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Vol. MQ6 Page 26987

THIS INSTRUMENT WAS PREPARED BY
AND UPON RECORDING RETURN TO:

Cooley Godward, LLP
One Maritime Plaza - 20th Floor
San Francisco, CA 94111
Attention: Peter H. Carson, Esq.

Maximum Principal Amount to be Advanced Pursuant to the Loan Agreement: \$175,000,000
Maturity Date of Loan Agreement is: August 30, 2002

**SUBLEASEHOLD LINE OF CREDIT DEED OF TRUST,
ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT, FINANCING STATEMENT
AND FIXTURE FILING**

Dated as of August 30, 1996

Among

**TIMBERLANDS SERVICES COMPANY, L.L.C.
as Grantor,**

**ABN-AMRO BANK, N.V.,
as Beneficiary,**

and

**CHICAGO TITLE INSURANCE COMPANY,
as Trustee**

THIS DOCUMENT IS TO BE FILED IN THE REAL ESTATE RECORDS AS A FIXTURE FILING AND FINANCING STATEMENT COVERING FIXTURES LOCATED ON THE REAL PROPERTY DESCRIBED ON EXHIBIT A HERETO AND ALSO COVERING ALL ACCOUNTS AND INTANGIBLES RELATED THERETO. PRODUCTS OF THE AFOREMENTIONED ARE ALSO SECURED HEREBY.

**THIS INSTRUMENT WAS PREPARED BY
AND UPON RECORDING RETURN TO:**

Cooley Godward Castro
Huddleson & Tatum
One Maritime Plaza - 20th Floor
San Francisco, CA 94111
Attention: Peter H. Carson, Esq.

SPACE ABOVE FOR RECORDER'S USE

**SUBLEASEHOLD DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING**

THIS SUBLEASEHOLD, DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT, FINANCING STATEMENT AND FIXTURE FILING ("Deed of Trust") is made as of August 30, 1996, by and among **TIMBERLANDS SERVICES COMPANY, L.L.C.**, a Delaware limited liability company (herein, together with its successors and assigns, the "**Grantor**"), **ABN-AMRO BANK, N.V.**, not in its individual capacity, but solely in its capacity as the Agent, on behalf and for the benefit of the Lenders, the Managing Agents and the Agent, as such terms are defined in **Recital A** below, together with its successors and assigns, the "**Beneficiary**"), and **CHICAGO TITLE INSURANCE COMPANY**, a title company existing under the laws of the State of Missouri (herein, together with its successors and assigns, the "**Trustee**").

RECITALS

A. Guaranty, Loan Agreement And Notes. Pursuant to that Guaranty dated as of August 30, 1996 (as the same may hereafter from time to time be amended, modified, supplemented or restated, the "**Guaranty**") by Grantor in favor of Agent, on behalf of itself, the Lenders and the Managing Agent, executed and delivered pursuant to that certain Loan Agreement dated as of August 30, 1996 (as the same may hereafter from time to time be amended, modified, supplemented or restated, the "**Loan Agreement**"), by and among U.S. Timberlands Klamath Falls, L.L.C. ("**USTK**"), as borrower, the Grantor, the financial institutions from time to time party thereto and named as Lenders thereunder (each a "**Lender**", and collectively, the "**Lenders**"), **ABN-AMRO Bank N.V.** and **Banque Paribas**, not in their individual capacity, but solely in their capacity as Managing Agents (each in such capacity a "**Managing Agent**", and collectively the "**Managing Agent**") and Beneficiary, not in its individual capacity, but solely in its capacity as Agent on behalf of and for the benefit of the Lenders, the Managing Agents and the Agent (in such capacity, the "**Agent**"), Grantor has unconditionally, irrevocably and absolutely guaranteed the full and complete repayment of the "**Obligation**" as described and defined in the Loan Agreement. **USTK** has executed and delivered or will upon satisfaction of all conditions precedents thereto, execute and deliver to each Lender in accordance with its respective Commitments, the Term Loan Notes and the Revolving Loan

Notes (all as such terms are defined in the Loan Agreement and together with any and all amendments or supplements thereto, extensions thereof and notes which may be taken in whole or partial renewal, replacement, substitution or extension thereof, collectively the "Notes"), in the following aggregate maximum stated principal amounts, and bearing interest as provided in the Notes and the Loan Agreement on the principal amount thereof from time to time outstanding:

The Term Loan Notes: \$85,000,000.00

The Revolving Loan Notes: \$90,000,000.00

All principal and interest on the Notes is payable in lawful money of the United States of America at the address and account designated to USTK by the Beneficiary in writing. The Term Loan Notes and the Revolving Loan Notes are payable at the times, subject to earlier prepayment, repayment or acceleration, as set forth in the Loan Agreement and such Notes. The stated final maturity date of the Term Loan Notes is August 30, 2002 (the "*Term Loan Maturity Date*") and the stated final maturity date of the Revolving Loan Notes is August 30, 2002 (the "*Revolving Credit Maturity Date*"). USTK is or will become justly indebted to the Beneficiary in the amount evidenced by the Notes (the "*Loan Amount*") in accordance with the terms of the Notes and the Loan Agreement. Unless otherwise defined herein or defined by reference to other documents or instruments, terms used herein which are defined or defined by reference to other documents or instruments in the Loan Agreement shall have the same meanings when used herein as such terms have therein.

B. Related Documents. The Guaranty and all loan agreements (including, without limitation, the Loan Agreement), this Deed of Trust, each of the other services Collateral Documents and each other agreement and instrument executed or delivered by the Grantor pursuant to the Loan Agreement or otherwise in connection herewith (including any Rate Contracts entered into with any Lender pursuant to Section 7.7 of Loan Agreement, but excluding the Environmental Indemnity), and any and all other documents pursuant to which a Lien is granted to the Beneficiary by the Grantor as security for any of the Obligations (solely for the purpose of this Recital B as defined in the Loan Agreement), as the same may be amended, modified, supplemented or restated from time to time, and any other agreements, documents and instruments executed and delivered by the Grantor (excluding the Environmental Indemnity), whether pursuant to the terms of the Loan Agreement or otherwise, or as security therefor, or for the purpose of supplementing or amending all or any of the foregoing, all of which, as the same may be amended, modified or supplemented from time to time, are hereinafter referred to as the "*Related Documents*".

C. The Obligations. As used in this Deed of Trust (other than in Recital B, above) the term "*Obligations*" means and includes all of the following: (i) all obligations of the Grantor under or in connection with the Guaranty, Loan Agreement, or any of the other Related Documents (and shall include, without limitation, the Guaranty Obligations as such term is defined in the Guaranty) and (ii) all other obligations of the Grantor to the Beneficiary related to the Guaranty and the transactions contemplated thereby (including any Rate Contracts entered

into with any Lender pursuant to Section 7.7 of Loan Agreement, but excluding the Environmental Indemnity), in each case howsoever created, arising or evidenced, whether direct or indirect, joint or several, absolute or contingent, or now or hereafter existing, or due or to become due, including, without limitation, (1) all indebtedness of any kind arising under, and all amounts of any kind which at any time become due or owing to the Beneficiary under or with respect to, this Deed of Trust, all of the covenants, obligations and agreements (and the truth, accuracy and completeness of all representations and warranties to the Beneficiary) in, under or pursuant to this Deed of Trust and the other Related Documents, any and all advances, costs or expenses paid or incurred by the Beneficiary or the Trustee to protect any or all of the Collateral (hereinafter defined) and other collateral under the Related Documents, to perform any obligation of the Grantor hereunder and any obligation of the Grantor under the Related Documents or collect any amount owing to the Beneficiary which is secured hereby or under the Related Documents, (2) interest on all of the foregoing and (3) all costs of enforcement and collection of this Deed of Trust, the Related Documents and the Obligations.

D. The Collateral. For purposes of this Deed of Trust, the term "*Collateral*" means and includes all right, title and interest of the Grantor in and to all of the following, whether now owned or existing or hereafter acquired:

(1) **Subleasehold Estate.** All of the subleasehold estate described on *Exhibit A* attached to this Deed of Trust (the "*Subleasehold*"), together with all tenements, rights, easements, hereditaments, rights of way, privileges, liberties, appendages and appurtenances now or hereafter belonging or in anywise appertaining to the Subleasehold (including, without limitation, all rights relating to storm and sanitary sewer, water, gas, electric, railway and other public transport and telephone services); all Development Rights (hereinafter defined), water, water rights, water courses, water stock, water wells, reservoirs, pump stations, Minerals and Mineral Rights (both as hereinafter defined) and other substances of any kind or character relating to the Subleasehold; all estate, claim, demand, right, title or interest of the Grantor in and to any street, road, highway, access road or alley (vacated or otherwise) adjoining the Subleasehold or any part thereof; and any after-acquired title to any of the foregoing (all of the foregoing is herein referred to collectively as the "*Real Estate*");

(2) **Improvements and Fixtures.** All buildings, structures, replacements, furnishings, fixtures, fittings and other improvements and property of every kind and character now or hereafter located or erected on the Real Estate and owned or purported to be owned by the Grantor, together with all building or construction materials, equipment, appliances, machinery, plant equipment, fittings, apparatus, fixtures and other articles of any kind or nature whatsoever now or hereafter found on, affixed to or attached to the Real Estate and owned or purported to be owned by the Grantor, including, without limitation, all motors, boilers, engines, devices for the operation of pumps, pipes, conduits and ducts, and all heating, electrical, mechanical, lighting, power, plumbing, sprinkler and other fire prevention and extinguishing fixtures, air conditioning, food preparation, refrigeration and ventilation equipment (all of the foregoing is herein referred to collectively as the "*Improvements*");

(3) **Personal Property.** All Timber (as defined below) furniture, furnishings, equipment (including, without limitation, telephone and other communications equipment, window cleaning, building cleaning, monitoring, garbage, air conditioning, pest control and all other equipment), all inventory, including, without limitation, all goods, merchandise, raw material, work in progress, finished goods and supplies, and all other tangible property of any kind or character now or hereafter owned or purported to be owned by the Grantor and used or useful in connection with the Real Estate, including, without limitation, all rights of the Grantor under any lease of furniture, furnishings, fixtures, equipment and other items of personal property located on the Real Estate at any time during the term of such lease, and all rights under and to all payments and deposits required by the provisions of Section 1.22 of Article I below (all of the foregoing is herein referred to collectively as the "*Goods*");

(4) **Intangibles.** All goodwill, trademarks, trade names, option rights, purchase contracts, books and records and general intangibles of the Grantor relating to the Real Estate, the Improvements or the Goods and all accounts, contract rights (other than Timber Agreements (as defined below) and included within the Collateral), instruments, chattel paper and other rights of the Grantor for payment of money to it for property sold or lent by it, for services rendered by it, for money lent by it, or for advances or deposits made by it, and any other general intangibles of the Grantor, whether or not related to the Real Estate, Improvements or the Goods, (all of the foregoing is herein referred to collectively as the "*Intangibles*");

(5) **Rents.** All rents, issues, profits, royalties, avails, income and other benefits derived or owned by the Grantor directly or indirectly from the Real Estate, the Improvements or the Goods (all of the foregoing is herein collectively called the "*Rents*");

(6) **Subleases.** All rights of the Grantor under all subleases, sub-subleases, licenses, occupancy agreements, concessions or other arrangements, whether written or oral, whether now existing or entered into at any time hereafter, whereby any Person agrees to pay money to the Grantor or any consideration for the use, possession or occupancy of, or any estate in, the Real Estate or the Improvements or any part thereof, and all rents, income, profits, benefits, avails, advantages and claims against guarantors under any thereof (all of the foregoing is herein referred to collectively as the "*Subleases*");

(7) **Plans.** All rights of the Grantor, if any, to plans and specifications, designs, drawings and other matters prepared in connection with the Real Estate (all of the foregoing is herein called the "*Plans*");

(8) **Contracts for Construction or Services.** All rights of the Grantor under any contracts executed by the Grantor with any provider of goods or services for or in connection with any construction undertaken on, or services performed or to be performed in connection with, the Real Estate or the Improvements, including, without limitation, any architect's contract (all of the foregoing is herein referred to collectively as the "*Contracts for Construction*");

(9) **Contracts for Sale or Financing.** All rights of the Grantor, if any, as seller or borrower under any agreement, contract, option, understanding or arrangement (excluding this Deed of Trust and the Related Documents), pursuant to which the Grantor has, with the prior written consent of the Beneficiary, obtained the agreement of any Person to pay or disburse any money for the Grantor's sale (or borrowing on the security) of the Collateral or any part thereof (all of the foregoing is herein referred to collectively as the "*Contracts for Sale*") and all proceeds thereof;

(10) **Timber.** All crops and all trees, timber to be cut from the Subleasehold, timber, whether growing or dead, mature or immature, severed or unsevered, and including standing and down timber, stumps and cut timber remaining on the Subleasehold or otherwise, seedlings, plantings, Christmas trees, and logs, wood chips, pulp and other forest, timber or pulp products, whether now located on or hereafter planted or growing in or on the Subleasehold or otherwise (all Subleasehold secured hereunder which is suitable for timber production is referred to herein as "*Timberland*") or now or hereafter removed from the Subleasehold or otherwise for sale or other disposition (collectively the "*Timber*");

