 4.8 Payment of Taxes. Borrower has filed or caused to be filed (i) all United States Federal income tax returns when required to be filed and (ii) all other tax returns when required to be filed other than such returns for which the filing requirement is being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP are provided on Borrower's books or for which the failure to file could not have a material adverse effect on the Borrower's financial condition, property or ability to conduct its business or perform its obligations. Borrower has promptly paid all United States Federal income taxes and all other taxes, assessments, fees, licenses, excise taxes, franchise taxes, governmental liens, penalties and other charges levied or assessed against Borrower or any of its property imposed on it by any governmental authority, agency or instrumentality which are due and payable, other than those payments for which (i) the amount, enforceability or validity thereof are being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP are provided on Borrower's books or (ii) the failure to pay could not have a material adverse effect on the Borrower's financial condition, property or ability to conduct its business or perform its obligations.

SECTION 4.9 Employee Benefit Plan. Borrower is in compliance in all material respects with the applicable provisions of ERISA, and the regulations and interpretations published thereunder. No Reportable Event exists with respect to any Plan administered by Borrower or any administrator designated by Borrower. Borrower has not, with respect to any of its Plans, engaged in any prohibited transaction set forth in section 406 of ERISA or Section 4975(c) of the Code that would permit the institution of proceedings to



terminate any Plan under section 4042 of ERISA. The estimated current value of the benefits vested under each Plan does not and, upon termination of any Plan, shall not exceed the estimated current value of any of such Plan's assets. Borrower is in compliance with all of the funding standards applicable to each Plan, and there is no material "accumulated funding deficiency" as defined by section 302 of ERISA under any Plan administered by Borrower or any administrator designated by Borrower. The Borrower has not incurred any withdrawal liability with respect to any Plan.

SECTION 4.10 Misrepresentations. No information, exhibits, data or reports furnished by Borrower or delivered to the Agent, or any of the Banks in connection with Borrower's application for credit hereunder contain any material misstatement of fact or omits to state a material fact or any fact necessary to make the statements contained therein not misleading.

SECTION 4.11 No Default. Borrower is not in default under or with respect to any contract, agreement or instrument to which it is a party or by which it or its assets may be bound; and is not in default under any order, award or decree of any court, arbitrator or other governmental authority binding upon or affecting it or by which any of its assets may be bound or affected, which default in either case could have a materially adverse effect on Borrower's financial condition, property, or ability to conduct its business or perform its obligations. Borrower is not subject to any order, award or decree which materially and adversely affects its financial condition, property, or ability to conduct its business or perform its obligations.

SECTION 4.12 No Burdensome Restrictions. No contract or other instrument to which Borrower may be bound and no legislative, charter or other corporate restriction to which Borrower may be subject materially and adversely affects or, insofar as Borrower may reasonably foresee based upon its present knowledge, may so affect its business, property, operations or condition (financial or otherwise).

SECTION 4.13 Regulations. Borrower is not engaged, nor shall it engage, principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" margin stock under Regulation U of the Board of Governors of the Federal Reserve System. Borrower shall not use, directly or indirectly, any part of the proceeds of any Loan for any purpose which violates or is inconsistent with the provisions of Regulation G, T, U or X of such Board of Governors, as the same may be amended, supplemented or modified from time to time. Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Act of 1940, as amended.

SECTION 4.14 Environmental Regulations. Borrower is in compliance in all material respects with all applicable federal and state environmental statutes, and the regulations and interpretations published thereunder.

SECTION 4.15 Title to Properties and Assets. The Borrower has marketable title to its material properties and assets reflected in the

balance sheet as of October 31, 1992, referred to in Section 4.6, except as disposed of since that date in the ordinary course of business; and to all of its material properties and assets now owned.

SECTION 4.16 Subsidiaries. Each of the Borrower's corporate Subsidiaries is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation, and has all corporate powers and all material governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted. The Borrower owns, directly or indirectly through one or more Subsidiaries, all the shares of all Subsidiaries (other than directors' qualifying shares, if any); and all such shares owned by the Borrower are validly issued, fully paid, non-assessable (except for statutory rights of assessment for wages owed) and free and clear of all Liens.

## ARTICLE 5

### COVENANTS

The Borrower agrees that, so long as any Bank has any Commitment hereunder or any amount payable hereunder or under any Note remains unpaid:

SECTION 5.1 Financial Information. The Borrower shall maintain a standard system of accounting in accordance with GAAP and deliver to each of the Banks the following;

(a) Quarterly Financial Statements. As soon as available and, in any event within sixty (60) days after the end of each of the first three (3) calendar quarters of each fiscal year, a copy of the unaudited consolidated balance sheet of Borrower and its Subsidiaries as at the end of each such quarter, together with the related unaudited statement of consolidated earnings, retained earnings and consolidated changes in financial position for each such quarter, all in reasonable detail and satisfactory in scope to the Banks, and certified by the chief financial officer of Borrower as to fairness of presentation, generally accepted accounting principles and consistency, which certification shall be in such form and substance as is satisfactory to the Banks;

(b) Annual Financial Statements. As soon as available and, in any event within ninety (90) days after the end of each fiscal year, a copy of its annual report to shareholders which includes the consolidated balance sheet of Borrower and its Subsidiaries as at the end of each such year, together with the related statement of consolidated earnings, retained earnings and consolidated changes in financial position for each such year, all in reasonable detail and satisfactory in scope to the Banks and certified by independent certified public accountants of recognized standing selected by Borrower and satisfactory to the Banks, which certification shall be an unqualified opinion;

(c) Other Borrower Certificates. Together with the

delivery of the financial statements required by clauses (a) and (b) above, a compliance certificate of the chief financial officer of Borrower which sets forth in reasonable detail the calculations required to establish whether the Borrower was in compliance with the requirements of Sections 5.3, 5.4 and 5.5, inclusive, on the date of such financial statements and which certifies that:

(i) The financial statements, while not examined by an independent public accountant, reflect fully and accurately represent the financial condition of Borrower and its Subsidiaries and the results of their operations as of the end of each fiscal quarter;

(ii) Borrower is in compliance with all conditions precedent set forth herein;

(iii) All warranties and representations herein are true and correct as of the date thereof;

(iv) There exists no known condition, event or act which constitutes a Default, or if any Default shall exist, the certificate shall specify the details thereof, the period of existence thereof and what action Borrower has taken or proposes to take with respect thereto;

(v) There is no judicial proceeding or regulatory action instituted by or against Borrower or its Subsidiaries, or any proceeding or action threatened in writing which (so far as the Borrower can now foresee in the exercise of its reasonable best knowledge) would have a materially adverse effect upon the business, property, operation or condition (financial or otherwise) of Borrower; and

(vi) There is no condition, event or action of any nature which, based upon the Borrower's present knowledge of such condition, event or action, can reasonably be expected (so far as the Borrower can now foresee in the exercise of its reasonable best knowledge) to result in or have a materially adverse effect upon the business, property, operation, or condition (financial or otherwise) of Borrower, or Borrower's ability to perform or observe in the ordinary course its obligations under this Agreement or any other Loan Document;

(d) Notice of Default. Forthwith upon the occurrence of any Default, a certificate of the chief financial officer or the chief accounting officer of the Borrower setting forth the details thereof, the period of existence thereof, and what action the Borrower has taken or proposes to take with respect thereto;

(e) Shareholder Materials. Promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all reports, proxy statements and other materials so mailed;

(f) SEC Reports. Promptly upon the filing thereof, copies of all registration statements (other than the exhibits thereto and, unless the securities covered thereby are held or distributed by the Borrower,

any registration statement on Form S-3 to the extent that they relate to secondary offerings or Form S-8 or their equivalents) and annual, quarterly or current reports which the Borrower shall have filed with the Securities and Exchange Commission;

(g) ERISA Information. If and when the Borrower (i) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (ii) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (iii) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice; and

(h) Additional Information. From time to time, as soon as available to the Borrower (the Borrower in any event to take all steps necessary to ensure prompt and expeditious availability within ten (10) days if possible), such additional data, information or documentation regarding the financial position or business of the Borrower as the Agent, at the request of any Bank, may reasonably request.

SECTION 5.2 Use of Proceeds. The proceeds of the Loans made under this Agreement will be used by the Borrower for working capital and to provide interim funds for capital expansion or other general corporate purposes. No portion of the loan proceeds shall be used, directly or indirectly, in connection with the acquisition of five percent (5%) or more of the voting interest of any corporation or other entity if such acquisition is opposed by the board of directors or management of such corporation or entity. None of such proceeds will be used, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any "margin stock" within the meaning of Regulation U.

SECTION 5.3 Current Ratio. The Borrower shall at all times maintain a ratio of Current Assets to Current Liabilities of not less than 1.25 to 1.0 as determined as at the end of each of Borrower's fiscal quarters.

SECTION 5.4 Tangible Net Worth. The Borrower shall at all times maintain a minimum Tangible Net Worth of not less than Two Hundred and Seventy-Five Million Dollars (\$275,000,000) as determined as at the end of each of Borrower's fiscal quarters.

SECTION 5.5 Ratio of Indebtedness to Tangible Net Worth. The Borrower shall at all times maintain a ratio of Indebtedness to Tangible Net Worth of not more than 1.5 to 1.0 as determined as at the end of each Borrower's fiscal quarters. For purposes of this Section only, "Indebtedness" shall not include guaranties entered into by Borrower with regard to "Safe Harbor Leases" to Heinz Company, Baugh Construction and others, as described in the letter of Price Waterhouse to Borrower dated December 17, 1991.

SECTION 5.6 Debt Service Coverage Ratio. The Borrower shall maintain the following totals in a minimum ratio of 1.25 to 1, measured annually, beginning as of fiscal year end October 31, 1992:

(a) net income plus depreciation plus depletion plus amortization plus-or-minus changes in deferred taxes minus dividends minus stock repurchases minus non-financed capital expenditures and timberland purchases; to

(b) total current principal payments due on all long-term Indebtedness.

"Non-financed capital expenditures and timberland purchases" shall be calculated by subtracting from "additions to plant and equipment and timberland" on Borrower's annual audited statement "additions to long term debt" (but excluding the Notes and any facilities of a term of two years or less extended by Agent) on Borrower's annual audited statement.

SECTION 5.7 Maintenance of Property; Insurance. The Borrower shall maintain all property materially useful and necessary in its business in good working order and condition and shall maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies of established repute engaged in the same or a similar business.

SECTION 5.8 Inspection of Property, Books and Records. The Borrower will permit representatives of any Bank at such Bank's expense to visit and inspect any of its properties, to examine and make abstracts and copies from any of its books and records, and to discuss its affairs, finances and accounts with its officers, employees and independent public accountants, all at such reasonable times and as often as may reasonably be desired.

SECTION 5.9 Consolidations, Mergers and Sales of Assets. The Borrower will not (i) sell, lease or otherwise transfer or dispose of all or any substantial part of its assets to any other Person, (ii) consolidate or merge with or into any Person or permit any Person to merge with or into the Borrower, (iii) make any substantial transfer or contribution to, or material investment in stock, shares or licenses of any Person, (iv) effect any change in Borrower's capital structure, except for the issuance of additional shares of stock and the retirement or redemption of its stock, (v) adopt any agreement or resolution for dissolving, terminating or substantially altering Borrower's present business activities, or (vi) engage or enter into any materially new or different activity which is unusual to Borrower's existing business and which would have a materially adverse impact upon the financial condition of Borrower; provided that the Borrower may consolidate with or merge into another corporation, or permit one or more corporations to consolidate with or merge into it, or sell, lease or transfer all or substantially all of its assets to another corporation (and thereafter dissolve or not dissolve as Borrower may elect) if: (a) the corporation surviving such merger or resulting from such consolidation, or the corporation

to which all or substantially all of Borrower's assets are sold, leased or transferred, as the case may be (1) expressly assumes in writing all of Borrower's obligations under this Agreement, the Notes, and the other Loan Documents, (2) qualifies to do business within the State of Washington, (3) has a Tangible Net Worth equal to or greater than Borrower's Tangible Net Worth immediately prior to such consolidation, merger, sale, lease or transfer, and (4) immediately after consummation of such transaction, no condition or event shall exist which constitutes a Default; and, (b) if Borrower will not be the surviving corporation after any such merger or consolidation or continue as "Borrower" after any such asset disposition, each Bank shall have consented to such consolidation, merger or asset disposition (with such consent not to be unreasonably withheld).

## ARTICLE 6

### DEFAULTS

SECTION 6.1 Events of Default. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

(a) Nonpayment. Any payment of principal or interest on or in connection with any Loan (including any mandatory prepayment) or any fees or other amount payable hereunder is not made when due;

(b) Failure to Perform. The Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement (other than those covered by clause (a) above), the Notes, or any other Loan Document for thirty (30) days after written notice thereof has been given to the Borrower by the Agent at the request of any Bank;

(c) Breach of Representation. Any representation, warranty, certification or statement made by the Borrower in this Agreement, the Notes, any other Loan Document, or in any certificate, financial statement or other document delivered pursuant to this Agreement is determined by the Required Banks to have been incorrect, false or misleading in any respect when made (or deemed made);

(d) Defaults on Other Obligations. There shall exist a material default in the performance of any other material agreement or obligation for the payment of borrowed money, for the deferred purchase price of property or services, or for the payment of rent under any lease, and such default shall have continued for thirty (30) days after Borrower has become aware of such default;

(e) Loss, Destruction or Condemnation of Property. A material portion of Borrower's property, in the sole opinion of the Required Banks, is affected by any significant uninsured loss, damage, destruction, theft, or is condemned, seized or appropriated and, in the sole opinion of the Required Banks, such loss, damage, destruction, theft, condemnation, seizure or appropriateness has a material adverse effect on the condition (financial or otherwise) of Borrower or its ability to conduct its business or perform

its obligations;

(f) Attachment Proceedings. Borrower or any of Borrower's material property is materially adversely affected by any:

- (i) Judgment, lien, execution, attachment or garnishment;
- (ii) General assignment for the benefit of creditors; or
- (iii) Sequestration or forfeiture;

(g) Insolvency. Borrower or any of Borrower's material property is affected by any proceeding under the laws of any jurisdiction relating to receivership, liquidation, reorganization, insolvency or bankruptcy, whether voluntarily or involuntarily instituted or brought by or against Borrower, including, without limitation, any reorganization of assets, deferment or arrangement of debts or any similar proceeding, unless, in the case of any proceeding involuntarily brought against Borrower, Borrower is diligently and in good faith contesting such proceeding and such proceeding is dismissed within sixty (60) days after commencement thereof;

