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DEED OF TRUST
AND SECURITY AGREEMENT

THIS DEED OF TRUST AND SECURITY AGREEMENT ("Trust Deed" or "Deed of Trust") is made the 4th day of October, 1991, by CROWN PACIFIC, LTD., an Oregon corporation, whose address is 121 S. W. Morrison, Suite 900, Portland, Oregon 97204 ("Grantor"), FIRST AMERICAN TITLE INSURANCE COMPANY, whose address is 200 S. W. Market Street, Portland, Oregon (the "Trustee"), and CAPITAL CONSULTANTS, INC., AGENT, whose address is 2300 S. W. First Avenue, Portland, Oregon (the "Beneficiary").

Recitals.

A. Grantor is indebted to Beneficiary under and pursuant to the Note referred to at Section 1.1, and Grantor's obligations thereunder are secured by, among other things, a deed of trust dated as of August 12, 1991, and covering (together with certain other property) certain real and personal property located in Klamath and Lake Counties, Oregon (the "Release Property").

B. Grantor is the sole general partner in Crown Pacific (Oregon) Limited Partnership (the "Partnership") and, pursuant to an agreement establishing the Partnership, manages substantially all of the Partnership real property assets, consisting in substantial part of timber and timberland. The Partnership is a shareholder in Grantor.

C. By reason of the transactions described in Recital D, the Partnership will acquire all right, title and interest to the Real Property and Timber (as such terms are defined in the granting clauses of this Deed of Trust), subject, however, to an interest in the Timber concurrently acquired by Grantor pursuant to a timber deed thereto. Pursuant to the Loan Agreement (defined at Section 1.2) Crown must acquire from the Partnership all of the Partnership's remaining right, title and interest in the Real Property and Timber on or before December 1, 1992.

D. In connection with a corporate reorganization of Grantor to occur simultaneously with (1) the Partnership's acquisition of certain assets of Gilchrist Timber Company, and (2) execution and delivery of this Deed of Trust, Grantor has requested that Beneficiary reconvey to Grantor the Release Property and, in consideration, therefor, has proposed that Grantor grant to Beneficiary a security interest in all of Grantor's right, title and interest, from time to time, in the Timber and Real Property.

GRANT IN TRUST.

Grantor hereby grants, bargains, sells and conveys to the Trustee, IN TRUST, WITH POWER OF SALE and right of entry and possession, all of Grantor's right, title and interest, whether now held or whether acquired in the future, in and to the real property located in the County of Klamath, State of Oregon (the "Real Property"), described in EXHIBIT A attached hereto and made a part of this Trust Deed by this reference;

TOGETHER WITH all timber of every kind, size and species, and all natural increases thereof, now or hereafter growing, standing, lying or being on the Real Property and all timber as and when severed and removed from the Real Property ("Timber");

TOGETHER WITH all rents, issues, profits, payments, royalties, income and other benefits from the Real Property or Timber (collectively the "Rents");

TOGETHER WITH all leasehold estate, right, title and interest of Grantor (as Lessor or Lessee) in and to all leases or subleases covering the Real Property or Timber or any portion thereof now or hereafter existing or entered into;

TOGETHER WITH all right, title and interest of Grantor in and to all options, agreements and contracts for the purchase and sale of all or any part or parts of the Real Property, the Timber or interests therein;

TOGETHER WITH all easements, rights-of-way and rights used in connection with the Real Property or as a means of access thereto, and all tenements, hereditaments and appurtenances thereof and thereto, and all water and water rights (whether riparian, appropriative or otherwise and whether or not appurtenant) and all water service contracts and licenses now or hereafter relating to or used in connection therewith, all ditch rights, and all shares of stock evidencing any such water or ditch rights;

TOGETHER WITH any and all buildings and improvements now or hereafter erected on the Real Property (the "Improvements"), and all materials intended for construction, reconstruction, alteration and repair of the Improvements, all of which materials shall be deemed to be included within the Real Property immediately upon the delivery thereof to the Real Property;

TOGETHER WITH all the estate, interest, right, title or other claim or demand, including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Grantor now has or may hereafter acquire in the Trust Property (as hereinafter defined), and any and all awards made for the taking by eminent

domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Trust Property, including, without limitation, any awards resulting from a change of grade of streets and awards for severance damages.

The foregoing property in which Grantor has or hereafter acquires an interest is herein referred to as the "Property."

FIXTURE FILING AND SECURITY AGREEMENT.

Grantor as debtor, grants a security interest in the Personal Property (defined below) to Beneficiary, as secured party, pursuant to the Uniform Commercial Code as adopted in Oregon (the "UCC"), on the terms and conditions contained herein except that where any provision hereof is in conflict with the UCC, the UCC shall control. As used herein the term "Personal Property" shall mean any of the following property in which Grantor has or in the future acquires an interest: (1) the Property to the extent the same is not encumbered by this Deed of Trust as a first priority real estate lien, (2) all personal property that is used or will be used in the construction of any buildings or improvements on the Real Property; (3) all personal property that is or will be placed on or in the Real Property or Improvements; (4) all personal property that is derived from or used in connection with the use, occupancy, or enjoyment of the Real Property or Improvements; (5) all property located or used at or pertaining to the Real Property and defined in the Uniform Commercial Code as accounts, equipment, general intangibles, together with specifications, contracts, subcontracts and cost savings in connection with the construction of any buildings or Improvements on the Real Property; (6) all bonds, permits, licenses, causes of action, claims, security deposits, advance rental or timber contract payments, utility deposits, refunds of fees or deposits paid to any governmental authority, refunds of taxes, and refunds of insurance premiums, in each case pertaining to or arising from the Property, excluding, however, cash deposits held by The Sumitomo Bank, Ltd., pursuant to that certain Pledge Agreement dated as of July 7, 1989, between Grantor and The Sumitomo Bank, Ltd.; and (7) all present and future attachments, accessions, amendments, replacements, additions, products, and proceeds of the foregoing.

SCOPE OF GRANT AND OBLIGATIONS SECURED.

The entire estate, real and personal property and interests hereby conveyed, transferred or assigned to Trustee, and subject to the lien hereof from time to time, may be referred to herein as the "Trust Property." Until the occurrence of an Event of Default (defined at Section 12), Grantor may remain in possession and control of and operate and manage the Trust Property and collect and enjoy the rents, revenues, income, issues and profits therefrom.

The foregoing grant in trust and grant of security interest is made for the purpose of securing the following obligations:

Section 1. Payment and Performance.

1.1 The Note. Grantor shall pay to Beneficiary promptly when due all indebtedness evidenced by and arising under that certain promissory note given by Grantor to Beneficiary, dated August 12, 1991, in the principal amount of THIRTY-NINE MILLION FIVE HUNDRED THOUSAND AND 00/100 DOLLARS (\$39,500,000.00) and a maturity date of June 30, 1994, and all other amounts, payment of which is secured by this Trust Deed including, without limitation, amounts payable by Grantor pursuant to the terms hereof.

This Deed of Trust also secures the interest that accrues on the Note, late payment charges, prepayment premiums payable following default and at the time of a judicial or nonjudicial foreclosure sale. Any modifications, extensions, or renewals of the Note including, without limitation, (i) modifications of the required principal and/or interest payment dates, deferring or accelerating said payment dates in whole or in part, and/or (ii) modifications, extensions, or renewals at a different rate of interest, shall be secured by this Deed of Trust whether or not any such modification, extension, or renewal is evidenced by a new or additional promissory note or notes.

1.2 Other Obligations. Grantor shall perform each of its agreements herein contained or contained in the Note; the Loan Agreement dated as of March 22, 1991 between Grantor and Beneficiary, as amended by that certain First Amendment to Loan Agreement dated as of August 12, 1991, and by that certain Second Amendment to Loan Agreement of even date herewith (as amended, the "Loan Agreement"); and/or any and all documents and instruments executed by Grantor pursuant to the Loan Agreement for purposes of evidencing or securing the repayment of the Note, which documents are incorporated herein by this reference (all of the foregoing are together referred to as the "Loan Documents"), and Grantor shall pay each fee, and all costs and expenses payable by Grantor as herein or therein set forth.

Section 2. Timber Provisions.

