

Recording Requested By
And When Recorded Mail To:

State of California
Wildlife Conservation Board
Attn: Executive Director
1416 9th Street, Room 1266
Sacramento, CA 95814

Space Above For Recorder's Use

SUBORDINATION AGREEMENT

THIS SUBORDINATION AGREEMENT ("AGREEMENT"), dated March __, 2015, is by WESTERN RIVERS FORESTRY, a California nonprofit public benefit corporation ("**Owner**"), the owner of the real property comprising approximately 6,479 acres commonly known as Blue Creek Phase 2B located in the Counties of Humboldt and Del Norte, State of California, as described in attached **Exhibit A** ("**Property**"), and by this reference made a part hereof; LCD NEW MARKETS FUND XVIII, LLC, a Delaware limited liability company ("**Lender**"); and the WILDLIFE CONSERVATION BOARD, a subdivision of the State of California ("**WCB**").

RECITALS:

A. Western Rivers Conservancy, a California nonprofit public benefit corporation ("**WRC**"), who is an affiliate of Owner, acquired the Property on or about March __, 2015 (the "**Initial Acquisition**"). WRC purchased the Property with grant funds provided by WCB under the Grant Agreement described below and other funds.

B. WRC subsequently sold and transferred the Property to Owner on or about the date hereof (the "**Subsequent Transfer**").

C. Owner will execute concurrently herewith that certain Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated as of the date hereof, all in favor of Lender (the "**Deed of Trust**"), which Deed of Trust will encumber the Property and be recorded concurrently herewith in the Official Records of the Counties of Humboldt and Del Norte, State of California ("**Official Records**"), to secure payment and performance of, inter alia, that certain Promissory Note (A Note) dated as of the date hereof, payable by Owner as maker in the stated principal amount of \$8,410,000 to the order of Lender and that certain Promissory Note (B Note) dated as of the date hereof, payable by Owner as maker in the stated principal amount of \$3,590,000 to the order of Lender (collectively, the "**Subordinate Notes**"), evidencing a loan made by Lender in the aggregate amount of \$12,000,000 (the "**Lender Loan**").

D. Owner, WRC, and WCB have entered into that certain California Wildlife Conservation Board Grant Agreement for Acquisition of Fee Interest, Grant Agreement No. WC-1420JW, dated as of March __, 2015 ("**Grant Agreement**"). Pursuant to the Grant Agreement,

Owner and WRC executed that certain Notice of Unrecorded Grant Agreement (With Covenants Affecting Real Property) ("**Notice of Grant**") and caused it to be recorded on or about _____, 2015 [in Book _____ at Page ____/as Instrument No.] of the Official Records of Humboldt County and on or about _____, 2015 [in Book ____ at Page ____/as Instrument No.] of the Official Records of Del Norte County. Pursuant to the Grant Agreement and Notice of Grant, WRC, Owner and the Property are bound by certain terms, covenants, conditions and restrictions, including without limitation requirements that the Property shall be held and used only for the Purposes of Grant (as defined in the Grant Agreement) and that the Property be used and managed according to the provisions of the Grant Agreement and Notice of Grant.

E. The Grant Agreement requires that the Grant Agreement and Notice of Grant remain prior and superior to the lien of the Deed of Trust and that Lender specifically and unconditionally subordinate the lien of the Deed of Trust to the Grant Agreement and Notice of Grant.

F. Lender is willing to subordinate the lien of the Deed of Trust and all rights of Lender under it to the terms, conditions, covenants and restrictions provided in the Grant Agreement and Notice of Grant.

NOW, THEREFORE, in consideration of mutual benefits accruing to the parties hereto and other valuable consideration, the receipt and sufficiency of which consideration is hereby acknowledged, and to induce WCB to enter into the Grant Agreement and consent to the sale and transfer of the Property by WRC to Owner and the lien of the Deed of Trust on the Property to secure the Lender Loan, it is hereby declared, understood and agreed as follows:

1. WCB acknowledges that it granted funds for the Initial Acquisition of the Property by WRC and approved the Subsequent Transfer as set forth in Section 5.4 of the Grant Agreement. WCB consents to the lien of the Deed of Trust on the Property to secure the Lender Loan and acknowledges that such Deed of Trust constitutes the Deed of Trust (as defined in Section 5.6 of the Grant Agreement).

2. Lender hereby unconditionally subordinates the lien of the Deed of Trust and all rights of Lender under the Deed of Trust to the Grant Agreement and Notice of Grant and all rights of WCB under the Grant Agreement and Notice of Grant. No foreclosure, deed in lieu of foreclosure, trustee's sale or other transfer of the Property, and no steps or procedures taken under the Deed of Trust, shall affect the rights of WCB under the Grant Agreement and Notice of Grant. The Grant Agreement and Notice of Grant shall be binding and effective against Lender or any person or entity who acquires title to the Property by foreclosure, deed in lieu of foreclosure, trustee's sale, or otherwise, and any deed or other instrument of conveyance by which the Property is conveyed shall set forth that the conveyance is subject to the terms, covenants, conditions and restrictions contained in the Grant and Notice of Grant. Lender acknowledges that any sale, transfer, exchange or conveyance of the Property is subject to the written approval of WCB and that Lender must obtain approval of any person or entity that may acquire title to the Property, whether by foreclosure, deed in lieu of foreclosure, trustee's sale or otherwise.