(h) Judgments. Final judgment on claims not covered by insurance which, together with other outstanding final judgments against Borrower, exceeds One Million Dollars (\$1,000,000), is rendered against Borrower and is not discharged, vacated or reversed, or the execution thereof stayed pending appeal, within sixty (60) days after entry thereof or is not discharged within sixty (60) days after the expiration of such stay;

(i) Government Approvals. Any governmental approval, registration or filing with any governmental authority, now or hereafter required in connection with the performance by Borrower of its obligations under this Agreement or any Note is revoked, withdrawn or withheld, or fails to remain in full force and effect, except Borrower shall have thirty (30) days after notice of any such event by the Agent (at the request of any Bank) to take whatever action is necessary to obtain all necessary approvals, registrations and filings;

(j) Other Governmental Action. Any action by any governmental authority shall, in the opinion of the Required Banks, deprive Borrower of any substantial right, privilege or franchise, or substantially restrict the exercise thereof, and such action is not revoked or rescinded within sixty (60) days after it becomes effective or within thirty (30) days after notice from the Agent at the request of any Bank, whichever occurs first;

(k) Change of Affairs. There is a material change in the condition or affairs (business, financial or otherwise) of Borrower or any co-maker, endorser, surety or guarantor of the Notes which gives the Required Banks reasonable grounds to believe that Borrower may not be able to perform or observe in the ordinary course its obligations under this Agreement, the Notes or any other Loan Document and such change continues for thirty (30) days after written notice thereof has been given to Borrower by the Agent at

the request of any Bank; or

(1) ERISA Defaults. The Borrower shall fail to pay when due an amount or amounts aggregating in excess of One Million Dollars (\$1,000,000) which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having aggregate Unfunded Vested Liabilities in excess of One Million Dollars (\$1,000,000) (collectively, a "Material Plan") shall be filed under Title IV of ERISA by the Borrower or any plan administrator; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any Material Plan or a proceeding shall be instituted by a fiduciary of any Material Plan against the Borrower to enforce Section 515 of ERISA and such proceeding shall not have been dismissed within thirty (30) days thereafter; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any Material Plan must be terminated; then, without regard to any previous knowledge of any of the Banks, or the Agent and in every such event, the Agent shall (i) if requested by Banks having more than sixty-six and two-thirds percent (66-2/3%) in aggregate amount of the Commitments, by notice to the Borrower terminate the Commitments and they shall thereupon terminate and (ii) if requested by Banks holding Notes evidencing more than sixty-six and two-thirds percent (66-2/3%) in aggregate principal amount of the Loans, by notice to the Borrower declare the Notes (together with accrued interest thereon) to be, and the Notes shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; provided that in the case of the Event of Default specified in paragraph (g) above with respect to the Borrower, without any notice to the Borrower or any other act by the Agent or the Banks, the Commitments shall thereupon terminate and the Notes (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

SECTION 6.2 Notice of Default. The Agent shall give notice to the Borrower under Sections 6.1(b), (j) and (k) promptly upon being requested to do so by any Bank and shall thereupon notify all the Banks thereof.

## ARTICLE 7

### THE AGENT

SECTION 7.1 Appointment and Authorization. Each Bank irrevocably appoints and authorizes the Agent to take such action as agent, on its behalf and to exercise such powers under this Agreement and the Notes as are delegated to the Agent by the terms hereof or thereof, together with all such powers as are reasonably incidental thereto.

SECTION 7.2 Agent, and Affiliates. Seattle-First National Bank shall have the same rights and powers under this Agreement as any other Bank and may exercise or refrain from exercising the same as though it were not the



Agent and Seattle-First National Bank and its affiliates each may accept deposits from, lend money to, and generally engage in any kind of business with the Borrower or any Subsidiary or affiliate of the Borrower as if it were not the Agent hereunder.

SECTION 7.3 Action by Agent The obligations of the Agent hereunder are only those expressly set forth herein. Without limiting the generality of the foregoing, the Agent shall not be required to take any action with respect to any Default, except as expressly provided in Article 6.

SECTION 7.4 Consultation with Experts. The Agent may consult with legal counsel (who may be counsel for the Borrower), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with the advice of such counsel, accountants or experts.

SECTION 7.5 Liability of Agent. Neither the Agent nor any of its directors, officers, agents, or employees shall be liable for any action taken or not taken by it in connection herewith (i) with the consent or at the request of the Required Banks or (ii) in the absence of their respective own gross negligence or willful misconduct. Neither the Agent nor any of its respective directors, officers, agents or employees shall be responsible for or have any duty to ascertain, inquire into or verify (i) any statement, warranty or representation made in connection with this Agreement or any borrowing hereunder; (ii) the performance or observance of any of the covenants or agreements of the Borrower; (iii) the satisfaction of any condition specified in Article 3, except receipt of items required to be delivered to the Agent; or (iv) the due execution, legality, validity, enforceability, effectiveness, genuineness, sufficiency or value of this Agreement, the Notes or any other instrument or writing furnished in connection herewith. The Agent shall not incur any liability by acting in reliance upon any notice, consent, certificate, statement, or other writing (which may be a bank wire, telex or similar writing) believed by it to be genuine or to be signed by the proper party or parties.

SECTION 7.6 Indemnification. Each Bank shall, ratably in accordance with its Commitment, indemnify the Agent (to the extent not reimbursed by the Borrower) against any cost, expense (including counsel fees and disbursements), claim, demand, action, loss or liability (except such as result from the Agent's gross negligence or willful misconduct) that the Agent may suffer or incur in connection with this Agreement or any other Loan Document or any action taken or omitted by the Agent hereunder. The agreement of the Banks contained in this Section 7.6 shall survive the Termination Date.

SECTION 7.7 Credit Decision. Each Bank acknowledges that it has, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank also acknowledges that it will, independently and without reliance upon the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in

taking or not taking any action under this Agreement.

SECTION 7.8 Successor Agent. The Agent may resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Required Banks shall have the right to appoint a successor Agent provided such successor has a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000). If no successor Agent shall have been so appointed by the Required Banks, and shall have accepted such appointment, within thirty (30) days after the retiring Agent's giving of notice of resignation, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent (as the case may be), which shall be a commercial bank organized under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least Fifty Million Dollars (\$50,000,000). Upon the acceptance of its appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation hereunder as Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Agent.

## ARTICLE 8

### CHANGE IN CIRCUMSTANCES

SECTION 8.1 Basis for Determining Interest Rate Inadequate or Unfair. If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing (other than a Competitive Bid Rate Borrowing):

(a) the Agent is advised by the Reference Banks that deposits in dollars (in the applicable amounts) are not being offered to the Reference Banks in the relevant market for such Interest Period, or

(b) Banks having 50% or more of the aggregate amount of the Commitments advise the Agent that the relevant Adjusted Euro-Dollar Rate, as determined by the Agent will not adequately and fairly reflect the cost to such banks of funding their Fixed Rate Loans for such Interest Period, the Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, the obligations of the Banks to make such Euro-Dollar Loans or Competitive Bid LIBOR Loans shall be suspended, and, unless the Borrower notifies the Agent at least two (2) Domestic Business Days before the date of such Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, such Borrowing shall instead be made as a Prime Borrowing.

SECTION 8.2 Illegality. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation

or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for any Bank (or its Applicable Lending Office) to make, maintain or fund any of its Fixed Rate Loans, and such Bank shall so notify the Agent, the Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make such Fixed Rate Loans shall be suspended. Before giving any notice to the Agent pursuant to this Section, such Bank shall designate a different Applicable Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Fixed Rate Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then outstanding principal amount of each, such Fixed Rate Loan, together with accrued interest thereon. Concurrently with prepaying each such Fixed Rate Loan, the Borrower shall borrow a Prime Loan in an equal principal amount from such Bank (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks), and such Bank shall make such a Prime Loan.

### SECTION 8.3 Increased Cost and Reduced Return.

(a) If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject any Bank (or its Applicable Lending Office) to any tax, duty or other charge with respect to any of its Fixed Rate Loans, its Notes or its obligation to make any Fixed Rate Loans, or shall change the basis of taxation of payments to any Bank (or its Applicable Lending Office) of the principal of or interest on any of its Fixed Rate Loans or any other amounts due under this Agreement in respect of any of its Fixed Rate Loans or its obligation to make any Fixed Rate Loans (except for changes in the rate of tax on the overall net income of such Bank or its Applicable Lending Office imposed by the jurisdiction in which such Bank's principal executive office or Applicable Lending Office is located); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System, but excluding with respect to any Euro-Dollar Loan or Competitive Bid LIBOR Loan any such requirement included in an applicable Euro-Dollar Reserve Percentage, against assets of, deposits with or for the account of, or credit extended by, any Bank (or its Applicable Lending Office) or shall impose on

any Bank (or its Applicable Lending Office) or on the United States market for certificates of deposit or the London interbank market any other condition affecting any of its Fixed Rate Loans, its Notes or its obligation to make any Fixed Rate Loans; and the result of any of the foregoing is to increase the cost to such Bank (or its Applicable Lending Office) of making or maintaining any Fixed Rate Loan, or to reduce the amount of any sum received or receivable by such Bank (or its Applicable Lending Office) under this Agreement or under its Notes with respect thereto, by an amount deemed by such Bank to be material, then, within fifteen (15) days after written demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such increased cost or reduction.

(b) If after the date hereof, any Bank shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank (or its Applicable Lending Office) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on such Bank's capital as a consequence of its obligations hereunder (including without limitation its Commitment) to a level below that which such Bank could have achieved but for such adoption, change or compliance (taking into consideration such Bank's policies with respect to capital adequacy) by an amount deemed by such Bank to be material, then from time to time, within fifteen (15) days after written demand by such Bank (with a copy to the Agent), the Borrower shall pay to such Bank such additional amount or amounts as will compensate such Bank for such reduction.

(c) Each Bank will promptly notify the Borrower and the Agent of any event of which it has knowledge, occurring after the date hereof, which will entitle such Bank to compensation pursuant to this Section and will designate a different Applicable Lending Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. A certificate of any Bank delivered to Borrower pursuant to paragraph (a) or (b) of this Section that demands compensation under this Section and sets forth the additional amount or amounts to be paid to it hereunder and the basis for the determination thereof shall be conclusive in the absence of manifest error. In determining such amount, such Bank may use any reasonable averaging and attribution methods.

(d) If the Borrower shall become obligated to make any payment to any Bank under this Section 8.3, then the Borrower shall be entitled, on giving to the Agent, and such Bank not less than four (4) Euro-Dollar Business Days' prior notice, to repay the outstanding principal amount of the relevant Fixed Rate Loans held by such Bank, together with interest accrued thereon, and concurrently with prepaying each such Fixed Rate Loan the Borrower shall borrow a Prime Loan in an equal principal amount from

such Bank (on which interest and principal shall be payable contemporaneously with the related Fixed Rate Loans of the other Banks), and such Bank shall make such a Prime Loan.

SECTION 8.4 Prime Loans Substituted for Affected Euro-Dollar Loans. If (a) either (i) the obligation of any Bank to make Euro-Dollar Loans has been suspended pursuant to Section 8.2 or (ii) any Bank has demanded compensation with respect to Euro-Dollar Loans under Section 8.3 and (b) the Borrower shall, by at least five (5) Euro-Dollar Business Days' prior notice to such Bank through the Agent have elected that the provisions of this Section shall apply to such Bank, then, unless and until such Bank notifies the Borrower and the Agent that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Loans which would otherwise be made by such Bank as Euro-Dollar Loans shall be made instead as Prime Loans (on which interest and principal shall be payable contemporaneously with the related Euro-Dollar Loans of the other Banks), and

(b) after each of its Euro-Dollar Loans has been repaid, all payments of principal which would otherwise be applied to repay such Euro-Dollar Loans shall be applied to repay its Prime Loans instead.

## ARTICLE 9

### MISCELLANEOUS

SECTION 9.1 Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) and shall be given to such party at its address or telex number set forth on the signature pages hereof or such other address or telex number as such party may hereafter specify for the purpose by notice to the Agent and the Borrower. Each such notice, request or other communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified in this Section and the appropriate answerback is received, (ii) if given by mail, seventy-two (72) hours after such communication is deposited in the mails with first class postage prepaid, registered or certified, return receipt requested, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to the Agent under Article 2 or Article 8 shall not be effective until received.

SECTION 9.2 No Waivers. No failure or delay by the Agent or any Bank in exercising any right, power or privilege hereunder or under any Note or other Loan Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 9.3 Expenses; Documentary Taxes. The Borrower shall pay (i) all out-of-pocket expenses of the Agent, including reasonable fees and disbursements of special counsel for the Banks and the Agent, in connection with any waiver or consent under this Agreement or any other Loan Document or any amendment hereof or thereof or any Default or alleged Default hereunder (except, in the case of an alleged Default, when the Required Banks knew or reasonably should have known that no Default actually existed) and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by the Agent or any Bank, including reasonable fees and disbursements of counsel, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. The Borrower agrees to pay, and shall indemnify each Bank against, any present or future stamp, transfer, or documentary taxes or any other excise or property taxes, charges, assessments, or similar levies which arise from any payment made hereunder or under the Notes or any other Loan Document or from the execution, delivery or registration of, or otherwise with respect to, this Agreement, the Notes or any other Loan Document. The Borrower's obligations under this Section 9.3 shall survive the Termination Date.

SECTION 9.4 Indemnifications. The Borrower agrees to indemnify and hold harmless the Agent and each Bank and each of their respective directors, officers, employees and agents from and against any and all claims, damages, liabilities and expenses (including, without limitation, fees and disbursements of counsel) which may be incurred by or asserted against the Agent or such Bank or any such director, officer, employee or agent which would not have been incurred by or asserted against such Person but for the Agent or such Bank being a party to this Agreement in connection with or arising out of any investigation, litigation, or proceeding (i) related to any transaction or proposed transaction (whether or not consummated) in which any proceeds of any Borrowing are applied or proposed to be applied, directly or indirectly, by the Borrower (including, without limitation, any such application or proposed application by the Borrower related to any acquisition or proposed acquisition by the Borrower or any subsidiary or affiliate of the Borrower of all or any portion of the stock or substantially all of the assets of any Person), whether or not the Agent or such Bank or any such director, officer, employee or agent is a party to such transaction or (ii) related to the Borrower's entering into this Agreement or any other Loan Document, or to any actions or omissions of the Borrower, any of its respective subsidiaries or affiliates or any of its or their respective directors, officers, employees or agents in connection herewith or therewith, unless (but only to the extent) such claim, damage, liability or expense was attributable to such indemnified party's gross negligence or wilful misconduct or (iii) related to any claim that Borrower's property or operations do not comply with, or do require remedial activity pursuant to, applicable governmental requirements, including environmental laws and regulations. The Borrower's obligations under this Section 9.4 shall survive the Termination Date.