2.1 Prohibition on Cutting. Except as permitted by this Deed of Trust, Grantor shall not, without prior written consent from the Beneficiary, cut or remove any Timber whatsoever (whether merchantable or unmerchantable) from that portion of the Real Property held as suitable for the production of Timber (such portion of the Property, including all improvements, fixtures and logging roads located thereon, are herein referred to as the "Timberland").

2.2 Representations and Warranties Concerning Timberland. Grantor represents and warrants to and for the benefit of Beneficiary:

2.2.1 Condition. The Timberland and Timber is in good condition and is free from all pests, blight, fungus or disease that would materially impair the value thereof.

2.2.2 Acres and Volume. The Timberland contains approximately 8,600 acres on which is located, to the best of Grantor's knowledge 58.6 million board feet of merchantable timber consisting of some or all of the following species: Douglas Fir, Western Hemlock, Red Cedar, Hardwoods, Ponderosa Pine, Sugar Pine, Lodge Pole Pine, Light Pine, Western Larch, Engleman Spruce, White Fir, Grand Fir and Incense Cedar, as well as minor species.

2.3 Compliance with Timber Laws. Grantor, as applicable, shall:

2.3.1 Comply in all respects with the Oregon Forest Practices Act, all rules and regulations issued by the Oregon Board of Forestry and any other state and federal laws or regulations applicable to Grantor's ownership, use or operations on the Timberlands, including, without limitation the rules and regulations of the Oregon Wildlife Division;

2.3.2 Maintain memberships in forest protective associations where any of the Property falls within a forest protective district under the jurisdiction of any such association;

2.3.3 Pay as due any forest patrol assessments of the State Forester or a forest protective association described in Section 2.3.2; and

2.3.4 Within thirty (30) days from any determination that an operation on the Timberlands has resulted in an additional hazard, obtain a release of such additional hazard from the State Forester by performing all necessary burning or other work to reduce the hazard or by paying a fee designated by the State Forester for such release.

2.4 General Timber Management Obligations. Until the payment in full of all amounts secured by this Trust Deed:

2.4.1 The Timberlands shall be operated as timber producing tracts, having due regard to soil conditions, stand arrangements and other factors relevant to the conduct of sound silvicultural and harvesting practices, and Grantor shall harvest the Timber on the Timberland, subject to all requirements and conditions of this Deed of Trust, in a manner that will generate sufficient proceeds to discharge Grantor's payment

obligations under the Note, but that does not materially adversely impair the collateral value of the Timber and Timberlands relative to Grantor's outstanding obligations from time to time under the Note.

2.4.2 Grantor shall not permit grazing of livestock on the Timberlands in such a way as to be materially injurious to forest regeneration, soils or forest growth, or use fire for eradication of noxious growth or for any other reason whatsoever except with the prior written consent of the Beneficiary.

2.4.3 All measures shall be taken which are reasonably necessary to protect Timber located on the Timberlands from loss by fire, which measures shall be at least equal to fire control practices generally followed on timber-producing property in the same general area, including the adoption of suitable prevention and control measures, the maintenance of adequate fire-fighting equipment, proper disposal of slash and slabs and full cooperation with local, state and federal agencies on matters of fire prevention and control. To the extent economically feasible, all merchantable Timber that is dead, diseased, fallen or otherwise damaged by casualty shall be salvaged in accordance with sound silvicultural practices.

2.4.4 An adequate system of existing roads and roadways shall be maintained in such manner as to permit reasonable access of mobile fire-fighting equipment to all parts of the Timberlands.

2.4.5 All reasonable measures shall be taken to insure proper regeneration of Timber on the Timberlands.

2.4.6 There shall be maintained at all times in accordance with sound silvicultural practices all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the Timberlands.

2.4.7 Grantor's forestry management records are and will continue to be maintained at Grantor's offices in Portland, Prineville and Gilchrist, Oregon. Grantor has and will maintain current accurate maps showing acreage and typing of Timber within the Timberland. Grantor employs and will continue to employ an experienced, competent, designated individual to maintain such records and maps. Grantor shall maintain in effect the basic Timberland management methods and record keeping system heretofore in existence, but shall make changes in such structure and system as Beneficiary may from time to time require. Grantor will furnish to Beneficiary, as well as to the agents of Beneficiary, full access to the Timberland and to all of Grantor's personnel, books, maps and aerial photographs, the Timber harvesting plans required pursuant to Section 2.5.1(a), financial and other records, scaling sheets, timber cruises, documents, facilities, forest management plans and projections relating

to the Property, all as requested from time to time by Beneficiary, and shall promptly provide Beneficiary, upon execution and delivery or filing as appropriate, copies of all logging contracts and log hauling or other agreements relating to harvesting of the Timberland; all log sale agreements and purchase orders for logs; a copy of each timber harvesting plan filed with any government agency having jurisdiction over the Timberlands. Without limiting the generality of the foregoing:

(a) Grantor shall (i) furnish to Beneficiary such reports and information as Beneficiary may require to determine Grantor's compliance with this Agreement, (ii) furnish to Beneficiary not later than 30 days after the end of each calendar month Grantor's certification as set forth in Section 2.4.7(b), and (iii) furnish such reports and information (including cruises of the Timberland) as Beneficiary may from time to time reasonably require to determine changes in the volumes of Timber and acreages of Timberland after the effective date of this Deed of Trust and to reconcile all such changes with Grantor's inventory records.

(b) Grantor's monthly certification required by Section 2.4.7(a) shall consist of a certificate signed by an Officer of Grantor, certifying and setting forth a complete report of all Timber harvesting operations for such month, including without limitation, the following:

(i) a statement that such Officer is familiar with and understands the obligations of Grantor hereunder and is fully advised with respect to Grantor's Timberlands business activities and operations;

(ii) a statement that, to the best knowledge of such Officer, no Event of Default or circumstance that, with notice, the passage of time or both, would constitute an Event of Default has occurred;

(iii) a summary of activity under all outstanding timber cutting contracts or log sale agreements or auctions or sales of logs conducted orally on the Timberland whereby Grantor, as seller, is or may become obligated to cut, harvest or otherwise remove Timber from the Timberland and sell or deliver such Timber to third persons;

(iv) a statement of the total amount of Timber cut during the previous month classified (A) by Timberland block, (b) by species, (C) by number of logs 12 inch scaling diameter and greater, (D) by number of logs 11 inch scaling diameter and less, and (E) by total volumes removed and acreage disposed of;

(v) a description of all sales, exchanges and other dispositions of any part of the Timberland during the previous month;

(vi) an accounting of all proceeds received and revenues generated by each Timberland block by such cutting, harvesting, sale, exchange or disposition during the previous month and any other receipts from operation of the Timberland such as wood use fees;

(vii) a summary of all operating costs incurred in each Timberland block by such cutting, harvesting or removal during the previous month;

(viii) a statement that all information required by this Deed of Trust to be furnished to Beneficiary has been furnished by Grantor and that such information is true, complete and correct in all material respects and no fact or information has been withheld or omitted that renders the information misleading in any material respect.

2.4.8 Beneficiary may appoint a consulting forester of Beneficiary's choice to make such inspections and to perform other services deemed reasonably necessary to insure compliance with the provisions of this Trust Deed. Grantor shall pay for such inspections and other services. Without limiting the generality of the foregoing:

(a) Duties of Consultant.

(i) The Consultant's duties shall include determining whether Grantor is complying with its obligations set forth in this Deed of Trust regarding forest management and timber harvesting; determining acreages, volumes and Timber inventory; reviewing and verifying reports, information and certifications furnished by Grantor; and investigating and monitoring Grantor's business and activities regarding the Timberland and this Deed of Trust. The Consultant shall make inspections of the Timberland from time to time as reasonably required by Beneficiary to ascertain that Grantor is not operating in violation of this Deed of Trust or of any Timber harvesting plan pertaining to the Timberland or of the applicable forest practices act as they apply to the Timberland.

(ii) The Consultant shall perform any cruise and any other timber inventory or Timber and Collateral report contemplated by this Agreement.

(iii) The Consultant shall provide general industry information and specific information on the value of the Property.

(b) Fees. Grantor shall pay or reimburse Beneficiary for all fees and expenses of Consultant hereunder, within 10 days after Grantor's receipt of a billing invoice, including all charges of any successor Consultant for verifications required by such successor Consultant in connection with its acceptance of the

engagement to act as Consultant hereunder. Fees of the Consultant for its services as such shall cover the costs of any cruise performed pursuant to this Deed of Trust.

2.5 Timber Harvesting.

2.5.1 Limited Harvesting Rights. Unless the right to cut and remove Timber shall have been suspended pursuant to Section 2.5.4, or terminated by reason of an Event of Default, Grantor shall have the right to cut and remove Timber from the Timberland and to sell such Timber in accordance with the following provisions and conditions:

(a) Grantor shall prepare and maintain, and all cutting, harvesting or removal of Timber shall be conducted in compliance with, timber harvesting plans that (i) conform to requirements of applicable law, (ii) are prepared in accordance with good industry practice (including requirements that only merchantable Timber, as determined in accordance with generally accepted industry standards, be harvested), and (iii) conform to the timber management obligations stated at Section 2.4.1. If an Event of Default shall have occurred and be continuing, Beneficiary shall have approved in writing all such Timber harvesting plans before the implementation or further implementation thereof. Each such Timber harvesting plan shall specify the location of the proposed cutting, the specifications and size of trees to be cut and how such trees shall be designated, the time period in which harvesting is to occur, logging methods to be used and proposed delivery points and prices.

(b) In addition to the requirements of Section 2.5.1(a):

(i) All cutting or harvesting of Timber shall be consistent with the diligent and prudent cutting or harvesting of Timber in accordance with good forest management practices;

(ii) All sales of logs from the Timberland shall be on an arm's length basis and contain terms customary in the industry for such agreements, shall be at prices not less than the fair market value thereof (except where prices are already set pursuant to agreements included among the Permitted Encumbrances);

(iii) No Event of Default shall have occurred and be continuing;

(iv) Grantor shall have assigned the proceeds from all such sales and all agreements relating thereto to Beneficiary, pursuant to this Deed of Trust and the Security Agreement; and

(v) Grantor shall pay to Beneficiary, on or before the first day of each month and as a prepayment under the Note, an amount equal to (A) the amount paid Grantor during the preceding month in respect of Timber or cutting rights to Timber sold, less (B) the reasonable and ordinary costs to Grantor, if any, of harvesting such Timber (as evidenced by a cost summary, in form and substance reasonably satisfactory to Beneficiary, submitted by Grantor to Beneficiary with each such payment).

(c) Grantor shall not cut or remove any Timber that is not merchantable Timber except for normal thinning in accordance with silvicultural practices and clearcutting operations in compliance with applicable forest practices acts.

(d) All logs removed from the Timberland shall be scaled by an independent log scaling bureau reasonably acceptable to Beneficiary (the "Scaling Bureau").

2.5.2 Loss of Timber by Casualty. If any Timber within the Timberland is damaged or destroyed by fire, windstorm, infestation, war, third persons or any other cause, Grantor shall, upon Beneficiary's request, revise its applicable Timber harvest plan or plans so as to achieve the maximum salvage value from the damaged Timber.

2.5.3 Special Rule in the Case of Condemnation. If Timber or Timberland is lost by the exercise of eminent domain or condemnation (including inverse condemnation) by any governmental agency or other body having the right of condemnation or power of eminent domain, or by Grantor's sale in lieu of and in reasonable anticipation of the impending exercise of such right or power, then any and all awards or sales proceeds shall be paid to Beneficiary, and the merchantable Timber affected by such taking or sale shall not be treated as Timber cut or removed by Grantor for purposes of this Section 2.5.

2.5.4 Suspension or Termination of Cutting Privileges. During the occurrence and continuance of an Event of Default, all rights of cutting and removal of Timber under this Agreement shall be automatically suspended, subject to reinstatement if the Event of Default is cured within 30 days of the first to occur of (1) such Event of Default or (2) the giving of notice of an event that, if not cured within applicable cure periods, will constitute an Event of Default. Notwithstanding the preceding sentence, Beneficiary shall have the option to terminate immediately all rights of cutting and removal of Timber under this Agreement on the 31st day after the occurrence of an Event of Default if a cure has not been effected within 30 days, in each case without the necessity of notice or any action on the part of Beneficiary. Upon acceleration of the Note for any reason, all rights of cutting and removal of Timber under this Agreement shall terminate automatically without the necessity of notice or any action on the part of

Beneficiary. When rights to cut Timber have been suspended and terminated pursuant to this provision, Beneficiary shall have the right to give notice of such suspension or termination to buyers of logs.

2.5.5 Confirmatory Releases. Beneficiary, upon receipt of a written application from Grantor accompanied by Grantor's certification that no Event of Default exists, shall, if Beneficiary has no actual or constructive knowledge that an Event of Default is in existence, execute and deliver any confirmatory release or other instrument necessary or appropriate to confirm that any Timber cut from the Timberland in accordance with this Section 2.5 has been released from, or is no longer subject to, the lien of this Deed of Trust.

2.5.6 Logging Contracts. All agreements for logging, felling, bucking, log hauling and the like entered into by Grantor shall be on an arm's length basis at competitive rates and according to terms customary in the industry.

Section 3. Possession and Maintenance of the Property.

3.1 Compliance with Governmental Requirements. Grantor shall promptly comply with all laws, ordinances and regulations of all governmental authorities applicable to the ownership, use, occupancy or management of the Property, including without limitation the timber-related laws described in Section 2.2. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Beneficiary's interest in the Property is not jeopardized.

3.2 Duty to Protect. Grantor shall do all other acts, in addition to those set forth in this Trust Deed, that from the character and use of the Property are reasonably necessary to protect and preserve the security given hereunder.

Section 4. Taxes and Liens.

4.1 Payment. Grantor shall pay when due all taxes, assessments levies and charges levied against or imposed on account of the Property, including without limitation any harvest or severance taxes, any form of assessment, possessory interest tax, license commercial rental tax, business license fee, business license tax, commercial rental tax, levy, charge, penalty, or similar imposition, imposed by any authority having the direct power to tax, including any city, county, state, or federal government, or any school, agricultural, lighting, drainage, or other improvement or special assessment district thereof, as against any legal or equitable interest of the Grantor in the Property. Grantor shall pay when due all claims for work done on or for services rendered or material furnished to the Property. Grantor shall maintain the Property free of any liens having priority over or equal to the interest of Beneficiary under this Trust Deed, except

for the lien of taxes and assessments not due and except as otherwise provided in Section 4.2.

4.2 Right to Contest. Grantor may withhold payment of any tax, assessment, levy, charge or claim in connection with a good faith dispute over obligation to pay, so long as Beneficiary's interest in the Property is not jeopardized. If, as the result of any such contest, the Property is subject to a lien that is not discharged within fifteen (15) days from the date it attached, Grantor shall deposit with Beneficiary cash, a sufficient corporate surety bond or other security satisfactory to Beneficiary in an amount sufficient to discharge the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale under the lien. In any contested proceedings, Grantor will defend itself and Beneficiary and will name Beneficiary as an additional obligee under any surety bond, and Grantor shall satisfy any final adverse judgment promptly, but in any case before enforcement against the Property.

4.3 Evidence of Payment. Grantor shall promptly furnish evidence of payment of taxes, assessments, levies, charges and claims to Beneficiary on Beneficiary's demand and shall authorize the appropriate county official to deliver to Beneficiary at any time a written statement of the taxes and assessments against the Property.

Section 5. Representations, Warranties and Covenants of Grantor.

Grantor represents, warrants and covenants as follows:

5.1 Title. The Partnership holds merchantable fee simple title to the Property, subject only to the Grantor's interest in the Timber, and Grantor holds merchantable title to not less than 30 million board feet of the Timber, in each case free of all encumbrances other than those set forth in the attached EXHIBIT A (the "Permitted Encumbrances"); this Trust Deed will be a first lien on the Trust Property, subject only to the Permitted Encumbrances.

5.2 Defense of Title. Subject to the exceptions noted in Section 5.1, Grantor will forever defend the title against the lawful claims of all persons. If any action or proceeding is commenced that questions Grantor's title or the interest of Beneficiary under this Trust Deed, Grantor shall defend the action at its expense.

5.3 Hazardous Substances.

5.3.1 Grantor's Representations and Warranties. Except as disclosed to Beneficiary in writing before the date of this Deed of Trust: (a) to the best of Grantor's knowledge, no asbestos has ever been used in the construction, repair or maintenance of any building, structure or improvement now or heretofore located on the Property, and

there is not now, nor has there ever been, any underground storage tank or tanks located on the Property; (b) no Hazardous Substance (defined below) is currently being generated, processed, stored, transported, handled or disposed of on, under, in or from the Property or the groundwater of the Property; (c) neither Grantor nor any other person or entity has ever caused or permitted any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of on, under, in or from the Property or the groundwater of the Property; (d) Grantor has not received any notice of, nor is Grantor aware of, any actual or alleged violation with respect to the Property or the groundwater of the Property, of any federal, state or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances; (e) there is no action or proceeding pending or threatened before, or appealable form, any court, quasi judicial body or administrative agency relating to Hazardous Substances affecting or alleged to be affecting the Property or the groundwater of the Property; (f) Grantor will not itself, and will not suffer or permit, the generation, processing, storage, transportation, handling or disposal of, on, under, in or from the Property or the groundwater of the Property of any Hazardous Substances, and (g) Grantor will at all times take all necessary action to insure that the Property and the groundwater of the Property complies with all federal, state and local environmental laws and regulations (including, without limitation, those pertaining to underground storage tanks and to asbestos).

5.3.2 Notification. Grantor shall immediately notify Beneficiary should Grantor (a) become aware of the existence of any Hazardous Substance on the Property or in the groundwaters of the Property, (b) receive any notice of, or become aware of, any actual or alleged violation with respect to the Property of any federal, state or local statute, ordinance, rule, regulation, or other law pertaining to Hazardous Substances, (c) become aware of any lien or action with respect to any of the foregoing. Grantor shall deliver to Beneficiary, promptly upon receipt, (i) copies of any documents received from the United States Environmental Protection Agency ("EPA") and/or any state, county or municipal environmental or health agency concerning Grantor's ownership, use or operations upon or in connection with the Property; and (ii) copies of any documents submitted by Grantor to the EPA and/or any state, county or municipal environmental or health agency concerning the Property.

5.3.3 Inspection and Remedial Action. Beneficiary is hereby authorized to enter the Property, including the interior of any structures, at reasonable times, and after reasonable notice, for the purpose of inspecting the Property, to ascertain the accuracy of all representations and warranties, and the compliance with all covenants, made in this Section 5.3. Upon Beneficiary's written request (a) Grantor, through professional engineers approved by Beneficiary and at Grantor's cost, shall thoroughly investigate suspected Hazardous Substances contamination of the Property or the groundwater of the Property, and (b) Grantor shall forthwith take such remedial action as may be necessary to ensure that there is no Hazardous Substances present on the Property or in the groundwater of the Property in quantities that exceed amounts allowed by

applicable law, and that the Property otherwise complies with all federal, state and local environmental laws and regulation (including, without limitation, those pertaining to underground storage tanks and to asbestos), in either case whether or not Grantor was responsible for the existence of the Hazardous Substances on or in the Property or the groundwater of the Property or for such noncompliance. Grantor's obligations under this Section 5.3 shall arise upon Beneficiary's demand as provided herein, regardless of whether the EPA or any other federal, state or local agency or governmental authority has taken or threatened any action in connection with the presence of any Hazardous Substance on, or release of any Hazardous Substance from, the Property or the groundwater of the Property. If Grantor shall fail promptly to discharge its obligations under this Section 5.3, Beneficiary may, at its election, but without the obligation to do so, cause such investigation to be made or remedial action to be taken and/or take any and all other actions that Beneficiary may deem necessary or advisable to protect its security for the Loan or to avoid or minimize its liability for the existence of Hazardous Substances on the Property, or in the groundwater of the Property, or for a release thereof from the Property or the groundwater of the Property. All amounts expended by Beneficiary under this Section 5.3 shall be payable by Grantor to Beneficiary upon demand but shall otherwise be deemed advanced under and pursuant to the terms of the Note, shall accrue interest at the rate specified in the Note and shall be secured by this Deed of Trust and the other Loan Documents.

5.3.4 Definition of Hazardous Substance(s). The term "Hazardous Substance" shall mean:

- (a) "Hazardous substances", as defined by 40 CFR Part 302;
- (b) "Extremely hazardous substance", as defined by 40 CFR Part 355;
- (c) "Toxic chemicals", as defined by 40 CFR Part 372;
- (d) "Hazardous chemical" as defined by 29 CFR § 1910.120, to the extent it is included in the employer's written Hazard Communication Program or in Material Safety Data Sheets that are located on site;
- (e) "Hazardous Waste" as defined by Oregon Administrative Rules Chapter 340, Division 101;
- (f) Petroleum, including crude oil and any fraction thereof; and
- (g) Any material that contains more than 1% of asbestos.

5.3.5 Grantor's Personal Liability: Indemnity. Beneficiary has agreed to advance sums under and pursuant to the Note in reliance upon Grantor's representations, warranties and covenants set forth in this Section 5.3. Notwithstanding any other provision of this Deed of Trust, the Loan Documents or applicable law to the contrary, including any such provision purporting to limit Grantor's personal liability to Beneficiary to Grantor's interest in the Property, Grantor shall be personally liable for, and shall defend, indemnify and hold Lender harmless from and against, any and all claims, demands, penalties, fees, liens, damages, losses, expenses or liabilities (including, without limitation, all reasonable attorney's and expert fees and costs incurred by Lender in connection with any of the foregoing, whether incurred before any action is filed, at trial, or on any appeal or petition for review therefrom) (a) resulting from any breach of the representations, warranties or covenants contained in this Section 5.3, or (b) incurred or payable by Beneficiary in connection with the removal of or remedial action concerning any Hazardous Substances on the Property or in the groundwater or the Property, or the release thereof from the Property or the groundwater of the Property (including any such removal or remedial action performed by any governmental authority). Without limiting the generality of the foregoing, the provisions of this Section 5.3.5 shall apply to any such claim, demand, penalty, fee, lien, damage, loss, expense or liability incurred in connection with or arising from (a) the existence of any Hazardous Substance on the Property, and (b) the existence on any other property and any Hazardous Substance attributable to activities or contamination on the Property. Grantor's obligations and liability under this Section 5.3 shall survive repayment of this Note and shall extend to sums in excess of the amount advanced pursuant to the Note.

5.3.6. Survival. Grantor's representations, warranties and covenants set forth at this Section 5.3 shall survive any foreclosure or trust deed sale, the repayment of the Note and/or the release of the lien of this Deed of Trust from the Property and the Grantor's transfer of any or all right, title and interest in and the Property to any party.

5.4 Due Organization: Authority. Grantor is duly organized and validly existing and in good standing under the laws of Oregon and has power adequate to carry on its business as currently conducted, to own the Property, to make and enter into the Loan Documents and to carry out the transactions contemplated therein.

5.5 Execution, Delivery and Effect of Loan Documents. The Loan Documents have each been duly authorized, executed and delivered by Grantor, and each is a legal, valid and binding obligation of Grantor, enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws affecting creditors' rights generally and subject to the exercise of judicial discretion in accordance with general principles of equity.

5.6 Other Obligations. Grantor is not in material violation of any term or provision of any document governing its organization or existence or in default under any

material instruments or obligations relating to Grantor's business, Grantor's assets or the Property. No party has asserted any material claim or default relating to any of Grantor's assets or the Property. The execution and performance of the Loan Documents and the consummation of the transactions contemplated thereby will not result in any material breach of or constitute a material default under, any contract, agreement, document or other instrument to which Grantor is a party or by which Grantor may be bound or affected, and do not and will not violate or contravene any laws to which Grantor is subject; nor do any such instruments impose or contemplate any obligations that are or will be materially inconsistent with the Loan Documents. Grantor has filed all federal, state, county and municipal income tax returns required to have been filed by Grantor and has paid all taxes which have become due pursuant to such returns or pursuant to any assessments received by Grantor. Grantor does not know of any basis for additional assessment with regard to any such tax. No approval by, authorization of, or filing with any federal, state or municipal or other governmental commission, board or agency or other governmental authority is necessary in connection with the authorization, execution and delivery of the Loan Documents.

