

NI 83657 07-01-94A10:44 RCVD TRUST DEED Vol 94 Page 20494

THIS TRUST DEED, made this 1st day of July, 1994, between

Steven Schaller and Jeffrey C. Ohnemus, as Grantor,
Aspen Title & Escrow, Inc., as Trustee, and
Stone Southwest, Inc., a Delaware corporation, d/b/a
Stone Forest Industries, as Beneficiary,

WITNESSETH:

Grantor irrevocably grants, bargains, sells and conveys to trustee in trust, with power of sale, the property in
Klamath County, Oregon, described as:

See Exhibit "A" attached hereto and by this reference incorporated herein

together with all and singular the tenements, hereditaments and appurtenances and all other rights thereunto belonging or in anywise now or hereafter appertaining, and the rents, issues and profits thereof and all fixtures now or hereafter attached to or used in connection with the property.

FOR THE PURPOSE OF SECURING PERFORMANCE of each agreement of grantor herein contained and payment of the sum of Twenty Five Thousand and No. 100. Dollars (\$25,000.00) Loan and Log Purchase Agreement dated as of June 27, 1994, with interest thereon according to the terms of a promissory note, the final payment of principal and interest hereof, if not sooner paid, to be due and payable June 30, 1996.

The date of maturity of the debt secured by this instrument is the date, stated above, on which the final installment of the note becomes due and payable. In the event the within described property, or any part thereof, or any interest therein is sold, agreed to be sold, conveyed, assigned or alienated by the grantor without first having obtained the written consent or approval of the beneficiary, then, at the beneficiary's option, all obligations secured by this instrument, irrespective of the maturity dates expressed therein, or herein, shall become immediately due and payable.

To protect the security of this trust deed, grantor agrees:

1. To protect, preserve and maintain the property in good condition and repair; not to remove or demolish any building or improvement thereon; not to commit or permit any waste of the property.

2. To complete or restore promptly and in good and habitable condition any building or improvement which may be constructed, damaged or destroyed thereon, and pay when due all costs incurred therefor.

3. To comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property; if the beneficiary so requests, to join in executing such financing statements pursuant to the Uniform Commercial Code as the beneficiary may require and to pay for filing same in the proper public office or offices, as well as the cost of all lien searches made by filing officers or searching agencies as may be deemed desirable by the beneficiary.

4. To provide and continuously maintain insurance on the buildings now or hereafter erected on the property against loss or damage by fire and such other hazards as the beneficiary may from time to time require, in an amount not less than \$1,000,000. All policies of insurance shall be delivered to the beneficiary as soon as insured; if the grantor shall fail for any reason to procure any such insurance and to deliver the policies to the beneficiary at least fifteen days prior to the expiration of any policy of insurance now or hereafter placed on the buildings, the beneficiary may procure the same at grantor's expense. The amount collected under any fire or other insurance policy may be applied by beneficiary upon any indebtedness secured hereby and in such order as beneficiary may determine, or at option of beneficiary the entire amount so collected, or any part thereof, may be released to grantor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

5. To keep the property free from construction liens and to pay all taxes, assessments and other charges that may be levied or assessed upon or against the property before any part of such taxes, assessments and other charges become past due or delinquent and promptly deliver receipts therefor to beneficiary; should the grantor fail to make payment of any taxes, assessments, insurance premiums, liens or other charges payable by grantor, either by direct payment or by providing beneficiary with funds with which to make such payments, beneficiary may, at its option, make payment thereof, and the amount so paid, with interest at the rate set forth in the note secured hereby, together with the obligations described in paragraphs 6 and 7 of this trust deed, shall be added to and become a part of the debt secured by this trust deed, without waiver of any rights arising from breach of any of the covenants hereof and for such payments, with interest as aforesaid, the property hereinbefore described, as well as the grantor, shall be bound to the same extent that they are bound for the payment of the obligation herein described, and all such payments shall be immediately due and payable without notice, and the nonpayment thereof shall, at the option of the beneficiary, render all sums secured by this trust deed immediately due and payable and constitute a breach of this trust deed.