SECTION 9.5 Sharing of Set-Offs. Each Bank agrees that if it shall, by exercising any right of set-off or counterclaim or otherwise, receive

payment of a proportion of the aggregate amount of principal and interest due with respect to any Note held by it which is greater than the proportion received by any other Bank in respect of the aggregate amount of principal and interest due with respect to any Note held by such other Bank, the Bank receiving such proportionately greater payment shall purchase such participations in the Notes held by the other banks, and such other adjustments shall be made, as may be required so that all such payments of principal and interest with respect to the Notes held by the Banks shall be shared by the Banks pro rata; provided that nothing in this Section shall impair the right of any Bank to exercise any right of set-off or counterclaim it may have and to apply the amount subject to such exercise to the payment of indebtedness of the Borrower other than its indebtedness under the Notes. The Borrower agrees, to the fullest extent it may effectively do so under applicable law, that any holder of a participation in a Note whether or not acquired pursuant to the foregoing arrangements, may exercise rights of set-off or counterclaim and other rights with respect to such participation as fully if such holder of a participation were a direct creditor of the Borrower in the amount of such participation.

SECTION 9.6 Amendments and Waivers. Any provision of this Agreement or the Notes may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the Borrower and the Required Banks (and, if the rights or duties of the Agent are affected thereby, by the Agent); provided that the Agent may, with the consent of the Borrower (which shall not be unreasonably withheld), specify by notice to the Banks modifications in the procedures set forth in Section 2.3; and provided further that no such amendment, waiver or modification shall, unless signed by all the Banks, (i) increase the Commitment of any Bank or subject any Bank to any additional obligation, (ii) reduce the principal of or rate of interest on any Loan or any fees hereunder, (iii) postpone the date fixed for any payment of principal of or interest on any Loan or any fees hereunder, or (iv) change the percentage of the Commitments or of the aggregate unpaid principal amount of the Notes, or the number of Banks, which shall be required for the Banks or any of them to take any action under this Section 9.6 or any other provision of this Agreement.

#### SECTION 9.7 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that the Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement. A Bank may assign its Notes and its rights and obligations under this Agreement with the consent of the Borrower and Agent.

(b) The Agent, and the Borrower may, for all purposes of this Agreement, treat any Bank as the holder of any Note drawn to its order (and owner of the Loans evidenced thereby) until written notice of assignment, participation or other transfer shall have been received by them.

(c) If any Reference Bank assigns its Notes to an

unaffiliated institution, the Agent shall, in consultation with the Borrower and with the consent of the Required Banks, appoint another bank to act as such Reference Bank hereunder.

SECTION 9.8 Collateral. Each of the Banks represents to the Agent and each of the other Banks that it in good faith is not relying upon any "margin stock" (as defined in Regulation U) as collateral in the extension or maintenance of the credit provided in this Agreement.

SECTION 9.9 Governing Law. This Agreement and each Note, including all matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Washington, as applied to contracts executed and to be fully performed in such State by citizens of such State. In the event that suit is instituted to enforce this Agreement or any Note or other Loan Document, venue of any such suit may be laid in King County, Washington.

SECTION 9.10 Counterparts; Effectiveness. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when the Agent shall have received counterparts hereof signed by all of the parties hereto.

SECTION 9.11 Concerning Oral Agreements. ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LONGVIEW FIBRE COMPANY

By \s\ L. J. Holbrook  
L. J. Holbrook

Senior Vice President-Finance

Mailing Address:

Longview Fibre Company  
P. O. Box 639  
Longview, Washington 98632  
Attention: Lisa J. Holbrook  
Senior Vice President-Finance

Courier Address:

Longview Fibre Company  
End of Fibre Way  
Longview, Washington 98632



Attention: Lisa J. Holbrook  
Senior Vice President-Finance  
Telephone: (206) 425-1550  
Facsimile: (206) 425-3116

Percent of  
Aggregate  
Commitments

Commitment

16.469%

\$28,000,000

SEATTLE-FIRST NATIONAL BANK

By \s\ Robert M. Ingram, III  
Robert M. Ingram, III

Vice President

701 Fifth Avenue,  
Floor 12  
Seattle, WA 98104

Attention: Robert M. Ingram, III  
Vice President  
Telephone: (206) 358-3601  
Facsimile: (206) 358-3113

Percent of  
Aggregate  
Commitments

Commitment

14.824%

\$25,200,000

BANK OF AMERICA NATIONAL  
TRUST & SAVINGS ASSOCIATION

By \s\ Michael J. Balok  
Michael J. Balok

Vice President

U.S. Division, 41st Floor  
555 California Street  
San Francisco, CA 94104  
Attention: Michael J. Balok  
Vice President  
Telephone: (415) 622-2018  
Facsimile: (415) 622-4585

Percent of  
Aggregate  
Commitments

Commitment

14.824%

\$25,200,000

ABN AMRO BANK N.V.

By \s\ Paul A. Calderon

Paul A. Calderon

Vice President

One Union Square

Suite 2323

Seattle, WA 98101

Attention: Walter Euyang

Vice President

Telephone: (206) 587-2360

Facsimile: (206) 682-5641

Percent of  
Aggregate  
Commitments

Commitment

14.824%

\$25,200,000

NATIONAL WESTMINSTER BANK PLC

By \s\ Gary A. Miller

Gary A. Miller

Vice President

Los Angeles Overseas Branch

400 South Hope Street

Suite 1000

Los Angeles, CA 90071

Attention: Michael E. Keating

Vice President

Telephone: (213) 624-8555

Facsimile: (213) 623-6540

Percent of  
Aggregate  
Commitments

Commitment

14.824%

\$25,200,000

CONTINENTAL BANK N.A.

By \s\ R. Guy Stapleton

R. Guy Stapleton

Vice President

231 South La Salle

Chicago, Illinois 60697

Attention: Elizabeth M. Nolan  
Vice President  
Telephone: (312) 828-1292  
Facsimile: (312) 765-2080

Percent of  
Aggregate  
Commitments

Commitment

14.824%

\$25,200,000

NATIONSBANK OF NORTH CAROLINA,  
N.A.

By \s\ Michael O. Lincoln  
Michael O. Lincoln

Vice President

Forest Products Group  
Nationsbank Corporate Center  
100 North Tryon Street  
8th Floor  
Charlotte, NC 28255  
Attention: Michael O. Lincoln  
Vice President  
Telephone: (704) 386-5960  
Facsimile: (704) 386-3271

Percent of  
Aggregate  
Commitments

Commitment

9.411%

\$16,000,000

THE BANK OF NOVA SCOTIA

By \s\ Michael Brown  
Michael Brown

Vice President

Attention: Michael Brown  
Vice President and  
Manager  
Portland Branch  
56 S.W. Salmon Street  
Portland, Oregon 97204  
Telephone: (503) 222-5233  
Facsimile: (503) 222-5502

Total  
Commitment

\$170,000,000

SEATTLE-FIRST NATIONAL BANK,  
as Agent

By \s\ Robert M. Ingram III  
Robert M. Ingram III

Vice President

701 Fifth Avenue, Floor 12  
Seattle, WA 98104

Attention: Robert M. Ingram III  
Vice President  
Telephone: (206) 358-3601  
Facsimile: (206) 358-3113

EXHIBIT A

PRIME NOTE

\_\_\_\_\_, 1993

For value received, Longview Fibre Company, a Washington corporation (the "Borrower"), promises to pay to the order of \_\_\_\_\_ (the "Bank"), for the account of its Domestic Lending Office, the unpaid principal amount of each Prime Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Borrower promises to pay interest on the unpaid principal amount of each such Prime Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Seattle-First National Bank, Columbia Seafirst Center, 701 Fifth Avenue, Seattle, Washington.

All Prime Loans made by the Bank, the respective maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided, that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Prime Notes referred to in the Credit Agreement dated as of February 26, 1993, among the Borrower, the banks listed on the signature pages thereof, and Seattle-First National Bank, as Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note, including all matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Washington, as applied to contracts executed and to be fully performed in such State by citizens of such State. In the event that suit is instituted to enforce this Note, venue of any such suit may be laid in King County, Washington.

LONGVIEW FIBRE COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount
of	
Loan	Amount of
Principal	
Repaid	Maturity
Date	Notation
Made by	

EXHIBIT B

EURO-DOLLAR NOTE  
 \_\_\_\_\_, 1993

For value received, Longview Fibre Company, a Washington corporation (the "Borrower"), promises to pay to the order of \_\_\_\_\_ (the "Bank"), for the account of its Euro-Dollar Lending Office, the unpaid

principal amount of each Euro-Dollar Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Borrower promises to pay interest on the unpaid principal amount of each such Euro-Dollar Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Seattle-First National Bank, Columbia Seafirst Center, 701 Fifth Avenue, Seattle, Washington.

All Euro-Dollar Loans made by the Bank, the respective maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This note is one of the Euro-Dollar Notes referred to in the Credit Agreement dated as of February 26, 1993, among the Borrower, the banks listed on the signature pages thereof, and Seattle-First National Bank, as Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note, including all matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Washington, as applied to contracts executed and to be fully performed in such State by citizens of such State. In the event that suit is instituted to enforce this Note, venue of any such suit may be laid in King County, Washington.

LONGVIEW FIBRE COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

LOANS AND PAYMENTS OF PRINCIPAL

Date	Amount
of	
Loan	Amount of

Principal  
Repaid                    Maturity  
Date                      Notation  
Made by

EXHIBIT C

COMPETITIVE BID NOTE  
\_\_\_\_\_, 1993

For value received, Longview Fibre Company, a Washington corporation (the "Borrower"), promises to pay to the order of \_\_\_\_\_ (the "Bank"), for the account of its Competitive Bid Lending Office, the aggregate unpaid principal amount of each Competitive Bid Loan made by the Bank to the Borrower pursuant to the Credit Agreement referred to below on the last day of the Interest Period relating to such Loan. The Borrower promises to pay interest on the unpaid principal amount of each such Competitive Bid Loan on the dates and at the rate or rates provided for in the Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in federal or other immediately available funds at the office of Seattle-First National Bank, Columbia Seafirst Center, 701 Fifth Avenue, Seattle, Washington.

All Competitive Bid Loans made by the Bank, the respective maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; provided that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Credit Agreement.

This Note is one of the Competitive Bid Notes referred to in the Credit Agreement dated as of February 26, 1993, among the Borrower, the banks listed on the signature pages thereof, and Seattle-First National Bank, as Agent (as the same may be amended or supplemented from time to time, the "Credit Agreement"). Terms defined in the Credit Agreement are used herein with the same meanings. Reference is made to the Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note, including all matters of construction, validity and performance, shall be governed by and construed in accordance with the laws of the State of Washington, as applied to contracts executed and to be fully performed in such State by citizens of such State. In the event that such suit is instituted to enforce this Note, venue of any such may be laid in King County, Washington.

LONGVIEW FIBRE COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

By \_\_\_\_\_

Its \_\_\_\_\_

LOANS AND PAYMENTS OF PRINCIPAL

Date of Loan Principal Repaid Date Made by	Amount  Amount of Maturity Notation
--------------------------------------------------------------	-------------------------------------------------

EXHIBIT D

FORM OF COMPETITIVE BID QUOTE REQUEST

[Date]

TO: Seattle-First National Bank (the "Agent")

FROM: Longview Fibre Company

RE: Credit Agreement (the "Credit Agreement") dated as of February 26, 1993, among the Borrower, the Banks parties thereto, and the Agent.

We hereby give notice pursuant to Section 2.3 of the Credit Agreement that we request Competitive Bid Quotes for the following proposed Competitive Bid Borrowing(s):

Date of Borrowing: \_\_\_\_\_

Principal Amount1

Interest Period1



\$

Such Competitive Bid Quotes should offer a Competitive Bid [Margin] [Rate].

Terms used herein have the meanings assigned to them in the Credit Agreement.

LONGVIEW FIBRE COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_

- - - - -

1 Amount must be \$5,000,000 or a larger multiple of \$1,000,000.  
2 One (1), two (2), three (3) or six (6) months (LIBOR Auction);  
or a number of days not earlier than seven (7) days nor later  
than one (1) year (Absolute Rate Auction), subject in each case  
to the provisions of the definition of Interest Period.

EXHIBIT E

FORM OF INVITATION FOR COMPETITIVE BID QUOTES

TO: [Name of Bank]

RE: Invitation for Competitive Bid Quotes to Longview Fibre  
Company (the "Borrower")

Pursuant to Section 2.3 of the Credit Agreement dated as of  
February 26, 1993 among the Borrower, the Banks parties thereto,  
and the undersigned, as Agent, we are pleased on behalf of the  
Borrower to invite you to submit Competitive Bid Quotes to the  
Borrower for the following proposed Competitive Bid Borrowing(s):

Date of Borrowing: \_\_\_\_\_

Principal Amount

Interest Period

\$

Such Competitive Bid Quotes should offer a Competitive Bid [Margin] [Rate].

Please respond to this invitation by no later than [10:00 a.m.] [8:30 a.m.] (Seattle time) on [date].

SEATTLE-FIRST NATIONAL BANK,  
as Agent

By  
Authorized Officer

EXHIBIT F

FORM OF COMPETITIVE BID QUOTE

SEATTLE-FIRST NATIONAL BANK,  
as Agent  
Columbia Seafirst Center  
701 Fifth Avenue  
Seattle, Washington 98104

Attention:

Re: Competitive Bid Quote to Longview Fibre Company (the  
"Borrower")

In response to your invitation on behalf of the Borrower dated \_\_\_\_\_, 19\_\_, we hereby make the following Competitive Bid Quote on the following terms:

1. Quoting Bank:
2. Person to contact at Quoting Bank:
3. Date of Borrowing: 1
- [4. Base rate: ]\*
5. We hereby offer to make Competitive Bid Loan(s) in the following principal amounts, for the following Interest Periods and at the following rates:

Principal  
Amount1                      Minimum

Principal  
Amount (if any)      Interest  
Period1                      Competitive Bid  
[Margin]1  
[Rate]1

We understand and agree that the offer(s) set forth above, subject to the satisfaction of the applicable conditions set forth in the Credit Agreement dated as of February 26, 1993 among the Borrower, the Banks parties thereto, and yourself, as Agent, irrevocably obligates us to make the Competitive Bid Loan(s) for which any offer(s) are accepted, in whole or in part.

Very truly yours,

[Name of Bank]

Dated: \_\_\_\_\_ By  
Authorized Officer

1 As specified in the related Invitation.

2 Principal amount bid for each Interest Period may not exceed principal amount requested. Bids must be made for \$500,000 or a larger multiple thereof.