5.7 Legal Actions. There are no material actions, suits or proceedings including, without limitation, any condemnation, insolvency or bankruptcy proceedings, pending or, to the best of Grantor's knowledge and belief, threatened, against or affecting Grantor, its business or the Property; or investigations, at law or in equity, before or by any court or governmental authority, pending or, to the best of Grantor's knowledge and belief, threatened against or affecting Grantor, Grantor's business or the Property, except actions, suits and proceedings fully covered by insurance and heretofore fully disclosed in writing to Beneficiary or that resolved adversely to Grantor would not have a material, adverse effect on Grantor or the Property. Grantor is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority affecting Grantor or the Property. Furthermore, to the best knowledge and belief of Grantor, there is no basis for any unfavorable decision, ruling or finding by any court or governmental authority which would in any material respect adversely affect the validity or enforceability of the Loan Documents, or the condition (financial or otherwise) or ability of Grantor to meet Grantor's obligations under the Loan Documents.

5.8 Financial Statements. All statements, financial or otherwise, submitted to Beneficiary in connection with the making of the loan evidenced by the Note were true, correct and complete in all material respects as of the respective dates thereof, and all such financial statements have been prepared in accordance with generally accepted accounting principles consistently applied (or other basis of accounting practices permitted by Beneficiary) and fairly present the financial condition of the parties or entities covered by such statements as of the date thereof. Since the date thereof, neither Grantor nor any such party or entity has experienced any material, adverse change in its finances, business, operations, affairs or prospects except as disclosed to Beneficiary in writing before the date of this Deed of Trust.

5.9 Adverse Change to Property. No event or series of events has or have intervened or occurred since the date of Grantor's submission of its application for the loan evidenced by the Note that would, either individually or collectively, materially, adversely affect the Property.

5.10 Compliance With Laws and Private Covenants. The Property complies in all material respects with all applicable laws. Grantor has examined and is familiar with the Permitted Encumbrances and, to the best of Grantor's knowledge, there now exists no material violation thereof. Grantor has no notice that any of the improvements are inconsistent with any easement over the Land or encroach upon adjacent property.

5.11 Independence of the Property. When the acquisition referred to at Recital C of this Deed of Trust occurs, the land will constitute one or more separate and distinct parcel for tax purposes and is not subject to property taxes and a similar charge against any other land. Grantor has not by act or omission permitted any building or other improvements on property not covered by this Deed of Trust to rely on the property or any part thereof or any interest therein to fulfill any municipal or governmental requirement for the existence of such property, building or improvement; and no improvement on the property relies on any property not covered by this Deed of Trust or any interest therein to fulfill any governmental or municipal requirement. Grantor has not by act or omission impaired the integrity of the property as a single, separate, subdivided zoning lot separate and apart from all other property.

Section 6. Insurance, Condemnation.

6.1 Liability Insurance. No later than the date funds are advanced under the Note, Grantor shall procure and shall thereafter maintain public liability and property damage insurance for personal injury and property damage in aggregate limits of not less than \$3,000,000.00. Such insurance shall cover all risks arising directly or indirectly out of Grantor's activities on, or any condition of, the Property, shall name Beneficiary as a co-insured and shall protect Grantor and Beneficiary against claims of third persons. Grantor shall maintain and shall cause all other persons performing operations on the Timberland to maintain Logger's Broad Form B property damage coverage (with third party fire fighting expense endorsement) with limits of at least \$1,000,000 per occurrence. Such policies shall be written in such form, with such terms and by such insurance companies as are reasonably acceptable to Beneficiary. Such policies shall contain a provision that coverage will not be canceled or diminished without at least 30 days prior written notice to Beneficiary.

6.2 Taking. Grantor shall promptly notify Beneficiary of any action or proceeding relating to any condemnation or other taking of the Trust Property or any part thereof or any interest therein. Beneficiary shall be entitled, at its option, to commence,

appear in, and prosecute in its own name, any action or proceeding, or to make any compromise or settlement in connection with, any eminent domain claim. Unless otherwise directed in writing by Beneficiary, however, Grantor shall appear in and prosecute diligently any such proceeding or action. All condemnation proceeds or damages paid in connection with any condemnation or other taking with respect to the Trust Property (or consideration paid for conveyances in lieu of condemnation) are hereby assigned to Beneficiary.

6.3 Application of Condemnation Proceeds. If all or any part of the Property is condemned, all net proceeds resulting from such condemnation shall be paid to Beneficiary. Beneficiary shall be entitled, at its option, to commence, appear in, and prosecute in its own name, any action or proceeding, or to make any compromise or settlement in connection with any eminent domain claim. The term "net proceeds" shall mean the total amount available after payment of all reasonable costs, expenses and attorneys' fees necessarily paid or incurred by Grantor and Beneficiary in connection with the taking by condemnation. If the entire Property is acquired by eminent domain the indebtedness secured hereby shall be due and payable at the time of entry of the final judgment. All proceeds from an eminent domain claim shall be applied by Beneficiary as follows: first, to cure any monetary default by Grantor under the Loan Documents; second, to reduce the indebtedness secured hereby to the extent necessary so that the loan-to-value ratio existing immediately prior to the taking shall be maintained; and third, the balance, if any, to Grantor. The Beneficiary is authorized, at the expense of Grantor, to retain and pay the reasonable costs of professional engineers, appraisers, and other experts (including attorneys) to determine the extent to which its security is impaired following any taking. Beneficiary may pay the engineers, appraisers, and experts from the monies resulting from the eminent domain claim. Sale of all or any part of the Property to a purchaser with the power of eminent domain in the face of a threat or the probability of the exercise of the power shall be treated as a taking by condemnation to which this Section shall apply.

6.4 Proceedings. If any proceedings in condemnation are filed, Grantor shall promptly give Beneficiary notice thereof and, subject to Beneficiary's right to appear as provided in Section 6.2, take such steps as may be necessary to defend the suit and obtain the award.

Section 7. Transfer by Grantor.

Except as permitted by Sections 2.5 or 8.2, Grantor shall not engage in a Transfer (defined below) without the prior written consent of Beneficiary. The term "Transfer" includes (i) the encumbrance, sale, conveyance, or other transfer (excluding, where applicable, transfers and changes in ownership by devise or descent) of the Property or the Personal Property or any part thereof, or any interest therein, including, without limitation, any agreements for the cutting or removal of timber, the creation of

any leasehold interest or the grant of any mortgage, deed of trust or other security interest covering all or any part of the Property (provided, however, Grantor may replace Collateral which is worn out if Grantor first obtains Beneficiary's written consent to the replacement, which consent shall be given if the replacement is of equal value and utility and Beneficiary receives a first lien or perfected first security interest, as the case may be, in such replacement Collateral), (ii) the divestiture of all or any part of Grantor's title to the Property or Personal Property, or any interest therein, (iii) the issuance, sale, conveyance, or other transfer of any stock or other interest in either Grantor or the Partnership (including, without limitation, the contractual transfer or abdication of voting rights) to any person or entity where the effect of such transfer would be to (A) reduce the voting stock in Grantor held, in the aggregate, by Bechtel Investments, Inc., Peter W. Stott, or Roger L. Krage below fifty-one percent (51%) of the total voting stock in Grantor, or (B) to remove Grantor as the general partner in the Partnership, (iv) any material change in the allocation of income, profits, or losses among the partners in the Partnership, the effect of which is to materially, adversely affect the interest therein of Grantor, (v) the mortgage, pledge, or other hypothecation of any stock or partnership interest in Grantor, (vi) the merger or consolidation of Grantor into another corporation or the reorganization of Grantor if Grantor is a corporation, (vii) creation of any limited partnership interests in the Partnership, the effect of which is to materially, adversely affect the interest of Grantor, (viii) termination of Grantor as the party with primary management responsibility for the Property, and (ix) any agreement of Grantor, of any stockholder, officer or director of Grantor, if Grantor is a corporation, or, of any partner of Grantor if Grantor is a partnership, to do any of the things specified in clauses (i) through (vii) above. Any Transfer (whether to a person with respect to whom consent to Transfer is hereafter given or otherwise) shall be subject to this Deed of Trust and, where appropriate, any transferee shall, upon Beneficiary's request, assume, by a recordable instrument delivered to and satisfactory to Beneficiary, all obligations hereunder and agree to be bound by all provisions contained herein. Such assumption shall not, however, release Grantor or any maker or guarantor of the Note from any liability thereunder or hereunder. Consent to one such Transfer shall not be deemed a waiver of the right to require consent to future or successive Transfers. Grantor acknowledges that the loan secured by this instrument is personal to Grantor and that in making it Beneficiary has relied on Grantor's credit and management capabilities, Grantor's interest in the Trust Property and financial market conditions at the time the Loan was made. If Grantor engages in a Transfer without complying with the requirements of this Section 7, then all of the indebtedness and obligations secured by this Deed of Trust will become immediately due and payable.