3. In the event that WCB delivers to Owner or WRC a notice of breach under the Grant Agreement, Owner or WRC shall deliver to Lender a copy of said notice concurrently with receipt by

Owner or WRC, and Lender shall have the right (but not the obligation) to cure any or all defaults specified in said notice in the same manner as provided to Owner or WRC, including such rights of Owner or WRC under Section 6 of the Grant Agreement. If Lender cannot cure a breach without possession of the Property then, except in the circumstances described in Section 7.4 of the Grant Agreement, upon written request by Lender WCB shall allow Lender such additional time as Lender shall reasonably require to prosecute and complete a foreclosure, trustee sale or equivalent proceeding and obtain possession of the Property, so long as Lender proceeds with reasonable diligence. Pursuant to Section 7.2 of the Grant Agreement, in the event of a Default (as defined in the Grant Agreement) WCB has the right to require Owner to convey a conservation easement over the Property. Lender acknowledges that any such conservation easement shall relate back to and have the same priority as the Grant Agreement and Notice of Grant, and be prior and superior to the lien of the Deed of Trust, irrespective of the date the conservation easement is recorded in the Official Records.

4. The terms of this Agreement, the subordination effectuated by it, and the rights of WCB and the obligations of Lender, Owner and WRC hereunder, shall not be affected, modified or impaired in any manner or to any extent by: (a) any amendment or modification of or supplement to the Grant Agreement or Notice of Grant; (b) the lack of validity, legality or enforceability of the Grant Agreement or Notice of Grant; (c) any exercise or non-exercise of any right, power or remedy under or in connection with the Grant Agreement or Notice of Grant or any amendment, modification or supplement thereto; or (d) any waiver, consent, release, extension, modification, delay or other action, inaction or omission under or in connection with the Grant Agreement or Notice of Grant or any amendment, modification or supplement thereto, whether or not Lender shall have had knowledge or notice of any of the foregoing and whether or not it shall have consented thereto.

5. Notices, demands, and communications among the parties under or in connection with this Agreement shall be sufficiently given if, and shall not be deemed given unless, delivered personally, or dispatched by certified mail, return receipt requested, or reputable overnight delivery service with a receipt showing date of delivery, to the principal offices of the parties as follows:

If to Lender: LCD New Markets Fund XVIII, LLC
111 W. St. John St., Suite 800
San Jose, CA 95113
Attention: Jeff Wells
Fax: (408) 297-4599

With a copy to: Husch Blackwell LLP
190 Carondelet Plaza, Suite 600
St. Louis, MO 63105
Attention: Steven McCandless
Fax: (314) 480-1505

If to Owner: Western Rivers Forestry
71 SW Oak Street, Suite 100
Portland, Oregon 97204
Attention: Sue Doroff
Fax: (503) 241-0374

With a copy to: Coblentz Patch Duffy & Bass LLP
One Ferry Building, Suite 200
San Francisco, California 94111
Attention: Julie Treppa
Fax: (415) 989-1663

If to WCB: Wildlife Conservation Board
1416 9th Street, Room 1266
Sacramento, CA 95814
Attn: Executive Director

With a copy to: Department of Fish and Wildlife
1416 Ninth Street, 12th Floor
Sacramento, CA 95814
Attn: General Counsel

Such written notices, demands and communications may be sent in the same manner to such other addresses as the affected party may from time to time designate by notice as provided in this Section 5. Delivery shall be deemed to have occurred at the time indicated on the receipt for delivery or refusal of delivery.

6. This Agreement may be amended or modified only in writing signed by all parties to it. No waiver of any term or provision of this Agreement shall be effective unless it is in writing, making specific reference to this Agreement and signed by the party against which the waiver is sought to be enforced.

7. This Agreement shall be the whole agreement with regard to the subordination of the Deed of Trust, together with all rights of Lender under the Deed of Trust, to the Grant Agreement and Notice of Grant, and this Agreement shall supersede and cancel, but only insofar as would affect the priority of the Deed of Trust, any prior agreements as to such subordination.

8. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute and be construed as one and the same instrument.

9. This Agreement shall inure to the benefit of WCB and its legal representatives, successors and assigns, and shall be binding on Owner, WRC and Lender and their respective legal representatives, successors and assigns.

10. This Agreement shall be governed by and construed according to California law, irrespective of its choice of law principles.

11. If any part of this Agreement is not enforceable, the rest of this Agreement may be enforced.

(Signature pages follow)

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the date set forth above.

OWNER:

WESTERN RIVERS FORESTRY, a California nonprofit public benefit corporation

By: _____
Name: Sue Doroff
Title: President

LENDER:

LCD NEW MARKETS FUND XVIII, LLC, a Delaware limited liability company

By: LCD New Markets Fund, a Delaware limited liability company, its managing member

By: Opportunity Fund Northern California, formerly known as Lenders for Community Development, a California non-profit public benefit corporation, its Managing Member

By: _____
Name: Jeff Wells
Title: Vice President

WCB:

STATE OF CALIFORNIA WILDLIFE
CONSERVATION BOARD

By: _____
Name: John P. Donnelly
Title: Executive Director

EXHIBIT "A"
LEGAL DESCRIPTION

The land referred to herein is situated in the State of California, in the unincorporated area of the County of Humboldt and is described as follows:

EXHIBIT "A"
LEGAL DESCRIPTION (CONTINUED)

The land referred to herein is situated in the State of California, in the unincorporated area of the County of Del Norte and is described as follows: