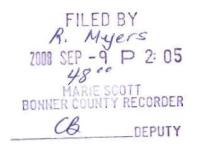
Recording Requested By and When Recorded Return to:



758286

SPACE ABOVE THIS LINE FOR RECORDERS USE ONLY

THIS PROPERTY IS SUBJECT TO AN ENVIRONMENTAL COVENANT IMPOSIING ACTIVITY AND USE LIMITATIONS PURSUANT TO THE UNIFORM ENVIRONMENTAL COVENANTS ACT, IDAHO CODE § 55-3001, et seq.

ENVIRONMENTAL COVENANT

This instrument is an Environmental Covenant executed by Bitterroot Investments LLC, an Idaho Limited Liability Company, ("BILLC") and the Idaho Department of Environmental Quality ("Department") pursuant to the Uniform Environmental Covenants Act, Idaho Code §§ 55-3001 through 3015. This Environmental Covenant sets forth protective provisions, covenants, restrictions and conditions (collectively referred to as "Activity and Use Limitations") on the Property described below. The Activity and Use Limitations are designed to protect natural resources, human health and the environment. BILLC is the owner of the property and a "holder" of the Environmental Covenant as defined in Idaho Code § 55-3002(6). BILLC, as the owner of the property, grants this Environmental Covenant to all parties to this instrument.

<u>Property Ownership.</u> BILLC hereby represents and warrants to the other signatories to this Environmental Covenant that it is the sole owner of the property, holds fee simple title to the property, and BILLC has the power and authority to enter into this Environmental Covenant.

<u>Property.</u> This Environmental Covenant concerns a portion of certain real property in the City of Sandpoint, County of Bonner, State of Idaho, described as Section 16 Township 57N Range 2 West Boise Meridian, Bonner County, Idaho and consists of Bonner County tax parcels T46 and T5. The portion of the property (herein referred to as "Restricted Area") to which the Activity and Use Limitation applies is legally described as an area beginning at a point 25 feet west and 25 feet south of the quarter corner between Section 15 and 16 of the Northeast Quarter of the Southeast Quarter of section 16 Township 57 North Range 2 west Boise Meridian; Thence west a distance of 300 feet; Thence south 228.2 feet to the North line of the right of way for the Great Northern Railway Spur; Thence South Easterly 309.3 feet along the North line of said right of way for the Great Northern Railway Spur; Thence North 306.2 feet to the point of beginning. The property is also described in the attached Schedule A which includes a map delineating the restricted area where the Activity and Use limitation applies.

<u>Reason for Activity and Use Limitations</u>. The Property described above was previously used to operate a pole treating facility for various lumber companies. Historic operations at the site included wood treatment operations using creosote wood preservative chemicals from about

ENVIRONMENTAL COVENANT - Page 1 of 7



DEQ-Coeur d'Alene Regional Office 1917 until the early 1950s. Wood treatment operations included placing poles and other wood products in open, unlined pits of creosote with subsequent storage onsite for drying. Later uses of the facility included treated pole storage. The Property has operated as a commercial building supply company from 1985 to the present. At the request of the City of Sandpoint in 2006 and 2007 the Department Brownfields program conducted a limited Phase II Environmental Site Assessment and Risk Evaluation of the Alpine Lumber property and portions of adjacent properties to the east and south. The Department Risk Evaluation identified unacceptable risk from exposures via the ground water ingestion pathway to the detected contaminants associated with the creosote-containing wood treating chemicals. The evaluation also recommended restricting the land use to non-residential and limiting the potential exposure of a future construction worker at the property. On August 28, 2007, BILLC entered into a Voluntary Remediation Agreement with the Department to remediate the Property. The Department approved a BILLC Voluntary Remediation Workplan for remediation of the Property. These Activity and Use Limitations are imposed in order to implement the remedial actions specified in the Voluntary Remediation Workplan.