3 One (1), two (2), three (3) or six (6) months; or such number of days not earlier than seven (7) days nor later than one (1) year, in each case as specified in the related Invitation.

4 Margin over or under the London Interbank Offered Rate determined for the applicable Interest Period. Specify percentage (rounded to the nearest 1/10,000 of 1%) and specify whether "PLUS" or "MINUS."

5 Specify rate of interest per annum (rounded to the nearest 1/100th of 1%).

EXHIBIT G  
OPINION OF  
COUNSEL FOR THE BORROWER

[Dated as provided in Section 3.2 of the  
Credit Agreement]

To the Banks, and the Agent

Referred to Below  
c/o Seattle-First National Bank,  
as Agent  
Columbia Seafirst Center  
701 Fifth Avenue  
Seattle, Washington 98104

Dear Sirs:

We have acted as counsel for Longview Fibre Company, a Washington corporation (the "Borrower") in connection with the execution and delivery of that certain Credit Agreement (the "Credit Agreement") dated as of February 26, 1993 amount the Borrower, the banks listed on the signature pages thereof, and Seattle-First National Bank, as Agent. Terms defined in the Credit Agreement are used herein as therein defined.

We have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, corporate records, certificates of officers of the Borrower or its Subsidiaries, certificates of public officials and other instruments as we have deemed necessary or advisable for purposes of this opinion. As to questions of fact material to the opinions set forth below, we have relied upon all of the foregoing documents, certificates and statements, and we have not independently verified the accuracy of factual matters except as set forth herein.

We have assumed that the Agent and the Banks have all requisite power and authority to enter into and perform under the Credit Agreement, and that such document has been duly authorized, executed and delivered by and constitutes the legal, valid and binding obligation of the Agent and the Banks.

We are qualified to practice law only in the State of Washington. The opinions expressed herein are limited in all respects to the laws of the State of Washington and the federal laws of the United States, and no opinion is being rendered herein with respect to the effect, if any, which the laws of any other jurisdiction may have on the opinions rendered herein.

1. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of Washington and has all corporate powers required to carry on its business as now conducted.

2. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes are within the Borrower's corporate powers, have been duly authorized by all necessary corporate action, and require no action by or in respect of, or filing with, any governmental body, agency or official.

3. The execution, delivery and performance by the Borrower of the Credit Agreement and the Notes do not contravene, or constitute a default under (a) any provision of applicable law or regulation, (b) the certificate of incorporation or by-laws of the Borrower, or (c) any agreement or other instrument governing Indebtedness or any other agreement, judgment,

injunction, order, decree or other instrument binding upon the Borrower, and identified for us by the Borrower after due inquiry as an agreement, judgment injunction, order, decree or other instrument binding upon the Borrower, the contravention or default under which would have a material adverse effect on the Borrower, and to the best of our knowledge, the execution, delivery and performance by the Borrower of the Credit Agreement and the Notes do not result in the creation or imposition of any Lien on any material asset of the Borrower or any of its Subsidiaries.

4. The Credit Agreement and the Notes each constitute legal, valid and binding obligations of the Borrower, enforceable against the Borrower in accordance with their respective terms, except with respect to Section 2.15(c) of the Credit Agreement as to which we specifically express no opinion.

5. Except as disclosed by the Borrower to the Banks in writing, to the best of our knowledge, there is no action, suit or proceeding pending against or threatened against (or any basis therefore known to us) the Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official, which might result in an adverse decision which could materially adversely affect the business, financial position or results of operations of the Borrower or which in any manner draws into question the validity or enforceability of the Credit Agreement or the Notes.

6. The payment obligations of the Borrower under the Credit Agreement and the Notes are direct, unsecured general obligations of the Borrower, ranking pari passu in right of payment with all other unsecured and unsubordinated indebtedness for money borrowed or raised by the Borrower.

7. The Credit Agreement and the Notes are in proper form acceptable for enforcement in Federal and State courts in Washington and may be so enforced without the payment of any court, documentary, stamp or other similar tax (other than customary filing fees and court costs applicable generally to litigation in such courts).

8. The Borrower is not engaged principally or as one of its important activities, in the business of extending credit for the purpose of "purchasing" or "carrying" margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System, as amended. The Borrower is not an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

In giving the foregoing opinions we express no opinion as to the enforceability of the Credit Agreement, any Note, or any other document to the extent that the enforceability thereof may be effected by bankruptcy, insolvency, moratorium, or other similar laws relating to or limiting creditor's rights generally and by general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether applied by a court of law or equity.

Very truly yours,

EXHIBIT H

OPINION OF DAVIS WRIGHT TREMAINE, SPECIAL COUNSEL  
FOR THE BANKS AND THE AGENT

[Dated as provided in Section 3.2 of the Credit Agreement]

To Each of the Parties Named  
on Schedule A Hereto

Re: Credit Agreement, dated as of February 26, 1993, among  
Longview Fibre Company, the banks listed on the  
signature pages thereof, and Seattle-First National  
Bank

Dear Sirs:

Reference is made to that certain Credit Agreement dated as of February 26, 1993 (the "Credit Agreement"), among Longview Fibre Company (the "Borrower"), the banks listed on the signature pages thereof (the "Banks"), and Seattle-First National Bank, as Agent (the "Agent"). Unless otherwise defined herein, capitalized terms used herein shall have the respective meanings set forth in the Credit Agreement.

We have acted as your special counsel in the preparation of the Credit Agreement and the Notes. As such counsel, we have made such investigations of law as we have deemed necessary as a basis for the opinion hereinafter set forth. As to any matters of fact bearing upon such opinion we have relied upon the representations and warranties the accuracy of which we have not independently verified set forth in the Credit Agreement (except to the extent that the representations and warranties of the Borrower by their terms cover the matters set forth in paragraphs 1 and 2 below) and in certain certificates of public officials and of officers of the Borrower. In rendering such opinion, we have relied upon the following assumptions, the accuracy of which we have not independently verified:

(i) each of the Banks, the Agent and the Borrower is a corporation or banking association, as the case may be, duly organized and validly existing in good standing under the laws of the jurisdiction of its organization and has full power, authority and legal right to execute and deliver, and to perform its obligations under, the Credit Agreement; provided, however, that we have not relied on such assumption to the extent such matters are covered in paragraph 1 below;

(ii) each of the Banks and the Agent has duly authorized the execution and delivery of, and the performance of its obligations under, the Credit Agreement;

(iii) each of the Banks and the Agent has duly executed and delivered the Credit Agreement, and the Credit Agreement constitutes the legal, valid and binding obligation of the Banks and the Agent;

(iv) the Borrower has duly executed and delivered the Credit Agreement and the Notes; and

(v) all documents and other materials submitted to us as originals are authentic, and all documents and other materials submitted to us as copies of the originals conform to the originals.

Based upon and subject to the foregoing, and subject further to the limitations stated below it is our opinion that:

(1) the execution and delivery by the Borrower of, and the performance of its obligations under, the Credit Agreement and the Notes are within the Borrower's corporate powers and to our knowledge based solely upon our examination of the resolutions of the Board of Directors of the Borrower, have been duly authorized by all necessary corporate action on the part of the Borrower; and

(2) the Credit Agreement and the Notes constitute legal, valid and binding obligations of the Borrower.

Our opinion set forth above is subject to the following additional limitations:

(i) we express no opinion as to any laws other than the laws of the State of Washington and the federal laws of the United States; and

(ii) we express no opinion as to the legality, validity or binding effect of any right or obligation to the extent that such right or obligation (A) may be limited by (x) applicable bankruptcy, insolvency, reorganization, moratorium, or other laws relating to or limiting creditor's rights generally or (y) general principles of equity (regardless of whether considered in a proceeding in equity or at law), or (B) purports to authorize or permit any person to act in a manner which is not in good faith, diligent or commercially reasonable, or purports to waive any rights of any person with respect to such actions, or (C) purports to waive or require the waiver of, or to limit the applicability or effect of, any statute or governmental rule or regulation. Without limiting the generality of the foregoing clause (C), we express no opinion as to the effect (if any) of any law of any jurisdiction (other than the State of Washington) in which any Bank is located which may limit the rate of interest that such Bank may charge or collect.

The opinion set forth above is given as of the date hereof and we disavow any undertaking or obligation to advise you of any changes in law or any facts or circumstances that may hereafter occur or come to our attention that could affect such opinion. This opinion letter is delivered to you pursuant to Section 3.1(c) of the Credit Agreement solely for your use in connection with

the transactions contemplated therein, and may not be used by you for any other purpose and may not be relied upon by any other person without our prior written consent.

Very truly yours,

SCHEDULE A

ABN AMRO BANK N.V.  
One Union Square  
Suite 2323  
Seattle, Washington 98101  
Attention: Walter Euyang  
Vice President

BANK OF AMERICA NATIONAL TRUST  
& SAVINGS ASSOCIATION  
U.S. Division, 41st Floor  
555 California  
San Francisco, California 94104  
Attention: Michael J. Balok  
Vice President

THE BANK OF NOVA SCOTIA  
Portland Branch  
56 S.W. Salmon Street  
Portland, OR 97204  
Attention: Michael Brown  
Vice President and Manager

CONTINENTAL BANK N.A.  
231 South LaSalle  
Chicago, Illinois 60697  
Attention: Elizabeth M. Nolan  
Vice President

NATIONAL WESTMINSTER BANK PLC  
Los Angeles Overseas Branch  
400 South Hope Street  
Suite 1000  
Los Angeles, CA 90071  
Attention: Michael E. Keating  
Vice President

NATIONSBANK OF NORTH CAROLINA, N.A.  
Forest Products Group



Nationsbank Corporate Center  
100 North Tryon Street, 8th Floor  
Charlotte, N. Carolina 28255  
Attention: Michael O. Lincoln  
Vice President

SEATTLE-FIRST NATIONAL BANK  
Columbia Seafirst Center  
701 Fifth Avenue, 12th Floor  
Seattle, Washington 98104  
Attention: Robert M. Ingram, III  
Vice President

EXHIBIT I

LONGVIEW FIBRE COMPANY

BOARD OF DIRECTORS RESOLUTIONS

RESOLVED, it is hereby authorized and approved that this Corporation negotiate and enter into a Credit Agreement with Seattle-First National Bank, for itself and as agent for a syndicate of domestic and international banks to be mutually agreed to by the Corporation and Seattle-First National Bank (the "Bank") to provide for the establishment of a revolving credit facility for the purposes of general working capital or other corporate purposes, in the aggregate principal amount of up to \$170,000,000, the summary of principal terms of which has been furnished to each of the directors of this Corporation, is hereby authorized and approved in such form and with such changes in the terms, conditions or other provisions thereof as the President or the Vice President-Finance of this Corporation may approve and that the President or any Vice President of the Corporation is hereby authorized to execute and deliver to the Bank all necessary agreements, instruments and documents, the execution and delivery of which shall be conclusive evidence of proper authorization; and

FURTHER RESOLVED, that the proper officers of this Corporation are hereby authorized to deliver to the Bank such corporate papers, certificates and other instruments and documents as may be requested or required by or on behalf of the Bank and to take such other action as may be deemed necessary or proper in order to consummate the transactions contemplated by these resolutions; and

FURTHER RESOLVED, that all actions taken by officers of this Corporation in connection with the transactions contemplated by these resolutions are hereby ratified, confirmed and approved in all respects.

EXHIBIT 4.4

FIRST AMENDMENT TO CREDIT AGREEMENT

This First Amendment amends that certain Credit Agreement dated as of February 26, 1993, among Longview Fibre Company as "Borrower," Seattle-First National Bank as "Agent," and the undersigned banks as "Banks" ("Agreement"), and all terms defined in the Agreement shall have the same meaning when used in this First Amendment, except as maybe otherwise provided in this First Amendment. For mutual consideration, receipt of which is hereby acknowledged, Borrower, Agent, and Banks agree as follows:

1. Euro-Dollar Margin. The second paragraph of Subsection 2.7(b) of the Agreement, defining "Euro-Dollar Margin", is amended to read: "Euro-Dollar Margin" means .625%.

2. Other Terms. Except as specifically amended by this First Amendment, all other terms, conditions, and definitions of the Agreement and the other Loan Documents shall remain in full force and effect, and are ratified by each of the undersigned.

3. Counterparts. This First Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures to each counterparts were upon the same instrument. This First Amendment shall become effective when the Agent shall have received counterparts of this First Amendment signed by Borrower, Agent, and all Banks.

Borrower

Agent

LONGVIEW FIBRE COMPANY

SEATTLE-FIRST NATIONAL BANK

By \s\ L. J. Holbrook  
L. J. Holbrook

By \s\ Robert M. Ingram III  
Robert M. Ingram III

Title Sr. V.P. Finance

Title Vice President

Banks -----

SEATTLE-FIRST NATIONAL BANK

BANK OF AMERICA NATIONAL  
TRUST & SAVINGS ASSOCIATION

By \s\ Robert M. Ingram III  
Robert M. Ingram III

By \s\ Michael J. Balok  
Michael J. Balok

Title Vice President

Title Vice President

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ABN AMRO BANK N.V.

NATIONAL WESTMINSTER BANK PLC

By \s\ Walter Euyang  
Walter Euyang

By \s\ Gary A. Miller  
Gary A. Miller

Title Vice President

Title Senior Vice President

CONTINENTAL BANK N.A.

NATIONSBANK OF NORTH CAROLINA, A.A.

By \s\ R. Guy Stapleton  
R. Guy Stapleton

By \s\ Michael Tousignant  
Michael Tousignant

Title Vice President

Title Assistant Vice President

THE BANK OF NOVA SCOTIA

By \s\ Michael Brown  
Michael Brown

Title Vice President

EXHIBIT 4.5

LOAN AGREEMENT

Between

LONGVIEW FIBRE COMPANY

and

FIRST INTERSTATE BANK OF WASHINGTON, N.A.

Dated as of October 25, 1993

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Exhibit	Title	Paragraph
A	Promissory Note	1.1, 2.3

LOAN AGREEMENT

THIS AGREEMENT is entered into as of this 25 th day of October, 1993 by and between LONGVIEW FIBRE COMPANY and FIRST INTERSTATE BANK OF WASHINGTON, N.A.

The parties hereto agree as follows:

Section 1. DEFINITIONS.

1.1 Terms Defined. As used herein, the following terms have the meanings set forth below.

- "Adjusted Fixed CD Reference Rate" has the meaning set forth in paragraph 2.6.1(i) below.

- "Adjusted LIBOR Rate" has the meaning set forth in paragraph 2.5.2 below.

- "Agreement" or "Loan Agreement" means this Loan Agreement as amended from time to time.

- "Assessment Rate" has the meaning set forth in paragraph 2.6.1(i) below.

- "Bank" means First Interstate Bank of Washington, N.A. and its successors and assigns.