Section 8. Release On Full or Partial Performance.

8.1 Upon payment of all of the indebtedness due pursuant to the Note and performance of all of the obligations imposed upon Grantor under this Trust Deed, Beneficiary shall, if requested, execute and deliver to Trustee a suitable Reconveyance

of this Trust Deed and suitable statements of termination of any financing statements on file. Upon written request of Beneficiary stating that all sums secured hereby have been paid, surrender of this Trust Deed and the Note to Trustee for cancellation and retention, and payment of its fees, Trustee shall reconvey, without warranty, the Trust Property then held hereunder. The recitals in any reconveyance executed under this Trust Deed of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

8.2 Full Release - Timber Sale. Upon Grantor's transfer of Grantor's interest in the Timber on the terms stated in this Section 8.2, Beneficiary shall, if requested, execute and deliver to Trustee a suitable Reconveyance of this Trust Deed and suitable statements of termination of any financing statements on file. Any such transfer must occur at a time that no Event of Default has occurred and is continuing hereunder, and the entire purchase price payable to Grantor in respect of such transfer must be payable in cash at Closing (defined at Section 8.3). In addition:

(a) Grantor shall have provided Beneficiary not less than 30 days advance written notice of such sale, which notice shall specify the anticipated amount of consideration payable to Beneficiary in respect of such interest, the anticipated Closing date of such sale, and the anticipated manner in which the purchase price is to be paid.

(b) At Beneficiary's written request, given not less than fourteen days following Beneficiary's receipt of Grantor's written notice of the sale given pursuant to subparagraph (a), above, Grantor shall furnish to Beneficiary, on or before the Closing date of such sale, an amendment of the appraisal provided to Beneficiary pursuant to Section 1.1 of the Loan Agreement that states, as requested by Beneficiary (i) the Appraised Value (as defined at Section 1.1 of the Loan Agreement) of such interest and (ii) the Appraised Value, as of the time of such sale, of (A) the Property (exclusive of such tract) and (B) the property then covered by the other deeds of trust referred to in the Loan Agreement (the "Other Deeds of Trust").

(c) The sale of such interest shall be at not less than the Appraised Value assigned thereto by the appraisal amendment delivered pursuant to subparagraph (b)(i), above, or if Lender did not request that an appraisal amendment be delivered, then the sale of such interest shall be at not less than the Appraised Value assigned thereto by either (i) the most recent appraisal report or amendment establishing Appraised Value, or (ii) an updated appraisal amendment delivered at Grantor's election.

(d) Grantor shall have paid to Beneficiary, contemporaneously with such Closing, an amount equal to (i) the amount of the purchase price paid to Grantor with respect to such interest, less (ii) the reasonable and ordinary costs of sale (which shall include reasonable attorneys fees) incurred by Grantor in connection with such sale,

plus, (iii) such additional amount as may be necessary, after application pursuant to Section 8.3 of the amount paid by Grantor to Beneficiary hereunder to amounts then due under the Note, to render the then outstanding principal balance of the Note equal to or less than sixty-five percent of the sum of the Appraised Value (as of the time of such sale or, if Lender did not request that an appraisal amendment be delivered, then as of the most recent appraisal report or amendment establishing Appraised Value) of the property then covered by the Other Deeds of Trust.

(e) Grantor shall have paid to Beneficiary all costs and expenses including, without limitation, Beneficiary's reasonable attorneys fees, to prepare and record or file any such reconveyance and/or release.

8.3 Closing; Application of Payments. The "Closing" of any sale permitted pursuant to Section 8.2 shall be deemed to have occurred upon recordation of a document transferring beneficial title to the timber interest in the applicable real property records. All amounts paid by Beneficiary to Grantor pursuant to Section 8.2 shall be applied first to accrued but unpaid interest under the Note, and the balance shall be applied to principal.

Section 9. Reports.

9.1 Default. Grantor will furnish to Beneficiary notice of any default on Grantor's part under any agreement, license, permit, lease, timber or cutting contract affecting the Trust Property or any portion thereof, or under any loan agreement between Grantor and any other person.

9.2 Certificates of Lessee(s). Upon request of Beneficiary, and not more often than annually, Grantor will furnish to Beneficiary a certificate from each lessee (if any) of any portion of the Trust Property stating, if true, that the landlord (Grantor) is not in default under such lease, and that rental is current and has not been paid more than thirty (30) days in advance.

9.3 Leases. Grantor will furnish to Beneficiary upon request, copies of leases, timber or cutting contracts and sale contracts covering or pertaining to any portion of the Trust Property and entered into after the date hereof.

Section 10. Reserves.

If Grantor has failed promptly to perform its obligations under Section 4 of this Trust Deed, Beneficiary may require Grantor to maintain with Beneficiary reserves for payment of taxes and assessments. The reserve shall be created by monthly payments of a sum estimated by Beneficiary to be sufficient to produce, at least fifteen (15) days

before due, an amount equal to the taxes and assessments. If fifteen (15) days before payment is due the reserve is insufficient, Grantor shall pay any deficiency to Beneficiary upon demand. The reserve shall be held by Beneficiary as a general deposit from Grantor and shall constitute a non-interest-bearing debt from Beneficiary to Grantor which Beneficiary may satisfy by payment of the taxes and/or assessments. Beneficiary shall not hold the reserve in trust for Grantor, and Beneficiary shall not be the agent of Grantor for payment of the taxes and assessments required to be paid by Grantor.

Section 11. Assignment of Leases, Rents, Timber Contracts,
Cutting Rights, Sale Contracts, Issues and Profits.

As part of the consideration for the making of the loan hereby secured, Grantor hereby assigns, transfers and sets over to Beneficiary all leases of any part of the Trust Property, now in effect or hereafter made, and hereby assigns and transfers to Beneficiary all the right of Grantor in and to timber contracts, cutting rights or sale contracts to or affecting any part of or interest in the Property or Timber, whether now in effect or hereafter made, and hereby further assigns to Beneficiary all of Grantor's right to receive the rents, issues, profits and sale proceeds (the "Income") reserved or provided by such leases, timber contracts, cutting rights or sale contracts, or paid or payable to Grantor upon a sale, transfer, or other disposition of the Property or Timber, or any portion thereof or interest therein; provided, however, that until Grantor shall commit or permit some act of default under the Note, this Trust Deed or any other instrument securing the Note the Grantor may receive, collect and receipt for said Income, not exceeding, however, more than thirty (30) days in advance, paying over to Beneficiary only so much thereof as is required to comply with the obligations resting upon Grantor under and by the terms hereof and of the Note, but in the event that Grantor shall commit or permit any act of default hereunder, then and in that event, and from that time on, said lessees and/or any other party to any such timber contract, cutting right or sale agreement are authorized, required and directed to pay the Income thereafter falling due under and by the terms of said agreements or instruments directly to Beneficiary, and Beneficiary is authorized to demand, collect, receive and receipt for such income and apply the moneys so collected, in its discretion, to any or all of the following purposes:

- (a) To the payment of any taxes assessed upon the Trust Property, whether or not the same be delinquent;
- (b) To the payment of any assessments or other governmental charges assessed against the Trust Property, whether or not the same be delinquent;
- (c) To the payment of any insurance premiums paid or incurred by the Beneficiary, or any expenditure which, in the judgment of the Beneficiary, is proper for the care of the Trust Property;

(d) To the payment of any interest accrued on the Note secured by this Trust Deed; and

(e) To the payment, on account of the principal, of the Note secured by this Trust Deed, whether or not there be any payments on account of principal due at the time and whether or not the Beneficiary has exercised the right secured by this Trust Deed to declare the entire principal due by reason of any default hereunder;

and that upon notice and demand Grantor will further transfer and assign to Beneficiary, in form satisfactory to Beneficiary, Grantor's interest in any lease, timber contract, cutting right or sale agreement now or hereafter affecting the whole or any part of the Property. Grantor will not assign the whole or any part of the rents, income or profits arising from the Trust Property without the written consent of the Beneficiary and any assignment thereof without such consent shall be void.