<u>Activity and Use Limitations</u>. By acceptance and recordation of this Environmental Covenant, BILLC, and any successors in interest, are hereby restricted from using the portion of the Property delineated as the Restricted Area, now or at any time in the future, as specifically set forth below:

- 1. Any extraction of groundwater from under the Restricted Area for human consumption is prohibited without prior written approval from the Department;
- 2. The Restricted Area may be used for commercial and industrial purposes only. The Property may not be used for residential purposes, agricultural purposes, hotels, motels, schools, day care centers, or hospital use; and
- 3. There shall be no excavation below 4' in the Restricted Area except in accordance with a soils management plan approved by the Department.

BILLC, or its successors in interest, shall be solely responsible for demonstrating that use on the Property in the Restricted Area is in conformity with the Activity and Use Limitations. The Activity and Use Limitations are imposed due to conditions resulting from former uses of the Property, specifically the presence of creosote or wood treating chemicals in groundwater above IDTL screening levels in the groundwater samples collected from the southeastern portion of the Property.

<u>Amendment by Consent.</u> The Environmental Covenant may be amended by consent pursuant to Idaho Code § 55-3010. Except for an assignment undertaken pursuant to a governmental reorganization, assignment of the Environmental Covenant to a new holder is an amendment.

<u>Termination by Consent</u>. The Activity and Use Limitations set forth above shall apply to the Restricted Area, unless BILLC, or its successors in interest, applies to the Department to have this Environmental Covenant terminated pursuant to Idaho Code § 55-3010 and demonstrates that:

1. the Restricted Area or any subdivided portion thereof is shown in a Department-

approved document not to contain contaminated soils or groundwater; or

2. contaminated soils and groundwater are at levels the Department deems in writing to be adequate for the Restricted Area to be developed for unrestricted use.

<u>Name and Location of Administrative Record.</u> A copy of the site assessment reports, risk assessments and site closure report on the Property (formerly known as the Alpine Lumber property) can be found at the Coeur d'Alene office of the Department, 2110 Ironwood Parkway, Ste 100, Coeur d'Alene Idaho 83814. Specifically; 1) Limited Phase II Environmental Assessment Report Alpine Lumber Sandpoint Idaho, January 16, 2007, 2) Alpine Lumber REM Memo 1-24-2007, 3) Supplemental Environmental Assessment Report Alpine Lumber Sandpoint Idaho July 18, 2007, 4) Alpine Lumber REM Memo Supplementary Assessment Addendum 6-25-2007 and 5) Alpine Lumber Remedial Action Work Plan, January 31, 2008.

<u>Provisions to Run With the Land</u>. Each and all of the Activity and Use Limitations shall run with the land, and pass with the specified restricted portion of the Property (Restricted Area), and shall apply to and bind the respective successors in interest thereof. Each and all of the Activity and Use Limitations are imposed on the Restricted Area of the Property.

<u>Concurrence of Subsequent Owners Presumed</u>. All purchasers, lessees, or possessors of any portion of the Property shall be deemed by their purchase, leasing, or possession of such Property, to be in accord with the foregoing and to agree for and among themselves, and their successors, that the Activity and Use Limitations as herein established must be adhered to and that their interest in the Property shall be subject to the Activity and Use Limitations contained herein.

Recording/Filing of Environmental Covenant. This Environmental Covenant and any amendment or termination of the Environmental Covenant shall be recorded in the county recorder's office of every county in which any portion of the Property subject to the Environmental Covenant is located. The Environmental Covenant or any amendment or termination shall be recorded by BILLC, or its successors in interest, within ten (10) days of receipt of this Environmental Covenant signed by the Department. Within ten (10) days of the recording of this Environmental Covenant, or any amendment or termination, BILLC, or its successors in interest, shall provide to the Department a copy of this recorded Environmental Covenant, or any amendment or termination of this Environmental Covenant. In addition, a copy of the recorded Environmental Covenant, or any amendment or termination, shall be provided by BILLC, or by its successors in interest, to the following persons: (a) each person that signed the Environmental Covenant; (b) each person holding a recorded interest in the Property; (c) each person in possession of the Property; (d) each municipality or other local government in which the Property is located; and (e) any other person the Department requires. The validity of the Environmental Covenant is not affected by failure to provide a copy of the Environmental Covenant as required under this section. The Activity and Use Limitations set forth herein shall be incorporated by reference in each and all deeds and leases of any portion of the Property.