- "Base Rate" means, for any day, a rate per annum equal to the higher of (i) the Prime Rate for such day or (ii) the Federal Funds Rate for such day plus one-quarter of one percent (0.25%).

- "Borrower" means Longview Fibre Company, a Washington corporation, and its successors.

- "Borrowing" means a borrowing under this Agreement consisting of funds advanced at the same time, with the same interest rate and for the same Interest Period. A Borrowing may include an Initial Borrowing under which additional funds are

advanced by Bank or a Subsequent Borrowing.

- "Business Day" means any day except a Saturday, Sunday or day on which commercial banks in the State of Washington are authorized by law to close, and with reference to a Euro-Dollar Borrowing, on which commercial banks in London, England, are authorized by law to close.

- "CD Rate Borrowing" means a Borrowing to be made by Bank bearing interest based on the Adjusted CD Reference Rate pursuant to the terms of paragraph 2.6.1(i) below.

- "Code" means the Internal Revenue Code of 1986, as amended.

- "Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with Borrower, are treated as a single employer under Section 414(b) or 414(c) of the Code.

- "Default" means any condition or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

- "Dollars" means United States Dollars unless otherwise specified.

- "Effective Date" means the first date upon which counterparts hereof shall have been signed by all parties hereto and delivered to the Bank.

- "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

- "Euro-Dollar Borrowing" means a Borrowing to be made by Bank bearing interest based on the Adjusted LIBOR Rate pursuant to the terms of this Agreement.

- "Euro-Dollar Reserve Percentage" has the meaning set forth in paragraph 2.5.2 below.

- "Event of Default" has the meaning set forth in Section 8.

- "Federal Funds Rate" means the Fed Funds Offered Rate appearing on Telerate at any time between 6:30 a.m. and 7:30 a.m..

- "Fixed CD Base Reference Rate" has the meaning



set forth in paragraph 2.6.1(i) below.

- "Fixed Rate Borrowing" means a Euro-Dollar Borrowing or a CD Rate Borrowing, as the case may be.

- "Floating Rate Borrowing" means a Borrowing to be made bearing interest based on the Base Rate pursuant to the terms of this Agreement.

- "Initial Borrowing" means a Borrowing under which additional funds are advanced by Bank hereunder.

- "Interest Period" means,

(A) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one (1), two (2) three (3) or six (6) months thereafter, as Borrower may elect in the applicable Notice of Borrowing; provided that the first day of any such Interest Period shall be (i) for an Initial Borrowing, the date new funds are advanced; (ii) for a Subsequent Borrowing, the last day of the next preceding Interest Period applicable to such Borrowing, which day shall also be a Business Day; and provided further that in determining the Interest Period for each Euro-Dollar Borrowing:

(a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day;

(b) any Interest Period which begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month; and

(c) in no event shall Borrower elect any Interest Period ending later than Maturity of the Note; and

(B) with respect to each Floating Rate Borrowing, the period commencing on the date of such Borrowing and on the date of repayment thereof; provided that the first day of any such Interest Period shall be (i) for an Initial Borrowing, the date new funds are advanced; (ii) for a Subsequent Borrowing, the last day of the next preceding Interest Period applicable to such Borrowing, which day shall also be a Business Day; and provided further that in determining the Interest Period for each Floating Rate Borrowing:

(a) any Interest Period which would otherwise end

on a day which is not a Business Day shall be extended to the next succeeding Business Day; and

(b) in no event shall any Interest Period end later than Maturity of the Note.

(C) with respect to each CD Rate Borrowing (to the extent such Borrowings are permitted in substitution for Euro-Dollar Borrowings), the period commencing on the date of such Borrowing and ending thirty (30), sixty (60), ninety (90) or one hundred eighty (180) days thereafter, as Borrower may elect in the applicable Notice of Borrowing; provided that the first day of any such Interest Period shall be (i) for an Initial Borrowing, the date new funds are advanced; (ii) for a Subsequent Borrowing, the last day of the next preceding Interest Period applicable to such Borrowing, which day shall also be a Business Day; and provided further that in determining the Interest Period for each such substitute Borrowing:

(a) any Interest Period which would otherwise end on a day which is not a Business Day shall be extended to the next succeeding Business Day; and

(b) in no event shall Borrower elect any Interest Period ending later than Maturity of the Note.

- "Line" means the revolving line of credit available to Borrower pursuant to the terms and conditions of this Agreement.

- "London Interbank Offered Reference Rate" has the meaning set forth in paragraph 2.5.2 below.

- "Margin" means:

(a) with respect to Euro-Dollar Borrowings, (i) if Borrower's commercial paper is rated at least A2 by Standard & Poor's Corporation and at least P3 by Moody's Investors' Service Inc., 37.50 basis points (0.375%); or (ii) if Borrower's commercial paper is rated lower than as set forth in the immediately preceding clause, 62.50 basis points (0.625%);

(b) with respect to the facility fee described in paragraph 2.7.2 below, (i) if Borrower's commercial paper is rated at least A2 by Standard & Poor's Corporation and at least P3 by Moody's Investors' Service Inc., 18.75 basis points (0.1875%); or (ii) if Borrower's commercial paper is rated lower than as set forth in the immediately preceding clause, 25.00 basis points (0.250%);

(c) with respect to the unused portion fee described in paragraph 2.7.3 below, (i) if Borrower's commercial

paper is rated at least A2 by Standard & Poor's Corporation and at least P3 by Moody's Investors' Service Inc., 7.50 basis points (0.075%); or (ii) if Borrower's commercial paper is rated lower than as set forth in the immediately preceding clause, 10.00 basis points (0.100%); and

(d) with respect to CD Rate Borrowings, (i) if Borrower's commercial paper is rated at least A2 by Standard & Poor's Corporation and at least P3 by Moody's Investors' Service Inc., 50 basis points (0.50%); or (ii) if Borrower's commercial paper is rated lower than as set forth in the immediately preceding clause, 75 basis points (0.75%).

- "Maturity of the Note" means the date on which all principal and interest of the Note is fully due and payable, in no event later than November 1, 1996 or such later date as may be agreed upon pursuant to Section 7 below.

- "Note" means the master promissory note of Borrower, substantially in the form of Exhibit A hereto, evidencing the obligation of Borrower to repay the Borrowings as more fully described in paragraph 2.3 below.

- "Notice of Borrowing" has the meaning set forth in paragraph 2.2.2 below.

- "PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

- "Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by Borrower or any member of a Controlled Group for employees of Borrower or any member of such Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which Borrower or any member of such Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions.

- "Prime Rate" means the rate of interest publicly announced or published by Bank from time to time as its Prime Rate, and is not necessarily its lowest rate.

- "Reserve Percentage" has the meaning set forth in paragraph 2.6.1(i) below.

- "Subsequent Borrowing" means a Borrowing which results in no net increase in the aggregate outstanding principal

amount of all Borrowings hereunder and for which Borrower elects a new or different Interest Period or interest rate election.

- "Subsidiary" means a corporation fifty percent (50%) or more of the outstanding voting stock of which is owned, directly or indirectly, by Borrower or by one or more other Subsidiaries, or by Borrower and one or more other Subsidiaries. For the purposes of this definition, "voting stock" means stock which originally has voting power for the election of directors, whether at all times or only so long as no senior class of stock has such voting power by reason of any contingency.

- "Telerate" means an automated rate quotation service provided by Telerate, Inc. or its successors or some similar rate quotation service to which Bank or one of its affiliates subscribes.

- "Unfunded Vested Liabilities" means, with respect to any Plan at any time, the amount (if any) by which (i) the present value of all vested nonforfeitable benefits under such Plan exceeds (ii) the fair market value of all Plan assets allocable to such benefits, all determined as of the then most recent valuation date for such Plan, but only to the extent that such excess represents a potential liability of Borrower or any member of the Controlled Group to the PBGC or the Plan under Title IV of ERISA.

1.2 Other Accounting Terms; Interpretations. In this Agreement, except as otherwise expressly provided:

1.2.1 Accounting. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a basis consistent with the most recent audited consolidated financial statements of Borrower and its Subsidiaries delivered to Bank.

1.2.2 Successors and Assigns. Subject to paragraph 9.5.1, references to any party shall, where relevant, be deemed to be references to or to include, as appropriate, their respective successors or assigns;

1.2.3 References. References to paragraphs, sections and Exhibits are to be construed as references to paragraphs and sections of, and Exhibits to, this Agreement;

1.2.4 Legal References. References to any statute, regulation or enactment shall be deemed to include references to

such statute, regulation or enactment as re-enacted, amended or extended;

1.2.5 Gender and Number. References to the masculine gender shall included the feminine and neuter genders and vice versa, and references to the singular shall include the plural and vice versa;

1.2.6 Headings. Headings are inserted for convenience only and shall be ignored in construing this Agreement; and

1.2.7 Time. All references to times of the day are references to time in Seattle, Washington.

## Section 2. THE LINE.

2.1 Agreement to Lend. Subject to the terms and conditions of this Agreement, Bank agrees to lend to Borrower and Borrower may borrow amounts not to exceed in the aggregate at any one time outstanding twenty million Dollars (\$20,000,000) to be used for general corporate purposes, including commercial paper back-up. The Line shall be a revolving line of credit under which Borrower may borrow, repay and reborrow from time to time pursuant to the terms and conditions hereof.

The making of Borrowings to Borrower may be suspended or terminated at any time in the discretion of Bank upon the occurrence of a Default.

### 2.2 Method of Borrowing.

2.2.1 Amount. Each Fixed Rate Borrowing shall be in a minimum principal amount of one million Dollars (\$1,000,000) or any larger multiple of one hundred thousand Dollars (\$100,000); a Floating Rate Borrowing may be of any amount of even one hundred thousand Dollar (\$100,000) increments; provided that in no event may any Borrowing be in excess of the unused amount of the Line as set forth above.

#### 2.2.2 Notice of Borrowing.

(i) Borrower shall give Bank (a) a written notice signed by an authorized officer of Borrower or (b) telephonic notice from an authorized officer of Borrower or a representative designated by an authorized officer of Borrower (a "Notice of Borrowing") not later than 10:00 a.m. on the date of the Borrowing for Floating Rate Borrowings or not later than 10:00 a.m. at least two (2) Business Days before each Fixed Rate Borrowing, specifying:

(a) the date of such Borrowing (which shall be a Business Day) and, to the extent that the Borrowing is a Subsequent Borrowing, shall be no sooner than the last day of the Interest Period applicable to such previous Borrowing(s);

(b) the aggregate amount of such Borrowing;

(c) whether such Borrowing is to be a Floating Rate Borrowing or a Fixed Rate Borrowing;

(d) in the case of a Fixed Rate Borrowing, the duration of the Interest Period applicable thereto, subject to the provisions of the definition of Interest Period; and

(e) that all of the conditions precedent to such Borrowing set forth in Section 3 have been met, including but not limited to all representations and warranties of Borrower hereunder being true on and as of such date and no Default having occurred and continuing.

(ii) Upon receipt of a Notice of Borrowing (written or telephonic), Bank, such Notice of Borrowing shall not thereafter be revocable by Borrower.

(iii) If Bank makes a Borrowing on a day on which Borrower is to repay all or any part of an outstanding Borrowing, Bank shall apply the proceeds to make such repayment, and only an amount equal to the difference (if any) between the amount being borrowed and the amount being repaid shall be made available by Bank to Borrower, or remitted by Borrower to Bank, as the case may be. For purposes of this subsection (iii), "a day on which Borrower is to repay all or any part of an outstanding Borrowing" shall include the last day of each Interest Period.

2.3 Note. The obligation of Borrower to repay the Borrowings made pursuant to this Agreement shall be evidenced by a master promissory note payable to the order of Bank, in the form of Exhibit A, properly completed.

Bank shall record in its books and records, electronic or otherwise, and prior to any transfer of the Note shall endorse on the appropriate schedules forming a part thereof appropriate notations to evidence the date and amount of each Borrowing and the date and amount of each payment of principal made by Borrower with respect thereto. Bank is hereby irrevocably authorized by Borrower so to endorse the Note and to attach to and make a part of it a continuation of any such schedule as and when required; provided, that the failure of Bank to do so shall not affect the obligations of Borrower hereunder or under the Note.

Bank's records and/or such endorsement on the Note

shall constitute prima facie evidence of the amount of indebtedness under such Note.

2.3.1 Interest Payments. Interest accrued on the outstanding principal balance of each Borrowing shall be payable as follows:

(i) for Floating Rate Borrowings, on the last day of each calendar month; or

(ii) for Fixed Rate Borrowings, on the last day of each Interest Period, and in the event that such Interest Period is outstanding in more than three months, on the three-month anniversary of the making of such Borrowing;

provided that in any event, all accrued interest shall be fully due and payable on Maturity of the Note.

2.3.2 Optional Repayment of Principal.

(i) Borrower may repay any Floating Rate Borrowing in whole at any time by paying the principal amount to be repaid not later than 10:00 a.m. on the date of repayment; accrued interest on such Borrowing shall be payable on the regularly scheduled interest payment date.

(ii) Borrower may, in the case of any Fixed Rate Borrowing (a) repay on the last day of any Interest Period the full principal amount of any Fixed Rate Borrowing to which such Interest Period applies, or (b) upon at least five (5) Business Days' written notice to Bank (such notice in each case to be received prior to 10:00 a.m. on the day such notice is given) repay such Borrowing as is described in the notice, in either case by paying the principal amount to be repaid together with accrued interest thereon to the date of repayment plus any losses under paragraph 2.10. Upon receipt of a notice of repayment pursuant to this subsection 2.3.2(ii), such notice shall not thereafter be revocable by Borrower.

2.3.3 Maturity. All outstanding principal and accrued but unpaid interest of each Fixed Rate Borrowing shall be fully due and payable on the last day of the Interest Period for such Borrowing (in addition to any payments required under paragraph 2.3.1 above), and in any event all outstanding principal and accrued but unpaid interest of all Borrowings shall be fully due and payable at Maturity of the Note.

2.4 Interest Periods.

2.4.1 Election of Interest Period. The duration of the Interest Period for each Fixed Rate Borrowing shall be as specified in the

applicable Notice of Borrowing as set forth in paragraph 2.2.2.

2.4.2 Failure to Elect. If Bank does not receive a Notice of Borrowing for any Subsequent Borrowing or a notice of optional repayment pursuant to paragraph 2.3.2 above within the applicable time limits specified therein, Borrower shall be deemed to have given a Notice of Borrowing requesting that a Floating Rate Borrowing be made on the last day of the current Interest Period, and shall be deemed to have made the statements, representations and warranties contained in paragraph 2.2.2(e).