6. To pay all costs, fees and expenses of this trust including the cost of title search as well as the other costs and expenses of the trustee incurred in connection with or in enforcing this obligation and trustee's and attorney's fees actually incurred.

7. To appear in and defend any action or proceeding purporting to affect the security rights or powers of beneficiary or trustee; and in any suit, action or proceeding in which the beneficiary or trustee may appear, including any suit for the foreclosure of this deed, to pay all costs and expenses, including evidence of title and the beneficiary's or trustee's attorney's fees; the amount of attorney's fees mentioned in this paragraph 7 in all cases shall be fixed by the trial court and in the event of an appeal from any judgment or decree of the trial court, grantor further agrees to pay such sum as the appellate court shall adjudge reasonable as the beneficiary's or trustee's attorney's fees on such appeal.

It is mutually agreed that:

8. In the event that any portion or all of the property shall be taken under the right of eminent domain or condemnation, beneficiary shall have the right, if it so elects, to require that all or any portion of the monies payable as compensation for such taking.

NOTE: The Trust Deed Act provides that the trustee hereunder must be either an attorney, who is an active member of the Oregon State Bar, a bank, trust company or savings and loan association authorized to do business under the laws of Oregon or the United States, a title insurance company authorized to insure title to real property of this state, its subsidiaries, affiliates, agents or branches, the United States or any agency thereof, or an escrow agent licensed under ORS 696.505 to 696.515.

TRUST DEED

Steve Schaller and Jeffrey C. Ohnemus

P. O. Box 2628

White City OR 97503

Grantor

Stone Forest Industries

P. O. Box 820

Medford OR 97501

Beneficiary

Agent Recording Return to (Name, Address, Zip):

Stone Forest Industries

c/o Carl M. Brophy

P. O. Box 128

Medford OR 97501

STATE OF OREGON,

County of _____

I certify that the within instrument was received for record on the _____ day of _____, 19____, at _____ o'clock _____ M., and recorded in book/reel/volume No. _____ on page _____ or as fee/file/instrument/microfilm/reception No. _____

Record of _____ of said County.

Witness my hand and seal of County affixed.

NAME _____ TITLE _____
By _____, Deputy

9. At any time and from time to time upon written request of beneficiary, payment of its fees and presentation of this deed and the note for endorsement (in case of full reconveyances, for cancellation), without affecting the liability of any person for the payment of the indebtedness, trustee may (a) consent to the making of any map or plat of the property; (b) join in granting any easement or creating any restriction thereon; (c) join in any subordination or other agreement affecting this deed or the lien or charge thereof; (d) legally entitle, thereto, all or any part of the property. The grantee in any reconveyance may be described as the "person or persons" entitled thereto, and the recitals therein of any matters or facts shall be conclusive proof of the truthfulness thereof. Trustee's fees for any of the services mentioned in this paragraph shall be not less than \$5.

11. The entering upon and taking possession of the property, the collection of such rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the property, and the application or release thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

12. Upon default by grantor in payment of any indebtedness secured hereby or in grantor's performance of any agreement hereunder, time being of the essence with respect to such payment and/or performance, the beneficiary may declare all sums secured hereby immediately due and payable. In such an event the beneficiary may elect to proceed to foreclose this trust deed in equity as a mortgage or direct the trustee to foreclose this trust deed by advertisement and sale, or may direct the trustee to pursue any other right or remedy, either at law or in equity, which the beneficiary may have. In the event the beneficiary elects to foreclose by advertisement and sale, the beneficiary or the trustee shall execute and cause to be recorded a written notice of default and election to sell the property to satisfy the obligation secured hereby whereupon the trustee shall fix the time and place of sale, give notice thereof as then required by law and proceed to foreclose this trust deed in the manner provided in ORS 84.735 to 86.795.

14. Otherwise, the sale shall be held on the date and at the time and place designated in the notice of sale or the time to which the sale may be postponed as provided by law. The trustee may sell the property either in one parcel or in separate parcels and shall sell the parcel or parcels at auction to the highest bidder for cash, payable at the time of sale. Trustee shall deliver to the purchaser its deed in form as required by law conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters of fact shall be conclusive proof of the truthfulness thereof. Any person, excluding the trustee, but including the grantor and beneficiary, may purchase at the sale.