<u>Enforcement</u>. The Department and any party of the Environmental Covenant shall have authority to enforce the Activity and Use Limitations against BILLC or its successors-in-interest,

including subsequent owners of the Property and any other person using the Property. Failure of BILLC, or its successor in interest, to comply with any of the Activity and Use Limitations set forth herein shall be grounds for the Department, or its successor, to require that the Owner correct or remove any violations of this Environmental Covenant. Violation of this Environmental Covenant shall be grounds for the Department, or its successor, to file civil actions against the Owner as provided by law or in equity, including without limitation, the Uniform Environmental Covenants Act, Idaho Code § 55-3011.

<u>Property Access</u>. The Department shall have a right of access to the Property for the purposes of ensuring compliance with this Environmental Covenant.

<u>Conveyance of Property Notice.</u> Within thirty (30) days of the closing of any conveyance of the Property, or part thereof, the Conveyor of the Property, shall provide written notice to the Department and each municipality or other local government in which the Property is located, the name and address of all the then Owners and/or Occupants of the Property, or part thereof, conveyed. The Department shall not, by reason of this Environmental Covenant, have authority to approve, disapprove, or otherwise affect any conveyance of the Property except as otherwise provided by law.

<u>Notices</u>. All notices required or permitted to be given hereunder shall be in writing and mailed in the United States Mail, postage prepaid, by certified or registered mail, return receipt requested, or by reliable overnight delivery service with evidence of receipt requested, to the appropriate address indicated below or at such other place or places as either BILLC or its successors, or the Department or its successors, may, from time to time, respectively, designate in a written notice given to the other. Notices which are deposited in the United States Mail in accordance with the terms of this provision shall be deemed received three (3) days after the date of mailing thereof.

BILLC:

Bitterroot Investments LLC Robert Myers 418 Ravenwod Lane Sandpoint Idaho 83864

Lyn Roberts 606 Lakeview Avenue Sandpoint Idaho 83864

THE DEPARTMENT:

Idaho Department of Environmental Quality <u>ATTN</u>: Joe Nagel 1410 N. Hilton Boise, ID 83706

<u>Costs and Expenses</u>. All costs of terminating this Environmental Covenant, including the cost of any remediation or abatement of any environmental condition related to Activity and Use Limitations pertaining to the Property, shall be borne by the party seeking such termination.

Partial Invalidity. If any portion of the Environmental Covenant or terms set forth herein is

determined to be invalid for any reason, the remaining portion shall remain in full force and effect as if such invalidated portion had not been included herein.

<u>Headings</u>. Headings at the beginning of each section of this Environmental Covenant are solely for the convenience of the parties and are not a part of the Environmental Covenant.

Idaho Code References. All references to the Idaho Code sections include successor provisions.

<u>Reservation of Rights</u>. Notwithstanding any provision of this Environmental Covenant, the Department retains all of its access and enforcement authorities under any applicable statute or rule. Nothing in this Environmental Covenant shall affect the Department's ability to enforce the terms of any voluntary consent order or other agreement relating to remediation of the Property entered into between the Department and BILLC or any other responsible party. Nothing in this Environmental Covenant shall affect the obligations of BILLC or any other responsible party under such voluntary consent order or other agreement. The Department's acceptance hereunder is based upon the information presently known or available to the Department with respect to the environmental condition of the Property, and the Department reserves the right to take appropriate action under applicable authorities in the event the Department determines new information warrants such action.

<u>Effective Date</u>. The effective date of this instrument shall be the date the fully executed Environmental Covenant is recorded at the county recorder's office.

Signature and Acknowledgments

Accepted:

Idaho Department of Environmental Quality

Signature:	Lor C
Printed Name:	Toni Hardesty
Title:	Director, Idaho Department of Environmental Quality
Date:	9/5/08
State of Idaho)
) ss.
County of Ada)

On this 5 day of Sector in the year 200%, before me, a Notary Public in and for said County and State, personally appeared Toni Hardesty, known or identified to me to be the Director of the Idaho Department of Environmental Quality that executed this Environmental Covenant, and acknowledged to me that the Idaho Department of Environmental Quality executed the same.