2.4.3 Limitations. Notwithstanding any ability of Borrower to elect Interest Periods and/or repay principal, the duration of each Interest Period shall be subject to the provisions of the definition of Interest Period.

2.5 Interest Rates. From the date of this Agreement to and including Maturity of the Note:

2.5.1 Floating Rate Borrowing. Each Floating Rate Borrowing shall bear interest on the outstanding principal amount thereof, for each day from the date such Borrowing is made until paid, at a rate per annum equal to the Base Rate in effect for such day; the interest rate shall change concurrently with each change in the Base Rate.

2.5.2 Euro-Dollar Borrowing. Each Euro-Dollar Borrowing shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the sum of the applicable Margin plus the applicable Adjusted LIBOR Rate.

The "Adjusted LIBOR Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ALR} = \frac{[\text{LIBOR}]^*}{[1.00 - \text{ERP}]}$$

ALR	=	Adjusted LIBOR Rate
LIBOR	=	London Interbank Offered
Reference Rate		
ERP	=	Euro-Dollar Reserve
Percentage		

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\* The amount in brackets being rounded upwards, if necessary, to the next higher 1/16 of 1%

The "London Interbank Offered Reference Rate" applicable to any Interest Period means the per annum rate of interest determined by Bank to be the rate at which deposits in Dollars are offered in the London interbank market appearing on Telerate at any time between 6:30 a.m. and 7:30 a.m. two (2) Business Days before the first day of such Interest Period for a period of



time comparable to such Interest Period.

"Euro-Dollar Reserve Percentage" means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in San Francisco in respect of "Eurocurrency liabilities" (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Borrowings is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted LIBOR Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.

#### 2.5.3 Default Rates.

(i) Notwithstanding the foregoing, if any principal or interest payment on any Fixed Rate Borrowing is not made within five (5) days after the date on which it was due (notwithstanding any grace period permitted under Section 8), the Borrowing on which such interest payment is delinquent and, to the extent permitted by law, any overdue interest, shall bear interest, payable on demand, for each day until paid at a per annum rate equal to the sum of two percent (2%) plus the interest rate then applicable to such Borrowing until the earlier of the end of (a) the applicable Interest Period or (b) acceleration of the Borrowing pursuant to Section 8, at which time the principal amount of such Borrowing shall be due and owing and shall thereafter bear interest for each day until paid at a per annum rate equal to the sum of two percent (2%) plus the Base Rate for such day; all such interest shall be payable on demand.

(ii) If any principal or interest payment on any Floating Rate Borrowing is not made within five (5) days after the date on which it was due (notwithstanding any grace period permitted under Section 8), the principal amount, and to the extent permitted by law, any overdue interest, shall bear interest for each day until paid at a per annum rate equal to the sum of two percent (2%) plus the Base Rate for such day; all such interest shall be payable on demand.

#### 2.5.4 Determination of Interest Rates.

(i) Bank shall determine each interest rate applicable to the Borrowings hereunder and shall give prompt notice to Borrower by telephone or telecopy of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(ii) In the event that the use of the procedure described in paragraph 2.5.2 for computation of the London Interbank Offered Rate is precluded for any reason, including but not limited to Bank's determination that the information required to compute the effective interest rate is not available through Telerate or similar service for

more than one (1) Business Day, Bank will use as the London Interbank Offered Rate the rate determined by Bank to be the arithmetic average (rounded upward, if necessary, to the next higher 1/16 of 1%) of the rates quoted by two (2) or more New York dealers in Euro-Dollar funds of recognized standing determined to most closely approximate the Telerate quote specified for determination of such rate in paragraph 2.5.2 having a maturity comparable to the applicable Interest Period and in an amount approximately equal to the Euro-Dollar Borrowing to be made. Such procedure changes will be communicated to the Borrower. If no such quotation is available on a timely basis, the provisions of paragraph 2.6.1 shall apply.

2.5.5 Computation. Interest on all Borrowings shall be computed on the basis of a year of three hundred sixty (360) days and paid for the actual number of days elapsed, calculated as to each Interest Period or period during which the Borrowing is outstanding from and including the first day of such period to but excluding the last day thereof or the date of repayment.

## 2.6 Adjustments to Interest Rates.

### 2.6.1 Basis for Determining Interest Rate Inadequate or Unfair.

(i) If with respect to any Interest Period for a Euro-Dollar borrowing, Bank determines that the information required to compute the effective interest rate is not available through Telerate or some similar service because deposits in Dollars (in the applicable amounts) are not being offered to or by (as the case may be) a sufficient number of banks in the relevant market for such Interest Period Bank shall forthwith give notice thereof to Borrower, whereupon until Bank notifies Borrower that the circumstances giving rise to such suspension no longer exist, (A) the obligations of the Bank to make Euro-Dollar Borrowings shall be suspended, and (B) Borrower shall repay in full the then-outstanding principal amount of each affected Euro-Dollar Borrowing together with accrued interest thereon, on the last day of the then-current Interest Period applicable to such Borrowing; provided, however, that unless such rate is similarly unavailable to Bank, Bank shall make available to Borrower during the period of suspension of Euro-Dollar Borrowings, CD Rate Borrowings. Concurrently with repaying each such Euro-Dollar Borrowing pursuant to this paragraph, Borrower may borrow a CD Rate Borrowing or a Floating Rate Borrowing in an equal principal amount from Bank, and Bank shall make such a Borrowing, and Borrower shall be able to borrow CD Rate Borrowings (if available) only until such time as the condition(s) described above no longer exist.

As used in this Agreement, each CD Rate Borrowing shall bear interest on the outstanding principal amount thereof, for each Interest Period applicable thereto, at a rate per annum equal to the sum of the applicable Margin plus the applicable Adjusted Fixed CD Reference Rate.

The "Adjusted Fixed CD Reference Rate" applicable to any Interest Period means a rate per annum determined pursuant to the following formula:

$$\text{ACDR} = \frac{[\text{CDBR}]^*}{[1.00 - \text{RP}]} + \text{AR}$$

ACDR = Adjusted Fixed CD Reference Rate  
CDBR = Fixed CD Base Reference Rate  
RP = Reserve Percentage  
AR = Assessment Rate

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\* The amount in brackets being rounded upwards, if necessary, to the next higher 1/100 of 1%.

The "Fixed CD Base Reference Rate" applicable to any Interest Period is the rate of interest determined by Bank to be the secondary market bid quote for top-tier U.S. bank certificates of deposit having a maturity comparable to such Interest Period appearing on Telerate at any time between 6:30 a.m. and 7:30 a.m. one (1) Business Day before the first day of such Interest Period. The "early" certificate of deposit bid quote is used for Borrowings funded on or between the first and fifteenth days of the month and the "late" CD bid quote is used for Borrowings funded on or between the sixteenth and last days of the month.

"Reserve Percentage" means for any day that percentage (including any supplemental percentage applied on a marginal basis or any other reserve requirement having a similar effect), expressed as a decimal, which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the reserve requirement (including without limitation any basic, supplemental or emergency reserves) for a member bank of the Federal Reserve System in respect of new non-personal time deposits in Dollars having a maturity comparable to the related Interest Period, and in an amount of one hundred thousand Dollars (\$100,000) or more.

"Assessment Rate" means for any Interest Period the gross annual assessment rate (rounded upwards, if necessary, to the next higher 1/100 of 1%) incurred by Bank to the Federal Deposit Insurance Corporation (or any successor) for such Corporation's (or such successor's) insuring time deposits at offices of Bank in the United States during the most recent period for which such rate has been determined prior to the commencement of such Interest Period.

(ii) If with respect to any Interest Period for a Fixed Rate Borrowing, Bank provides reasonable proof to Borrower that the Telerate quote for the London Interbank Offered Reference Rate or the Fixed CD Base Reference Rate, as applicable, does not adequately and fairly

reflect the cost to such Bank of maintaining or funding such Fixed Rate Borrowings by Bank for such Interest Period in an amount deemed by such Bank to be material, then within fifteen (15) days after demand by Bank to Borrower accompanied by a certificate of Bank claiming compensation under this paragraph and setting forth the additional amounts to be paid to it hereunder, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such increased cost. Such certificate shall be conclusive in the absence of manifest error.

2.6.2 Illegality. If, after the date of this Agreement, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency shall make it unlawful or impossible for Bank to make, maintain or fund its Euro-Dollar Borrowings and/or CD Rate Borrowings and Bank shall so notify Borrower, Borrower shall repay in full the then-outstanding principal amount of each Fixed Rate Borrowing so affected, together with accrued interest thereon, on either (i) the last day of the then-current Interest Period applicable to such Fixed Rate Borrowing if Bank may lawfully continue to maintain and fund such Fixed Rate Borrowing to such day or (ii) immediately if Bank may not lawfully continue to fund and maintain such Fixed Rate Borrowing to such day. Concurrently with repaying each affected Fixed Rate Borrowing, Borrower shall borrow a CD Rate Borrowing (if then available) or a Floating Rate Borrowing in an equal principal amount from Bank, and Bank shall make such a Borrowing, and Borrower shall be able to borrow CD Rate Borrowings (if available) only until such time as the condition(s) described above no longer exist.

### 2.6.3 Increased Cost and Reduced Returns.

(i) If after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(a) shall subject Bank to any tax, duty, or other charge with respect to its Borrowings, its Note or its obligation to make Borrowings, or shall change the basis of taxation of payments to Bank of the principal of or interest on Borrowings or any other amount due under this Agreement in respect of its Borrowings or its obligation to make Borrowings (except for changes in the rate of tax on the overall net income of Bank imposed by the jurisdiction in which Bank's principal executive office is located); or (b) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any such requirement imposed by the

Board of Governors of the Federal Reserve System, but excluding, with respect to any Fixed Rate Borrowing, any such requirement already included in an applicable Euro-Dollar Reserve Percentage or Assessment Rate, as applicable, or shall impose on Bank or on the London interbank market any other condition affecting its Borrowings, its Note or its obligation to make Borrowings; and the result of any of the foregoing is to increase the cost to Bank of making or maintaining any Borrowing, or to reduce the amount of any sum received or receivable by Bank under this Agreement or under its Note by an amount deemed by Bank to be material, then within fifteen (15) days after demand by Bank to Borrower, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such increased cost or reduction. If Bank demands compensation under this paragraph 2.6.3(i) with respect to Euro-Dollar Borrowings, Borrower may at any time, upon at least five (5) Business Days' prior notice to Bank, repay to Bank the full amount of the then-outstanding Euro-Dollar Borrowings, together with a) accrued interest thereon to the date of prepayment and b) the compensation requested. Concurrently with repaying such Euro-Dollar Borrowings, Borrower shall borrow a CD Rate Borrowing (if available) or a Floating Rate Borrowing in an amount equal to the aggregate principal amount of such Euro-Dollar Borrowings, and Bank shall make such a substitute Borrowing, and Borrower shall be able to borrow CD Rate Borrowings (if available) only until such time as the condition(s) described above no longer exist.

(ii) If after the date hereof, Bank shall have determined that the adoption of or compliance with any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on Bank's capital as a consequence of its obligations hereunder to a level below that which Bank could have achieved but for such adoption, change or compliance (taking into consideration Bank's policies with respect to capital adequacy) by an amount deemed by Bank to be material, then from time to time, within fifteen (15) days after demand by Bank, Borrower shall pay to Bank such additional amount or amounts as will compensate Bank for such reduction.

(iii) Bank will promptly notify Borrower of any event of which it has knowledge, occurring after the date hereof, which will entitle Bank to compensation pursuant to this paragraph. A certificate of Bank claiming compensation under this paragraph and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, Bank may use any reasonable averaging and attribution methods.

2.6.4 Floating Rate Borrowings Substituted for Affected Euro-Dollar Borrowings. If notice has been given by Bank pursuant to

paragraph 2.6.2 or by Borrower pursuant to paragraph 2.6.3 requiring Euro-Dollar Borrowings to be repaid or by Bank under paragraph 2.6.1 that the interest rate on Euro-Dollar Borrowings is inadequate, then, unless and until Bank notifies Borrower that the circumstances giving rise to such repayment no longer apply:

(i) all Borrowings which would otherwise be made as Euro-Dollar Borrowings shall be made instead as either CD Rate Borrowings (to the extent such Borrowings are available) or Floating Rate Borrowings, and

(ii) after Euro-Dollar Borrowings have been so repaid, all payments and prepayments of principal which would otherwise be applied to repay such Euro-Dollar Borrowings shall be applied to the Borrowings made in substitution instead.

If Bank notifies Borrower that the circumstances giving rise to such repayment or discontinuance of interest rate no longer apply, Borrower may thereafter borrow Euro-Dollar Borrowings and may not thereafter borrow CD Rate Borrowings. Notwithstanding anything else contained in this Agreement, Borrower may not borrow CD Rate Borrowings so long as Euro-Dollar Borrowings are available. Additionally, in the event that the use of the procedure described in paragraph 2.6.1(i) for determining the Adjusted Fixed CD Reference Rate is precluded for any reason, including but not limited to Bank's determination that the information required to compute the effective interest rate is not available through Telerate or similar service for more than one (1) Business Day, CD Rate Borrowings shall be deemed not to be available for any purpose hereunder.

## 2.7 Fees.

2.7.1 Acceptance Fee. On or before the Effective Date, Borrower shall have paid to Bank an acceptance fee of fifteen thousand Dollars (\$15,000).

2.7.2 Facility Fee. Borrower shall pay to Bank a facility fee at the rate of the applicable Margin per annum on the total amount of the Line. Such facility fee shall accrue from and including the date of this Agreement through the Maturity of the Note, and shall be payable in arrears on the last Business Day of each calendar quarter for the immediately preceding quarter or portion thereof beginning December 31, 1993. Such fee shall be based on the actual number of days elapsed divided by three hundred sixty (360).

2.7.3 Unused Portion Fee. Borrower shall pay Bank a fee for the Line at the rate of the applicable Margin per annum on the daily average unused portion of the Line then-available. Such unused portion fee shall accrue from and including the date of this Agreement through the Maturity of the Note, and shall be payable in arrears on the last Business Day of each calendar quarter for the immediately preceding quarter or portion thereof beginning December 31, 1993. Such fee shall be based on the actual number of days elapsed divided by three hundred sixty (360).

2.8 Termination or Reduction of Commitments. Borrower may, upon at least thirty (30) days' notice to Bank, terminate entirely at any time, or proportionately and permanently reduce from time to time by an aggregate amount of one million Dollars (\$1,000,000) or any larger multiple of one million Dollars (\$1,000,000), the aggregate unused portion of the Line. If the Line is terminated in part or in its entirety, all accrued fees on the terminated portion shall be payable on the effective date of such termination.