Section 12. Events of Default.

The following shall constitute Events of Default:

12.1 Nonpayment. If for any payment due under the Note, or any amount due under this Deed of Trust, the entire amount due (including principal, interest and any applicable premiums and late charges) is not paid within five (5) days of the date upon which notice of default in the making of such payment was given to Borrower.

12.2 Breach of Other Covenant. Failure of Grantor to perform any other obligation contained in the Note, this Trust Deed or any of the Loan Documents within thirty (30) days after notice from Beneficiary (or Beneficiary's representative) specifying the nature of the default or, if the default cannot be cured within thirty (30) days, failure within such time to commence and pursue with reasonable diligence curative action. No notice of default and opportunity to cure shall be required or given if during the preceding twelve (12) calendar months Beneficiary has already sent a notice to Grantor concerning default in performance of the same obligation.

12.3 Misinformation. Falsity in any material respect of the representations and warranties given in Section 5 or of any representation, warranty or information furnished to Beneficiary in connection with the Note, this Trust Deed or any Loan Document.

12.4 Failure to Acquire Title; Sale or Transfer of Title. If Grantor has not acquired all of the Partnership's right, title and interest in the real property and timber described in this Deed of Trust on or before December 1, 1992, or upon the occurrence of a Transfer in any manner except as permitted by Section 7.

12.5 Bankruptcy. Immediately upon the occurrence of any of the following without any action or notice by Beneficiary, (i) the Grantor, or, if Grantor is a partnership, any general partner or joint venturer (collectively the "Parties in Interest") becomes insolvent, makes a transfer in fraud to, or an assignment for the benefit of, creditors, or admits in writing its inability, or is unable, to pay debts as they become due; or (ii) a receiver, custodian, liquidator or trustee is appointed for all or substantially all of the assets of a Party in Interest or for the Property in any proceeding brought by a Party in Interest, or any such receiver or trustee is appointed in any proceeding brought against a Party in Interest or the Property and such appointment is not promptly contested or is not dismissed or discharged within 120 days after such appointment, or a Party in Interest consents or acquiesces in such appointment; or (iii) a Party in Interest files a petition under the Bankruptcy Code, as amended, or under any similar law or statute of the United States or any state thereof; or (iv) a petition against a Party in Interest is filed commencing an involuntary case under any present or future Federal or state bankruptcy or similar law and such petition is not dismissed or discharged within 120 days after the filing thereof; or (v) any composition, rearrangement, liquidation, extension, reorganization or other relief of debtors now or hereafter existing is requested by a Party in Interest.

12.6 Adverse Court Action. A court of competent jurisdiction enters a stay order with respect to, assumes custody of or sequesters all or a substantial part of, the Property, or the Property is taken on execution or by other process of law, and such order, custody, sequestration, execution or other process is not dismissed or discharged within 30 days after its occurrence.

12.7 Certain Taxes. This subsection shall apply to the following state taxes:

(a) A specific tax on mortgages, trust deeds, secured indebtedness or any part of the indebtedness secured by this Deed of Trust.

(b) A specific tax on the Grantor of property subject to a trust deed which the taxpayer is authorized or required to deduct from payments on the trust deed.

(c) A tax on property chargeable against the beneficiary or trustee under a trust deed or holder of the note secured thereby.

(d) A specific tax on all or any portion of the indebtedness or on payments of principal and interest made by Grantor.

If any state tax to which this subsection applies is enacted after the date of this Deed of Trust, an Event of Default shall occur when such tax becomes due and payable unless Grantor lawfully pays the tax or charge imposed by the state tax on

or before such date without causing any resulting economic disadvantage or increase of tax to Beneficiary or Trustee.

12.8 Default Under Other Deeds of Trust, Leases or Other Agreements. The occurrence of an Event of Default under the Loan Agreement or any other Loan Document (as the term "Event of Default" is therein defined), or default by Grantor under any agreement, license, permit, lease, or timber or cutting contract affecting any portion of the Trust Property or under any loan agreement, mortgage or deed of trust relating to the Property given by Grantor or to which Grantor is a party.

Section 13. Remedies in Case of Default.

If an event of default shall occur Beneficiary or Trustee, as the case may be, may exercise any of the following rights and remedies, in addition to any other remedies which may be available at law, in equity, or otherwise:

13.1 Acceleration. Beneficiary may declare the entire principal amount of the Note together with all interest and prepayment penalties to be immediately due and payable.

13.2 Books and Records. Beneficiary may examine all books, records and contracts of Grantor pertaining to the Trust Property and make such memoranda thereof as may be desired.

13.3 Receiver. Beneficiary may have a receiver of the Trust Property appointed. Beneficiary (or a Trustee) shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Trust Property exceeds the amount of the secured indebtedness. Any receiver appointed may serve without bond. Employment by Trustee or Beneficiary shall not disqualify a person from serving as receiver. Grantor waives all defenses and consents to the appointment of a receiver at Beneficiary's option.

13.4 Possession. Beneficiary may, either through a receiver or as a lender-in-possession, take possession of all or any part of the Trust Property, and Grantor shall peaceably surrender the same.

13.5 Rents and Revenues. Beneficiary may revoke Grantor's right to collect the income from the Trust Property, and may, either itself or through a receiver, collect the same. To facilitate collection, Beneficiary may notify Grantor's tenants or the other parties to any contract or instrument affecting the Trust Property to pay income directly to it. Beneficiary shall not be deemed to be in possession of the Trust Property solely by reason of exercise of the rights contained in this Section 13.5. If income is collected by Beneficiary under this Section 13.5, Grantor hereby irrevocably designates

Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment of income due, in respect of any part of the Trust Property, in the name of Grantor and to negotiate such instruments and collect the proceeds thereof.

13.6 Foreclosure. Beneficiary may foreclose Grantor's interest in all or any part of the Trust Property by judicial procedure.

13.7 Fixtures and Personal Property. With respect to any fixtures or personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the UCC.

13.8 Abandon Security. Beneficiary may abandon any security afforded by this Trust Deed or any other Loan Document by notifying Grantor of Beneficiary's election to do so.

13.9 Power of Sale. Beneficiary may direct Trustee to, and Trustee shall be empowered to, foreclose the Trust Property by advertisement and exercise of the power of sale under applicable law.

13.10 Sale of Personal Property; Bid at Public Sale. In exercising its rights and remedies, Beneficiary shall be free to sell all or any part of the Personal Property together or separately, or to sell certain portions of the Personal Property and refrain from selling other portions. Beneficiary shall be entitled to bid at any public sale of all or any portion of the Personal Property.

13.11 Cumulative Remedies. Election to pursue one remedy shall not exclude resort to any other remedy, and, unless the context otherwise requires, all remedies under this Trust Deed are cumulative and not exclusive. In addition to the specific remedies provided herein, Beneficiary shall have all rights and remedies provided by the law of the State in which the Trust Property is located. An election to cure under Section 16.7 shall neither prejudice the right to declare a default nor constitute a waiver of the breached term or of any of the remedies provided herein. No delay or omission in exercising any right or remedy shall impair that or any other right or remedy or shall be construed to be a waiver of the default.

Section 14. Receiver or Trustee-in-Possession.

Upon taking possession of all or any part of the Trust Property, a receiver or Trustee or Beneficiary or Beneficiary's representative may:

14.1 Management. Use, operate, manage, control and conduct business on the Trust Property and make expenditures for such purposes and for maintenance and improvements as in its judgment are necessary.

14.2 Rents and Revenues. Collect all rents, revenues, income, issues and profits from the Trust Property and apply such sums to the expenses of use, operation, management, maintenance and improvement.

14.3 Work in Progress or Construction. At its option, complete any work in progress or construction in progress on the Trust Property, and in that connection pay bills, borrow funds, employ contractors and make any changes in scope, plans and specifications as it deems appropriate.