IN WITNESS WHEREOF, have bereunto set may hand and affixed my official seal the day and year in this certificate first above written.



Notary Public for Idaho:	Rosi M. alonzo
Residing at: Nampa	, Idaha
Commission Expires:	1-30-09

Signature and Acknowledgments

Accepted:

Bitterroot Investm	nents LLC, an Idaho Limited Liability Company	
Signature: _ Printed Name: _ Title: _ Date: _	ROBETT MYERS MANAGER I MEMBER 9/2/2008	

State of Idaho, county of .Bonnex, ss.

IN WITNESS WHEREOF, I have hereunto set may hand and affixed my official seal the day and year in this certificate first above written.



Notary Public for Idaho: Residing at: _____ Commission Expires: ·2013

SCHEDULE A



Sandpoint Title Insurance, Inc.

120 South Second Avenue Post Office Box 1767 Sandpoint, Idaho 83864 (208) 263-2222 1-800-299-0025 Fax (208) 265-4040

TO: ALPINE HOLDINGS ATTN: ROBERT MYERS CALL TO PICK UP 290-7105

RE: 54101-TO

SELLER: Bitterroot Investments, LLC

BUYER:

BORROWER:

LENDER:

Enclosed herewith please find the original of the above-captioned Lot Book Guarantee.

If you have any title questions, please contact **Dan E. Waggoner** at (208) 265-6255 or **dan.waggoner@sandpointtitle.com** and refer to the above order number.

If you have any billing questions, please contact our accounting department at (208) 263-2222.

Thank you!!

Enclosure(s)

GUARANTEE

Issued by Transnation Title Insurance Company



Transnation Title Insurance Company is a member of the LandAmerica family of title insurance underwriters.

GUARANTEE NUMBER M16-0006843

Order NO.:54101 Liability: \$1,000.00 Premium: \$100.00

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE LIMITS OF LIABILITY AND THE CONDITIONS AND STIPULATIONS OF THIS GUARANTEE,

TRANSNATION TITLE INSURANCE COMPANY

a Nebraska corporation, herein called the Company

GUARANTEES

the Assured named in Schedule A against actual monetary loss or damage not exceeding the liability amount stated in Schedule A which the Assured shall sustain by reason of any incorrectness in the assurances set forth in Schedule A.

IN WITNESS WHEREOF, TRANSNATION TITLE INSURANCE COMPANY has caused its corporate name and seal to be hereunto affixed by its duly authorized officers, the Guarantee to become valid when countersigned by an authorized officer or agent of the Company.

TRANSNATION TITLE INSURANCE COMPANY

Dated: August 14, 2008 @ 8:00 A.M. EINSU By: President Countersigned: Attest: NEBRASK or Agent Authorized Office

ORIGINAL

LOT BOOK GUARANTEE

SCHEDULE A

File Number	Policy Number
54101-TO	M16-0006843

Amount \$**1,000.00** Premium \$100.00

- 1. Guarantee Date: August 14, 2008 at 8:00AM
- 2. Name of Assured:

Alpine Holdings

THE ASSURANCES REFERRED TO ON THE FACE PAGE ARE:

That according to the Company's property records relative to the following described real property (but without examination of those Company records maintained and indexed by name):

A. Title to said land is according to the deed, as follows:

Bitterroot Investments, LLC, an Idaho Limited Liability Company

- B. There are no mortgages or deeds of trust, which purport to affect said land, other than those shown below under Exceptions.
- C. There are no (homesteads, agreements to convey, attachments, notices of non-responsibility, notices of completion, tax deeds) which purport to affect title to said land, other than shown below under Exceptions.

No guarantee is made regarding matters affecting the beneficial interest of any mortgage or deed of trust, which may be shown herein as an exception, or other matters, which may affect any such mortgage, or deed of trust.

No guarantee is made regarding any liens, claims of liens, defects or encumbrances other than those specifically provided for above, and, if information was requested by reference to a street address, no guarantee is made that said land is the same as said address.