## 2.9 General Provisions as to Payments.

2.9.1 Payment and Distribution. Borrower shall make each payment of principal of, and interest on, the Borrowings and of all fees and any other amounts due hereunder, not later than 10:00 a.m. on the date when due, in federal or other Dollar funds immediately available in Seattle, Washington at Bank's address specified on the signature page hereof or such other address pursuant to paragraph 9.1.

2.9.2 Adjusted Payment Date. Whenever any payment of principal of, or interest on, the Borrowings or of fees shall be due on a day which is not a Business Day, the date for payment thereof shall be extended to the next succeeding Business Day unless such payment is with respect to a Euro-Dollar Borrowing and such day falls in the next calendar month, in which case the payment shall be made on the previous Business Day. If the date for any payment of principal is extended by operation of law or otherwise, interest thereon shall be payable for such extended time.

2.10 Funding Losses. (i) If Borrower makes any payment of principal with respect to any Fixed Rate Borrowing (pursuant to Section 8 or paragraphs 2.6.1(i), 2.6.2 or 2.6.3 or otherwise) on any day other than the last day of an Interest Period applicable thereto or (ii) if Borrower fails to repay any Fixed Rate Borrowing after notice has been given to Bank in accordance with paragraph 2.3.2(ii), or (iii) if Borrower fails to borrow after notice has been given to Bank in accordance with paragraph 2.2.2(ii), Borrower shall reimburse Bank on demand for any resulting loss or expense incurred by Bank, including (without limitation) any loss incurred in obtaining, liquidating or employing deposits from third parties, including loss of margin for the period after, but excluding loss of margin for the period before, any such payment; provided that Bank shall have delivered to Borrower a certificate as to the amount of such loss or expense, which certificate shall be conclusive in the absence of manifest error.

## Section 3. CONDITIONS PRECEDENT.

3.1 Conditions Precedent to Borrowing. The obligation of the Bank to make any Borrowing is subject to satisfaction of the following conditions before the first Borrowing:

3.1.1 Agreement and Note. Borrower shall have executed and delivered to Bank this Loan Agreement and the Note, such Note dated on or before the date of the first Borrowing.

3.1.2 Opinion of Counsel. Borrower shall have delivered to Bank, on or before the date of the first Borrowing, an opinion of Borrower's counsel stating that:

(i) Borrower is a corporation duly organized, validly existing and in good standing under the laws of Washington, and Borrower and each of its Subsidiaries have all corporate power required to carry on its business as now conducted, and is duly qualified to do business and is in good standing in each jurisdiction in which the character of the properties owned or leased by it, or in which the transaction of its business, makes such qualification necessary.

(ii) The execution, delivery and performance by Borrower of this Agreement and the Note are within Borrower's corporate powers, have been duly authorized by all necessary corporate action, require no action by or in respect of, or filing with, any governmental body, agency or official, and do not contravene or constitute a default under any provision of applicable law or regulation or of the certificate of incorporation or by-laws of Borrower or to the best of such counsel's knowledge of any agreement, bond, debenture, note, contract, indenture, judgment, injunction, order, decree or other instrument binding upon Borrower, or result in the creation or imposition of any lien on any asset of Borrower.

(iii) This Agreement and the Note each constitutes a valid and binding agreement of Borrower, each enforceable in accordance with its terms subject to bankruptcy and insolvency laws and enforceability of creditor's rights generally.

(iv) There is no action, suit or proceeding pending against, or to the best of counsel's knowledge threatened against or affecting, Borrower or any of its Subsidiaries before any court or arbitrator or any governmental body, agency or official in which there is a reasonable possibility of an adverse decision which could materially adversely affect the business, financial position or results of operations of Borrower or which in any manner questions the validity of the Loan Agreement or the Note.

(v) To the best of counsel's knowledge, Borrower and all members of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA with respect to each Plan to which it is a party, and have not incurred any liability to the PBGC in connection with any Plan established or maintained by Borrower or any member of the Controlled Group.

(vi) Borrower is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

3.1.3 Certificate of Incumbency; Resolution. Bank shall have received:



(i) a certificate signed by the Secretary of Borrower and dated the Effective Date as to the incumbency of the person or persons authorized to execute and deliver this Agreement, the Note, Notices of Borrowing, and all other documents or instruments required hereunder, and to give telephonic Notices of Borrowing; and

(ii) certified copies of resolutions adopted by the Board of Directors of Borrower authorizing execution, delivery and performance of this Agreement, the Note and all other instruments or agreements required hereunder, each of which shall affirmatively permit Bank to rely thereon until Bank has received a certified copy of a resolution or incumbency certificate revoking or modifying the previous certificate or resolution.

3.1.4 Acceptance Fee. Bank shall have received from Borrower the acceptance fee described in paragraph 2.7.1 above.

3.1.5 Other Evidence. Bank shall have received all documents and other evidence it may reasonably request relating to the existence of Borrower, the corporate authority for and the validity of this Agreement and the Note, and any other matters relevant hereto, all in form and substance satisfactory to Bank.

3.2 Conditions Precedent to Each Borrowing. The obligation of Bank to make each Borrowing or to make any such Borrowing is subject to satisfaction of the conditions stated in paragraph 3.1 above and the following additional conditions:

3.2.1 Notice of Borrowing. Bank shall have received a Notice of Borrowing as required by paragraph 2.2.2 or shall be deemed to have received such Notice of Borrowing under paragraph 2.4.2.

3.2.2 Representations and Warranties. All representations and warranties set forth in Section 4 below shall be true as of the date of any Borrowing with the same effect as if those such representations and warranties were made on and as of that date.

3.2.3 No Default. No Default hereunder shall be caused by such Borrowing or shall have occurred and be continuing. Each Notice of Borrowing pursuant to paragraph 2.2.2 and each Borrowing hereunder shall be deemed to be a representation and warranty by Borrower on the date of such notice or Borrowing, as the case may be, as to the facts specified in paragraphs 3.2.2 and 3.2.3 above.

Section 4. REPRESENTATIONS AND WARRANTIES. Borrower hereby represents and warrants that:

4.1 Organization and Good Standing. It is a corporation duly organized and validly existing in good standing under the laws of the State of Washington with corporate and other power and authority to own its properties and conduct its business as presently conducted; it and each of its

Subsidiaries is duly licensed and qualified as a foreign corporation in good standing in all jurisdictions in which the character of the property owned or leased or the nature of the business conducted by it requires such licensing or qualification.

4.2 Validity of Agreement. This Agreement has been duly authorized, executed and delivered by it and constitutes its valid and binding agreement, enforceable in accordance with its terms.

4.3 Validity of Note. The Note has been duly and validly authorized by all necessary corporate action, and having been executed and delivered pursuant to the provisions of this Agreement, constitutes Borrower's valid and binding obligation enforceable in accordance with its terms and the terms of this Agreement.

4.4 Existing Defaults. It is not in violation of its articles of incorporation or by-laws or in default in the performance or observance of any obligation, agreement, covenant or condition contained in any bond, debenture, note, contract, indenture, mortgage, loan agreement, lease or any other evidence of indebtedness, agreement or instrument to which it is a party or by which it or any of its properties may be bound.

4.5 No Default in Other Agreement. The execution, delivery and performance of this Agreement, the incurrence of the obligations herein set forth and the consummation of the transactions herein contemplated will not result in the creation of a lien on any of its property and will not conflict with, result in a breach of any of the terms, conditions or provisions of, or constitute a default under its articles of incorporation or by-laws or any bond, debenture, note, contract, indenture, mortgage, loan agreement, lease or any other evidence of indebtedness, agreement or instrument to which it is a party or by which it or any of its properties may be bound, or result in violation by it of any law, order, rule or regulation of any court or governmental agency or body having jurisdiction over it or any of its properties.

4.6 No Consents or Approvals. No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation by it of the transactions contemplated by this Agreement.

4.7 Litigation. There is no material litigation at law or in equity and no proceedings before any commission or other administrative authority pending or to its knowledge threatened against or affecting it or its Subsidiaries other than as disclosed pursuant to paragraph 6.11, and there is no such matter which constitutes a Default hereunder.

4.8 Compliance With ERISA. Borrower and all members of the Controlled Group have fulfilled their obligations under the minimum funding standards of ERISA with respect to each Plan to which it is a party and have not incurred any liability to the PBGC in connection with any Plan established or maintained by Borrower or any member of the Controlled Group.

4.9 Taxes. It has filed (or has obtained extensions of the time by which it is required to file) all United States federal income tax returns and all other material tax returns required to be filed by it and has paid all taxes shown due on the returns so filed as well as all other material taxes, assessments and governmental charges which have become due, except such taxes, if any, as are being contested in good faith and as to which adequate reserves have been provided.

4.10 Not an Investment Company. It is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

4.11 Full Disclosure; No Material Change. All information heretofore furnished by it to Bank for purposes of or in connection with this Agreement or any transaction contemplated hereby is, and all such information hereafter furnished by it to Bank will be, true and accurate in every material respect or based on reasonable estimates on the date as of which such information is stated or certified, including but not limited to its financial statements dated as of July 31, 1993. It has disclosed to Bank in writing any and all facts which materially and adversely affect or may affect (to the extent Borrower can reasonably foresee), its business, operations, prospects or condition, financial or otherwise, and its Subsidiaries or its ability to perform its obligations under this Agreement. There has been no material adverse change in Borrower's financial condition since its financial statements dated July 31, 1993.

Section 5. NEGATIVE COVENANTS. Borrower hereby covenants and agrees that so long as any amount under the Line shall remain available to borrow and until full and final payment of all indebtedness incurred hereunder, it will not without the prior written consent of Bank:

5.1 Other Activities. Change the general character of its business as conducted at the date hereof or engage, directly or through a Subsidiary, in any type of business not reasonably related to its business as normally conducted.

5.2 Sale of Assets. Sell, lease or otherwise dispose of (or allow any Subsidiary to do any of the foregoing) such property as in the opinion of Bank constitutes a material portion of its assets except in the ordinary course of business and for full, fair and reasonable consideration; as used in this paragraph, an exchange of property of Borrower and/or its Subsidiaries for property of a like-kind and like value shall not be counted as a sale or other disposition under this provision so long as the exchange is for full, fair and reasonable consideration and such consideration is received within a reasonable time. For purposes of this paragraph, assets constituting either (i) ten percent (10%) or more of the book value of Borrower's and its Subsidiaries' assets, measured on a consolidated basis, in any fiscal year, non-cumulative from year to year, or (ii) fifty percent (50%) or more of the book value of all of Borrower's and its Subsidiaries' inventory of standing timber in the aggregate from and after the date of this Agreement shall be presumptively deemed "material" although a lesser amount may constitute "a material portion" in the proper circumstances.

5.3 Liquidation, Merger, Dissolution. (i) Liquidate or dissolve or enter into any consolidation, merger, pool, joint venture, syndicate or other combination unless Borrower is the surviving corporation and no Default would be caused thereby, or (ii) sell, lease or dispose of its business or assets as a whole.

5.4 Extension of Credit. Purchase or otherwise acquire, hold or invest in the securities of or make any loans or advances to any other person or entity except in the ordinary course of Borrower's business and which do not involve more than normal risk of repayment or present other unfavorable features.

5.5 Liens and Encumbrances. Create or suffer to exist any security interest, lien or other encumbrance on any of its or its Subsidiaries' property or assets of any kind or nature except those that exist at the date of this Agreement, exist on such property at the date of its purchase by Borrower or its Subsidiary or are valid purchase money security interests in such property; provided that liens are allowed for taxes, assessments, governmental charges, materialman's liens or mechanic's liens not yet due or which are being contested in good faith by appropriate proceedings.

5.6 Regulation U. Use any proceeds of the Borrowings, directly or indirectly, for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying any "margin stock", within the meaning of Regulation U of the Board of Governors of the Federal Reserve System. Neither Borrower nor any Subsidiary will engage principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying any such margin stock within the meaning of such Regulation U.

5.7 Change of Control. Permit or suffer to exist a change in voting control of Borrower. For purposes of this paragraph, a "change in voting control" shall mean creation of a concentration of voting shares of Borrower after the date of this Agreement in a person that directly or indirectly, or acting through or in concert with one or more persons, owns, controls or has the power to vote more than twenty percent (20%) of any class of voting securities of Borrower. Shares owned or controlled by a member of an individual's immediate family are considered to be held by the individual; shares owned or controlled by a member of a group of companies owned or controlled by the same company or person are considered to be held by that company or person. For purposes of this paragraph, "immediate family" means the spouse of an individual, the individual's minor children and any of the individual's children (including adults) residing in the individual's home.

Section 6. AFFIRMATIVE COVENANTS. In addition to other terms and conditions under this Agreement and the Note, Borrower agrees with Bank that so long as any unpaid balance of any Borrowing or any commitment of Bank to lend under this Agreement shall be outstanding, Borrower will:

6.1 Current Ratio. Maintain for itself and its Subsidiaries on a consolidated basis as at the end of each fiscal quarter a ratio of current

assets divided by current liabilities of not less than 1.1 to 1.

6.2 Long Term Debt and Current Liabilities to Tangible Net Worth Ratio. Maintain for itself and its Subsidiaries on a consolidated basis as at the end of each fiscal quarter a ratio of (i) long term debt plus current liabilities to (ii) tangible net worth of not more than 1.5 to 1.

6.3 Earnings Before Interest and Taxes Ratio. Maintain for itself and its Subsidiaries on a consolidated basis at the end of each fiscal quarter a ratio of earnings before interest and taxes to interest expense, in each case based on the results of the four fiscal quarters then-ended, of not less than 1.5 to 1.