14.4 Additional Indebtedness. If the revenues produced by the Trust Property are insufficient to pay expenses, including, without limitation, any disbursements made by Beneficiary or Trustee pursuant to this Section 14, a receiver may borrow, or Beneficiary or Trustee may advance, such sums upon such terms as it deems necessary for the purposes stated in this section, and repayment of such sums shall be secured by this Trust Deed. Amounts borrowed or advanced shall bear interest at a rate equal to the lesser of fifteen percent (15%) per year or the highest rate permitted by applicable law. Amounts borrowed or advanced and interest thereon shall be payable by Grantor to Beneficiary or Trustee on demand.

Section 15. Application of Proceeds.

All proceeds realized from the exercise of the rights and remedies under Sections 14 and 15 shall be applied as follows:

15.1 Costs and Expenses. To pay the costs of exercising such rights and remedies, including the costs of any sale, the costs and expenses of any receiver or lender-in-possession, and the costs and expenses provided for in Section 16.5.

15.2 Indebtedness. To pay all other amounts owed by Grantor, payment of which is secured by this Trust Deed.

15.3 Surplus. The surplus, if any, shall be paid to the clerk of the court in the case of a foreclosure by judicial proceeding, otherwise to the person or persons legally entitled thereto.

Section 16. General Provisions.

16.1 Substitute Trustee. In the event of dissolution or resignation of the Trustee, Beneficiary may substitute a trustee(s) to execute the trust hereby created, and the new trustee(s) shall succeed to all of the powers and duties of prior trustee(s).

16.2 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding on and inure to the benefit of the successors and assigns of Grantor,

Trustee and Beneficiary. If ownership of Grantor's interest in the Trust Property becomes vested in a person other than Grantor, Beneficiary, without notice to Grantor, may deal with Grantor's successor with reference to this Trust Deed and the Note by way of forbearance or extension without releasing Grantor from the obligations of this Trust Deed or liability under the Note.

16.3 Indemnity. Grantor shall hold Beneficiary and Trustee harmless from any and all loss and expense, including but not limited to attorneys' fees and court costs, in any suit, action or proceeding brought against Trustee or Beneficiary by a third party resulting from or attributable to Beneficiary's ownership of the Note or Trustee's interest under this Trust Deed, except suits, actions and proceedings based upon a claim that Beneficiary or Trustee improperly entered into the Trust Deed or Note or loaned money thereunder.

16.4 Notice. Any notice under this Trust Deed shall be in writing. Any notice to be given or document to be delivered under this Trust Deed shall be effective when either delivered in person or deposited as registered or certified mail, postage prepaid, addressed to the party at the address first stated in this Trust Deed; provided that any notice pursuant to exercise of the Trustee's power of sale in the event of default shall be sufficient if such notice complies with all provisions of applicable law pertaining to exercise of such powers of sale. Any party may by notice to the others designate a different address.

16.5 Expenses and Attorneys' Fees. If Beneficiary or Trustee shall take any action, judicial or otherwise, to enforce the Note or any provision of this Trust Deed or if Beneficiary or Trustee shall be required to appear in any proceeding to protect and maintain the priority of Trustee's title to the Trust Property, Trustee or Beneficiary (or both) shall be entitled to recover from Grantor all expenses which it or they may reasonably incur in taking such action, including but not limited to costs incurred in searching records, the cost of title reports and surveyors' reports, and attorneys' fees, whether incurred in a suit or action or any appeals from a judgment or decree therein or in connection with nonjudicial action. Grantor shall reimburse Beneficiary or Trustee (or both) for expenses so incurred on demand with interest, at a rate equal to the lesser of fifteen percent (15%) per annum or the highest rate permitted by applicable law, from the date of expenditure until repaid.

16.6 Beneficiary's Right to Cure. If Grantor fails to perform any obligation required of it under this Trust Deed, Beneficiary may, without notice, take any steps necessary to remedy such failure. Grantor shall reimburse Beneficiary for all amounts expended in so doing on demand with interest, at a rate equal to the lesser of fifteen percent (15%) per annum or the highest rate permitted by applicable law, from the date of expenditure until repaid. Such action by Beneficiary shall not constitute a

waiver of the default or any other right or remedy which Beneficiary may have on account of Grantor's default.

16.7 Applicable Law. This Trust Deed shall be governed by the laws of the State of Oregon.

16.8 Financial Statements. Grantor will furnish to the Beneficiary on or before ninety (90) days following the end of each fiscal year the current annual fiscal year unaudited balance sheet and statements of income and surplus of Grantor prepared by a certified public accountant in accordance with generally accepted accounting principles consistently applied. Grantor also will furnish to Beneficiary such interim financial statements as Beneficiary may reasonably request.

16.9 Time of Essence. Time is of the essence of this Trust Deed.

16.10 Headings. The headings to the sections and paragraphs of this Trust Deed are included only for the convenience of the parties and shall not have the effect of defining, diminishing or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Trust Deed.

16.11 Severability. If any provision of this Trust Deed shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Trust Deed, but this Trust Deed shall be construed as if such invalid, illegal or unenforceable provisions had never been contained herein.

16.12 Entire Agreement. This Trust Deed, the Note and the Loan Documents contain the entire agreement of the parties with respect to the matters covered, and no other previous agreement, statement or promise made by any party to

this Trust Deed that is not contained in its terms or in the terms of the Note shall be binding or valid.

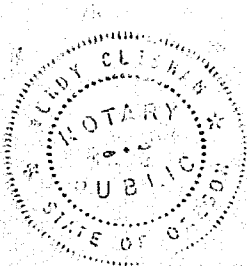
IN WITNESS WHEREOF, this Trust Deed has been duly executed by Grantor the day and year first hereinabove written.

CROWN PACIFIC, LTD.

By Razul K. Gogoi
Title Secy.

STATE OF OREGON)
) ss.
County of Multnomah)

On this 2ND day of ^{OCTOBER}~~August~~, 1991, before me personally appeared Roger
L. Krage who, being duly sworn, did say that he is the Secretary of
Crown Pacific, Ltd., and that said instrument was signed on behalf of said corporation
by authority of its board of directors; and he acknowledged said instrument to be its
voluntary act and deed.



Orinda L. L...
NOTARY PUBLIC FOR Oregon
My Commission Expires: 11-30-91

TOWNSHIP 24 SOUTH, RANGE 10 EAST OF THE WILLAMETTE MERIDIAN

- Section 11: SE $\frac{1}{4}$
Section 12: S $\frac{1}{4}$
Section 13: Entire Section
Section 14: N $\frac{1}{4}$, SW $\frac{1}{4}$, N $\frac{1}{4}$ SE, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 15: E $\frac{1}{4}$, SW $\frac{1}{4}$
Section 16: SE $\frac{1}{4}$, that portion of the W $\frac{1}{2}$ which lies east of the Great Northern Railroad right-of-way
Section 22: E $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{4}$
Section 23: E $\frac{1}{4}$ E $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{4}$ W $\frac{1}{4}$
Section 24: Entire Section
Section 25: Entire Section
Section 26: E $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$
Section 27: W $\frac{1}{4}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$
Section 28: E $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 33: NE $\frac{1}{4}$ NE $\frac{1}{4}$
Section 35: NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
Section 36: Entire Section

TOWNSHIP 24 SOUTH, RANGE 11 EAST OF THE WILLAMETTE MERIDIAN

- Section 7: Lots 13, 14, and 15
Section 18: NE $\frac{1}{4}$, Lots 1 through 20 inclusive, N $\frac{1}{4}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$
Less Highway Right of way
Section 19: Entire Section

REQUEST FOR FULL RECONVEYANCE

20596

To be used only when obligations have been paid.

TO: _____, Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by said trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of said trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by said trust deed (which are delivered to you herewith together with said trust deed) and to reconvey, without warranty, to the parties designated by the terms of said trust deed the estate now held by you under the same. Mail reconveyance and documents to _____.

DATED: _____, 19__.

Beneficiary

After recording, please return to:

Robin B. Parisi, Esq.
Lane Powell Spears Lubersky
800 Pacific Building
520 S.W. Yamhill Street
Portland, Oregon 97204-1383
Telephone (503) 226-6151

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title Co. the 4th day
of Oct. A.D., 19 91 at 2:48 o'clock P M., and duly recorded in Vol. M91,
of Mortgages on Page 20565.

FEE \$163.00

Evelyn Biehn County Clerk

By *Carolyn M. Mendenhall*