3. The land referred to in this policy is situated in the County of Bonner, State of Idaho, and is described as follows:

That part of the Northeast quarter of the Southeast quarter of Section 16, Township 57 North, Range 2 West, Boise Meridian, Bonner County, Idaho described as follows:

Beginning at a point 25 feet West and 25 feet South of the quarter corner between Section 15 and 16 of said Township and Range: West 1170 feet to the North line of the said right of way of the Great Northern Railway Spur;

Thence Southeasterly along the North line of said right of way to a point 306.2 feet South of the point of beginning;

Thence North to the point of beginning.

Lot Book Guarantee

EXCEPT a tract of land in the Southeast quarter of Section 16, Township 57 North, Range 2 West, Boise Meridian, Bonner County, Idaho described as follows:

Beginning at a point on the Southerly right of way of the existing County Road, known as the Bald Mountain Road, 25 feet South and 874.5 feet South 89°38'15" West from the East quarter corner of said Section 16, which point is the true point of beginning;

Thence South to the Northerly right of way line of the Burlington Northern transfer track;

Thence Northwesterly along said Northerly right of way line to the Southerly right of way line of said County Road;

Thence Easterly along said Southerly right of way line to the true point of beginning.

AND EXCEPT a tract of land in the Southeast quarter of Section 16, Township 57 North, Range 2 West, Boise Meridian, Bonner County, Idaho described as follows:

Beginning at a point on the Southerly right of way line of the existing County Road, known as Bald Mountain Road, 25 feet South and 744.5 feet South 89°38'15" West along the South line of said County Road from the East quarter corner of said Section 16, which point is the true point of beginning;

Thence along said Southerly right of way line, South 89°38'15" West, 130.00 feet;

Thence South to the Northerly right of way line of the Burlington Northern transfer track;

Thence Southeasterly along the Northerly right of way line of the Burlington Northern transfer track to a point which is 167.54 feet South from the true point of beginning;

Thence North 167.54 feet to the true point of beginning.

ALSO EXCEPT a tract of land in a portion of the Southeast Quarter of Section 16, Township 57 North, Range 2 West of the Boise Meridian, Bonner County, Idaho, more particularly described as follows:

Beginning at a point on the Southerly right of way line of the existing County Road, known as the Bald Mountain Road, 25.00 feet South and 514.25 feet South 89°38'15" West, along the centerline of said County Road from the East quarter corner of said Section 16, and which point is the true point of beginning;

Thence along said Southerly right of way line, South 89°38'15" West, a distance of 230.25 feet;

Thence leaving said Southerly right of way line, South a distance of 167.54 feet to the Northerly right of way line of the Burlington Northern transfer track;

Thence along said Northerly right of way line, South 79°21' 33" East a distance of 234.27 feet;

Thence leaving said Northerly right of way line, North a distance of 212.26 feet to the true point of beginning.

SPECIAL EXCEPTIONS

- 1. GENERAL TAXES FOR THE YEAR 2008, A LIEN IN THE PROCESS OF ASSESSMENT, NOT YET DUE OR PAYABLE.
- 2. ASSESSMENTS FOR THE CITY OF SANDPOINT, IF ANY, WHICH ARE EXCLUDED FROM THE COVERAGE AFFORDED HEREBY. PAID CURRENT
- 3. EASEMENT AND CONDITIONS CONTAINED THEREIN:

 RECORDED:
 NOVEMBER 18, 1986

 INSTRUMENT NO.:
 327754

 IN FAVOR OF:
 PACIFIC POWER AND LIGHT COMPANY, INC.