6.4 Financial Information. Deliver to Bank:

(i) as soon as practicable but in no event later than forty-five (45) days after the close of each of the first three (3) quarters of each fiscal year a consolidated financial statement for Borrower and any Subsidiaries (including at least a consolidated balance sheet as of the close of such quarter, and consolidated statement of income and cash flow statement for each such quarter and for that part of the fiscal year ending with the last day of each such quarter), each prepared by Borrower's chief accounting or chief financial officer in accordance with generally accepted accounting principles consistently applied;

(ii) as soon as practicable but in no event later than ninety (90) days after the close of each fiscal year, a consolidated financial statement for Borrower and any Subsidiaries (including at least a consolidated balance sheet as of the close of each such fiscal year and a consolidated statement of income, shareholders' equity and cash flow statement for each such fiscal year as at the end thereof, each setting forth the same data for the immediately preceding fiscal year) prepared and audited by an independent certified public accountant acceptable to Bank in accordance with generally accepted accounting principles consistently applied;

(iii) simultaneously with the delivery of each set of financial statements referred to in clauses (i) and (ii) above, a certificate of the president, chief financial officer or the chief accounting officer of Borrower (a) setting forth in reasonable detail the calculations required to establish whether Borrower was in compliance with the requirements of paragraphs 6.1 through 6.3 inclusive, on the date of such financial statements and (b) stating whether there exists on the date of such certificate any Default and, if any Default then exists, setting forth the details thereof and the action which Borrower is taking or proposes to take with respect thereto;

(iv) simultaneously with the delivery of each set of financial statements referred to in clause (ii) above, a statement of the firm of independent public accountants which reported on such statements stating

whether anything has come to their attention to cause them to believe that there existed on the date of such statements any Default;

(v) not later than the date of delivery of each set of financial statements referred to in clause (ii) above, Borrower's annual projections for the following fiscal year, in form no less detailed than provided to Borrower's other lenders;

(vi) forthwith upon the occurrence of any Default, a certificate of the chief financial officer or the chief accounting officer of Borrower setting forth the details thereof and the action which Borrower is taking or proposes to take with respect thereto;

(vii) promptly upon the mailing thereof to the shareholders of Borrower, copies of all financial statements, reports and proxy statements so mailed;

(viii) promptly upon the filing thereof, copies of all registration statements and annual, quarterly or monthly financial reports which Borrower shall have filed with the Securities and Exchange Commission;

(ix) if and when Borrower or any member of the Controlled Group gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; and

(x) from time to time such additional information regarding the operation, financial position or business of Borrower and/or any of its Subsidiaries as Bank may reasonably request.

6.5 Accounting. Keep, and cause each Subsidiary to keep, its books of account in accordance with generally accepted accounting principles consistently applied.

6.6 Insurance. Maintain, and cause each Subsidiary to maintain, insurance with financially sound and reputable insurance companies or associations (or provide adequate self-insurance) of the kinds covering the risks and in such amounts usually carried by companies engaged in businesses similar to that of Borrower, and further agrees to provide to Bank evidence of said insurance as Bank may, from time to time, request.

6.7 Maintenance of Property. Maintain, preserve and keep its buildings, machinery, equipment and other property in good condition, repair and working order for the proper and efficient operation of its business, take all such actions as are necessary and reasonable to prevent offsets or

defenses to assets which represent a right to payment, and cause each Subsidiary to similarly maintain and preserve its assets.

6.8 Taxes; Legal Compliance. Pay all taxes, assessments or governmental charges levied, assessed or imposed against it or its income or its properties, real, personal or mixed, or arising out of its operations promptly as they become due and payable; comply promptly with all laws and regulations of the federal government and of any state of the United States or of any foreign jurisdiction in which it transacts business or owns property, or any of their subdivisions, departments or agencies applicable to the business; and cause each Subsidiary to similarly pay and comply. Borrower will (and will cause each Subsidiary to) promptly pay and discharge all claims of any kind (including claims for labor, material and supplies) which, if unpaid, might by law become a lien or charge upon its property; provided, however, that neither Borrower nor any Subsidiary shall be required to pay any such tax, assessment, charge, levy or claim as long as the amount, applicability or validity thereof shall be contested in good faith by appropriate proceeding.

6.9 Legal Existence. Maintain, and cause each Subsidiary to maintain, its legal existence and its right to carry on business in any jurisdiction where it is doing business and remain in and continuously operate the same lines of business presently engaged in except for periodic shut-down in the ordinary course of business and interruptions caused by strike, labor dispute, catastrophe or any other events over which it has no control.

6.10 Inspection. Permit Bank at any reasonable time, and from time to time, to visit and inspect its and its Subsidiaries' properties and offices and to examine such books of account and to conduct such investigation as Bank may deem appropriate.

6.11 Lawsuits. Promptly notify Bank of any lawsuit, claim, proceeding or action of any kind, including any such action threatened but not yet instituted, against Borrower or its Subsidiaries which, if successful, would have a material adverse effect on the business, financial condition or results of operations of Borrower and its Subsidiaries, taken as a whole, or the ability of Borrower to perform its obligations under this Agreement or the Note.

6.12 Principal Executive Office. Promptly notify Bank of any move or contemplated move of its principal executive office from the State of Washington.

6.13 Costs and Attorneys' Fees. Promptly upon demand by Bank pay to and reimburse Bank for the account of each Bank for all costs and expenses, which Bank may expend or incur in the enforcement of any of the terms or provisions of this Agreement, the Note, any security agreements or any other documents pertaining to or arising from the Borrowings or any of them. In the event any obligation of Borrower is referred to an attorney for protecting or defending Bank's interest hereunder or for collection or realization

procedures, Borrower agrees to pay to Bank on demand all attorney's fees, including allocated costs or fees of in-house counsel, fees, incurred in both trial and appellate courts, or fees incurred without suit, and expenses of title search and all court costs and costs of public officials. The sums agreed to be paid in this paragraph shall be deducted from any remittance or collection prior to application to principal or interest of the Borrowings as applicable.

6.14 Other Documents. Execute and deliver to Bank all documents and instruments deemed necessary by Bank to carry out this Agreement.

## Section 7 EXTENSION.

7.1 Request to Extend. Not earlier than January 1 and not later than March 31, 1995, and if the Line is extended pursuant to this Section 7, not later than January 1 nor later than March 31 of each calendar year prior to Maturity of the Note, Borrower may request that Bank extend the Line and the Maturity of the Note for an additional one year period.

7.2 Notification of Extension. If Bank agrees to Borrower's request for extension, it shall notify Borrower accordingly not less than ninety (90) days after receipt of Borrower's request in accordance with paragraph 7.1 above and the Line and the Maturity of the Note shall be extended accordingly.

7.3 No Obligation. Bank shall not be obligated in any way to agree to any extension of the Line.

Section 8. EVENTS OF DEFAULT; REMEDIES. If one or more of the following events ("Events of Default") shall have occurred and be continuing:

8.1 Nonpayment. Borrower shall fail to pay when due or within thirty (30) days thereof any principal or interest on the Note, any fees or any other amount payable hereunder;

8.2 Covenants; Agreements. Borrower shall fail to observe or perform any covenant or agreement contained in this Agreement; provided, however that failure to comply with paragraphs 6.1 through 6.3 inclusive shall constitute an Event of Default hereunder only in the event Borrower shall have failed to cure such breach within thirty (30) days from the date compliance was required under the terms of the relevant paragraph;

8.3 Representations and Warranties. Any representation, warranty, certification or statement made by Borrower in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall prove to have been incorrect in any material respect when made (or deemed made);

8.4 Other Default. The occurrence of an event of default or an event which with the lapse of time or notice or both would (i) (a) become an event of default under or in respect of any agreement or agreements by which



Borrower or any Subsidiary is bound relating to obligations exceeding five million Dollars (\$5,000,000) in the aggregate or (b) cause a breach of any indenture of any kind to which Borrower or any Subsidiary is a party; and (ii) causes or permits acceleration of any obligation of Borrower or any Subsidiary under or in respect of any such agreement(s);;

#### 8.5 Bankruptcy; Insolvency.

8.5.1 Voluntary Action. Borrower or any Subsidiary shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

8.5.2 Involuntary Action. An involuntary case or other proceeding shall be commenced against Borrower or any Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of sixty (60) days; or an order for relief shall be entered against Borrower or any Subsidiary of Borrower under the federal bankruptcy laws as now or hereafter in effect;

8.6 ERISA. Borrower or any member of the Controlled Group shall fail to pay when due an amount or amounts which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans having Unfunded Vested Liabilities shall be filed under Title IV of ERISA by Borrower, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC shall institute proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such plan or Plans or a proceeding shall be instituted by a fiduciary of any such plan or Plans against Borrower or any member of the Controlled Group to enforce Section 515 of ERISA; or a condition shall exist by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated; or

8.7 Judgments. A judgment or order for the payment of money individually or in the aggregate in excess of ten million Dollars (\$10,000,000) shall be rendered against Borrower or any Subsidiary, and such judgment(s) or order(s) shall continue unsatisfied or unstayed for a period of twenty (20) days;

then, and in every such event, Bank may (i) by notice to Borrower terminate the Line and it shall thereupon terminate, and/or (ii) by notice to Borrower declare the Note (together with accrued interest thereon) to be, and it shall thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower; provided that in the case of any of the Events of Default specified in paragraphs 8.5.1 or 8.5.2 above, without any notice to Borrower or any other act by Bank, the Line shall thereupon terminate and the Note (together with accrued interest thereon) shall become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by Borrower.

## Section 9. MISCELLANEOUS.

9.1 Notices. Except as expressly set forth herein, all notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex, telecopy or similar writing) and shall be given to such party at its applicable address or telecopy number set forth on the signature pages hereof or such other address or telecopy number as such party may hereafter specify for the purpose by notice to the other party. Each such notice, request or other communication shall be effective (i) if given by telecopy, when such telecopy is transmitted to the telecopy number specified in this paragraph and verification of receipt received, (ii) if given by mail, seventy-two (72) hours after such communication is deposited in the mails with first-class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided that notices to Bank under paragraphs 2.2.2, 2.3.2, 2.6 or 2.8 shall not be effective until received.

9.2 No Waivers. No failure or delay by Bank in exercising any right, power or privilege hereunder or under the Note shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

9.3 Expenses; Documentary Taxes. Borrower shall pay on demand (i) all out-of-pocket expenses and other reasonable charges of Bank, including fees and disbursements or allocated costs of counsel for Bank, whether in-house or otherwise, in connection with any extension or amendment of this Agreement, any waiver or consent hereunder or any amendment hereof or any Default or alleged Default by Borrower hereunder; and (ii) if an Event of Default occurs, all out-of-pocket expenses incurred by Bank, including fees and disbursements or allocated costs of counsel, whether in-house or otherwise, in connection with such Event of Default and collection and other enforcement proceedings resulting therefrom. Borrower shall indemnify Bank against any transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of this Agreement or the Note.

9.4 Amendments and Waivers. Any provision of this Agreement or the

Note may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the party waiving compliance or against whom the amendment is to be charged.

#### 9.5 Successors and Assigns.

9.5.1 Binding Effect. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that Borrower may not assign or otherwise transfer any of its rights or obligations under this Agreement.

9.5.2 Participations and Assignment. Bank may at any time sell, assign, transfer, negotiate, grant participation in or otherwise dispose of to any other financial institution (which term does not include an insurance company) all or part of the indebtedness and obligations of Borrower under this Agreement or any instrument, note, draft or document referred to herein as allowed by law; provided, however, that such disposition will not be in such form as to require registration under the Federal Securities Act of 1933 as amended or the applicable corporate securities law of any state; provided further, that Bank may so dispose of any part of such indebtedness or obligations to any other member of the First Interstate system without Borrower's prior consent, but shall request Borrower's consent prior to any such disposition to any other financial institution, which consent shall not be unreasonably withheld. (Notwithstanding the foregoing, Bank's interest in such indebtedness may pass by operation of law or as part of any sale of Bank's assets generally without the prior consent of Borrower.) Borrower here acknowledges and agrees that any such disposition other than a participation will give rise to a direct obligation of Borrower, as applicable, to the transferee and the transferee will for all purposes hereof be considered to be, and have the same rights and remedies as, Bank; provided, however, that all such transferees or participants shall deal with Borrower or either of them through Bank as agent for such transferees or participants, and Borrower shall be entitled to deal solely with Bank, as agent, and not directly with such transferees or participants, and Borrower shall have no obligation to honor any request made by any person or entity other than Bank. Appointment of Bank as agent shall be a condition precedent to the exercise of the rights of such transferees or participants hereunder. Bank shall provide notice of such transfer or assignment to Borrower but failure to provide such notice shall not invalidate or otherwise impair the effectiveness of such assignment or transfer. As part of and following any such sale, assignment or participation, Bank shall be authorized to disclose to such purchaser, assignee or participant all relevant information in Bank's possession concerning Borrower.

9.6 Washington Law; Jurisdiction. This Agreement and the Note shall be construed in accordance with and governed by the law of the State of Washington; and each party hereto irrevocably agrees that the proper jurisdiction and venue for any cause of action hereunder or relating hereto shall be Seattle, King County, Washington.

9.7 Counterparts. This Agreement may be signed in any number of

counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

#### 9.8 Oral Agreements

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

LONGVIEW FIBRE COMPANY

By \s\ L. J. Holbrook  
L. J. Holbrook

Its Senior V. P. Finance  
Secretary and Treasurer

Longview Fibre Company  
P.O. Box 639  
Longview, WA 98632  
Attention: Chief Financial Officer  
Telecopy No.: (206) 425-3116

FIRST INTERSTATE BANK OF  
WASHINGTON, N.A.

By \s\ Adrienne Stone  
Adrienne Stone

Its Vice President

First Interstate Bank of  
Washington, N.A.  
999 Third Avenue  
Seattle, WA 98104  
Attention: Adrienne Stone  
MS 984  
Telecopy No.: (206) 292-3120

Exhibit A

PROMISSORY NOTE

Longview, Washington  
October \_\_\_, 1993

On Maturity of the Note (as defined in the Loan Agreement referred to below), for value received, Longview Fibre Company, a Washington corporation (the "Borrower"), promises to pay to the order of First Interstate Bank of Washington N.A. (the "Bank") the aggregate unpaid principal amount of all Borrowings made by the Bank to the Borrower pursuant to the Loan Agreement referred to below. The Borrower promises to pay interest on the aggregate unpaid principal amount of such Borrowings on the dates and at the rate or rates provided for in the Loan Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of First Interstate Bank of Washington, N.A., 999 Third Avenue, Seattle, Washington.

All Borrowings made by the Bank and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, endorsed by the Bank on its books and records, and/or endorsed by the holder hereof on one or more of the grids attached to this note, such books and records or grid(s) being incorporated as a part hereof.

The makers, endorsers, sureties and guarantors hereof hereby agree to be jointly and severally bound, and jointly and severally waive presentment, demand, protest and notice of dishonor and agree to remain bound for payment of this obligation notwithstanding any and all renewals and extensions of time of payment hereof, hereby waiving notice of such renewals, extensions or other indulgences.

This note is made with reference to and is to be construed in accordance with the laws of the State of Washington. Jurisdiction over and venue of any action to enforce, interpret, construe or otherwise in connection herewith shall be had in the United States District Court or Superior Court of King County, Washington.

This note is one of the Notes referred to in the Loan Agreement dated as of October \_\_\_, 1993 between the Borrower and the Bank (as the same has been and may be amended from time to time, the "Loan Agreement"). Terms defined in the Loan Agreement are used herein with the same meanings. Reference is made to the Loan Agreement for provisions for the repayment hereof and the acceleration of the maturity hereof.

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FOREBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER

LONGVIEW FIBRE COMPANY

By \_\_\_\_\_

Its \_\_\_\_\_