16. Beneficiary may from time to time appoint a successor or successors to any trustee named herein or to any successor trustee appointed hereunder. Upon such appointment, and without conveyance to the successor trustee, the latter shall be vested with all title, powers and duties conferred upon any trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by beneficiary, which, when recorded in the mortgage records of the county or counties in which the property is situated, shall be conclusive proof of proper appointment of the successor trustee.

The grantor covenants and agrees it and with the beneficiary and the beneficiary's successor in interest that the grantor is lawfully seized in fee simple of the real property and has a valid, unencumbered title thereto except easements and rights of way now of record.

and that the grantor will warrant and forever defend the same against all persons whomsoever.

(b) for an organization, or (even if grantor is a natural person) are for business purposes

This deed applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, personal representatives, successors and assigns. The term beneficiary shall mean the holder and owner, including pledgee, of the contract secured hereby, whether or not named as a beneficiary herein.

IN WITNESS WHEREOF, the grantor has executed this instrument the day and year first above written.

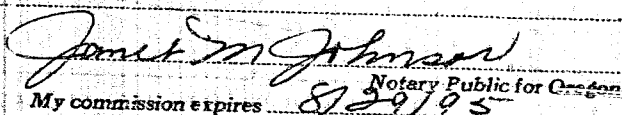
✓ Steve L. Schaller
Steve Schaller

✓ Jeffrey C. Ohnemus
Jeffrey C. Ohnemus

This instrument was acknowledged before me on June 27, 1994

This instrument was acknowledged before me on _____

by Steve J. Swaller & Jeffrey C. Duncan
as
of



REQUEST FOR FULL RECONVEYANCE (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 the 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 the trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by the trust deed (which are delivered to you herewith together with the trust deed) and to reconvey, without warranty, to the parties designated by the terms of the trust deed the estate now held by you under the same. Mail reconveyance and documents to:

DATED: 19.....

Do not lose or destroy this Trust Deed OR THE NOTE which it secures.
Both must be delivered to the trustee for cancellation before
conveyance will be made.

Beneficiary:

Exhibit "A" to Trust Deed
from Steve Schaller and Jeffrey C. Ohnemus as Grantors
to Stone Southwest, Inc. d/b/a Stone Forest Industries as
Beneficiary

18. It is expressly understood and agreed that this Deed of Trust covers said property and all improvements and merchantable and nonmerchantable timber, of all conifer and hardwood species, regardless of the size thereof, and all logs developed therefrom, situated on said property and that the timber shall be cut and removed from said property only in compliance with the terms of said Loan and Log Purchase Agreement herein referred to and secured hereby. Grantor agrees to strictly perform all of the terms and conditions of the Loan and Log Purchase Agreement herein referred to and secured hereby. Any default under said Loan and Log Purchase Agreement shall constitute a default under this Deed of Trust. This Deed of Trust shall be and remain in full force and effect until Grantor has fully completed performance of said Loan and Log Purchase Agreement.

PROPERTY DESCRIPTION:

PARCEL 1:

The North 415 feet of Lot 1, Block 17, KLAMATH FALLS FOREST ESTATES SYCAN UNIT, in the County of Klamath, State of Oregon. ALSO erroneously described as Lot 1A, Block 17 of said subdivision.

CODE 8 MAP 3313-2200 TL 1200

PARCEL 2:

The Southerly 415 feet of the Westerly 1035 feet of Lot 13, Block 7, KLAMATH FALLS FOREST ESTATES SYCAN UNIT, in the County of Klamath, State of Oregon. ALSO, erroneously described as Lot 13D, Block 7 of said subdivision.

CODE 8 MAP 3313-3300 TL 3500

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Aspen Title co the 1st day
of July A.D., 19 93 at 10:44 o'clock A M., and duly recorded in Vol. M94
of Mortgages on Page 20496

Evelyn Biehn County Clerk
By Darlene Mullins

FEE \$20.00

EXHIBIT "A"