 FOR:
 ELECTRIC DISTRIBUTION LINE WITH APPURTENANCES AND INCIDENTAL

 PURPOSES INCLUDING RIGHT OF INSPECTION

 AFFECTS:
 SUBJECT PROPERTY
- EASEMENT AND CONDITIONS CONTAINED THEREIN: RECORDED: MARCH 10, 1994
 INSTRUMENT NO.: 441737
 IN FAVOR OF: PACIFIC POWER AND LIGHT COMPANY, INC.
 FOR: ELECTRIC DISTRIBUTION LINE WITH APPURTENANCES AND INCIDENTAL PURPOSES INCLUDING RIGHT OF INSPECTION AFFECTS: SUBJECT PROPERTY
- 5. DEED OF TRUST AND THE TERMS AND CONDITIONS THEREOF: GRANTOR: BITTERROOT INVESTMENTS, LLC, AN IDAHO LIMITED LIABILITY COMPANY TRUSTEE: SANDPOINT TITLE INSURANCE, INC.
 BENEFICIARY: PANHANDLE STATE BANK, SANDPOINT BRANCH
 ORIGINAL AMOUNT: \$247,688.00
 DATED/RECORDED: SEPTEMBER 10, 2003/SEPTEMBER 25, 2003
 INSTRUMENT NO.: 634637
 AFFECTS: A PORTION OF SAID LAND

TERMS AND PROVISIONS OF THE AGREEMENT OF SUBORDINATION, NONDISTURBANCE AND ATTORNMENT EXECUTED BY AND BETWEEN, BITTERROOT INVESTMENTS, LLC, LUMBERMENS, INC. AND PANHANDLE STATE BANK, RECORDED SEPTEMBER 21, 2007, AS INSTRUMENT NO. 737605.

- 6. ANY ADVERSE CLAIM BASED UPON MAINTAINING AND IMPROVING THE STORM WATER DRAINAGE SYSTEM THAT EXISTS PARTIALLY ON SAID LAND AND PARTIALLY ON ADJOINING LAND AS DISCLOSED BY THE AGREEMENT RECORDED OCTOBER 17, 1997 AS INSTRUMENT NO. 512532 AND BY THE ALTA SURVEY DATED DECEMBER 21, 2006, BY GORDON N. ANDERSON R.C.E 7314 FOR ASC NATIONAL, LLC AS DWG: 06180AL1.
- 7. ANY RIGHTS, EASEMENT INTERESTS OR CLAIMS WHICH MAY EXIST BY REASON OF OR BE REFLECTED BY THE FOLLOWING FACTS DISCLOSED BY AN ALTA SURVEY DATED DECEMBER 21, 2006, BY GORDON N. ANDERSON R.C.E 7314 FOR ASC NATIONAL, LLC AS DWG: 06180AL1, AS FOLLOWS:

A) THE FACT THAT IMPROVEMENTS CONSISTING OF A FENCE ADJACENT TO THE SHED EXISTS PARTIALLY ON SAID LAND AND PARTIALLY ON THE RAILWAY RIGHT OF WAY TO THE SOUTH.

B) THE FACT THAT IMPROVEMENTS CONSISTING OF ASPHALT PAVING EXISTS PARTIALLY ON SAID LAND AND PARTIALLY ON THE RAILROAD RIGHT OF WAY TO THE SOUTH.

C) THE FACT THAT STORM DRAIN MANHOLES, STAND PIPE, WATER VALVE, GAS METER CATCH BASINS AND CULVERT EXIST ON SAID LAND AND DO NOT APPEAR TO BE A PART OF ANY RECORDED EASEMENT.

D) THE FACT THAT GUY ANCHORS, POWER POLES EXIST ON SAID LAND AND CANNOT BE DETERMINED TO BE WITHIN A RECORDED EASEMENT.

E) THE FACT THAT IMPROVEMENTS CONSISTING OF A FENCE LINE AND PAVED ASPHALT AREA EXIST PARTIALLY ON SAID LAND AND PARTIALLY ON ADJOINING LAND ALONG THE WESTERLY BOUNDARY.

8. "LEASE AND PURCHASE AND SALE AGREEMENT EXECUTED BY BITTERROOT INVESTMENTS, LLC, AN IDAHO LIMITED LIABILITY COMPANY AS LESSOR AND LUMBERMENS, INC., A WASHINGTON CORPORATION, AS LESSEE UNDER THE TERMS AND PROVISIONS SET FORTH THEREIN, FOR A TERM OF 10 YEARS, WITH 2, FIVE YEAR EXTENSION PERIODS, BEGINNING SEPTEMBER 17, 2007, A MEMORANDUM OF WHICH WAS RECORDED SEPTEMBER 21, 2007, AS INSTRUMENT NO. 737604, RECORDS OF BONNER COUNTY, IDAHO".

END OF SCHEDULE B