(11) **Timber Agreements.** All agreements, contracts, arrangements or other contractual obligations, whether now existing or hereafter entered into, whereby Grantor or its predecessors in interest have granted, grant or will grant to third Persons the right to cut, harvest, load, chip, haul or otherwise remove Timber from the Subleasehold (to the extent Grantor has an interest in such rights) (collectively the "*Cutting Rights Agreements*") and all timber sales agreements, log sales agreements, purchase orders, purchase and sale agreements and other contractual obligations, whether now existing or hereafter entered into, whereby Grantor, as seller, is or may become obligated, either directly or through any agreement, contract, arrangement or other contractual obligation with any third Person, including any Affiliate or any independent contractor, to cut, harvest, load, chip, haul or otherwise remove Timber harvested from the Subleasehold or to otherwise obtain Timber and to sell, exchange or deliver such Timber to third Persons (collectively the "*Timber Sales Agreements*"), and all agreements, contracts or other contractual obligations, whether now existing or hereafter entered into, whereby third Persons have granted or will grant to Grantor the right to cut, harvest, load, chip, haul or otherwise remove Timber from real property not owned by Grantor at the pertinent time and all other rights of Grantor to cut, harvest, load, chip, haul or otherwise remove Timber from real property not owned by Grantor at the time in question (collectively the "*Harvesting Contracts*"; together the Cutting Rights Agreements, Timber Sales Agreements, and Harvesting Contracts are collectively referred to as the "*Timber Agreements*");

(12) **Minerals and Mineral Rights.** All of the Grantor's right, title and interest in and to the water, steam, thermal energy and other geothermal resources and all oil, gas, hydrocarbons, gravel, phosphate, limerock, coal and other mineral resources and subterranean substances, and all existing or hereafter acquired surface and subsurface water and water rights and shares of stock evidencing the same, and all products thereof in, on, under or pertaining to the land upon which the Subleasehold was established (the "*Minerals*") and all of the Grantor's right, title and interest in and to the surface access and mining or drilling rights in, on, under or pertaining to the Subleasehold and all royalty, leasehold and other rights of the

Grantor pertaining thereto, and all agreements providing for the payment to the Grantor of royalties (including overriding royalties) or other payments derived from any part of the Subleasehold (collectively, the "*Mineral Rights*") and all royalty, leasehold and other contractual rights of Grantor pertaining to the Minerals;

(13) **Development Rights.** All air rights, development rights, zoning rights or other similar rights or interests which benefit or are appurtenant to the Subleasehold or the Improvements or any or all thereof and any proceeds arising therefrom (collectively, the "*Development Rights*");

(14) **Authorizations.** Any and all permits, entitlements, licenses, orders, approvals, exemptions, authorizations, certifications, franchises, building permits, subdivision approvals, timber harvesting plan reviews and approvals, site plan reviews, environmental approvals (including an environmental impact statement or report if required under applicable law for Grantor's acquisition or disposition of the Land or harvesting of the Timber or for any other operations of Grantor relating to the Real Estate) relating to the Subleasehold or the real property of which the Subleasehold is a part), sewer and waste discharge permits, water appropriative rights and permits, zoning and land use entitlements and other authorizations, whether now existing or hereafter issued to or obtained by or on behalf of the Grantor that relate to or concern in any way the acquisition, ownership, development, occupancy, use, operation, maintenance, management, restoration or disposition of all or any part of the Subleasehold and all related appurtenances, the Improvements, the Timber, the Minerals, the Mineral Rights, the Development Rights, and that are given or issued by any Governmental Authority, as the same may be modified, amended or supplemented from time to time (collectively the "*Authorizations*");

(15) **Proceeds.** All products, offspring, rents, issues, profits, returns, income and proceeds of and from any and all of the foregoing Collateral, and, to the extent not otherwise included, all payments under insurance (whether or not the Beneficiary or the Lenders are named as the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Collateral), all payments (in any form whatsoever) made or due to the Grantor from time to time in connection with any requisition, confiscation, condemnation, seizure or forfeiture of all or any part of the Collateral by any governmental body, authority, bureau or agency (or any Person acting under color of governmental authority) and all other amounts from time to time paid or payable under or in connection with any of the Collateral (collectively, the "*Proceeds*"); and

(16) **Other Property.** All other property or rights of the Grantor of any kind or character related to the Real Estate or the Improvements, the Timber, the Minerals, the Mineral Rights, the Development Rights, the Timber Agreements, the Authorizations and all proceeds (including insurance and condemnation proceeds) and products of any of the foregoing. (All of the Real Estate, the Timber, the Minerals, and the Improvements, and any interests, estates, or claims, both in law and in equity, which Grantor now has or may hereafter acquire through the Mineral Rights, Development Rights, Timber Agreements and any other property

on or appurtenant to the Real Estate which is real estate under applicable law, is sometimes referred to collectively herein as the "Premises").

GRANT

NOW THEREFORE, for and in consideration of the Lenders' entering into the Loan Agreement and agreeing to make the loans advanced to the USTK and Grantor under the loan agreement for the benefit of the USTK and the Grantor, under the Loan Agreement, and in consideration of the various agreements contained herein, the Guaranty, the Loan Agreement and the other Related Documents, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Grantor, and in order to secure the full, timely and proper payment and performance of each and every one of the Obligations,

THE GRANTOR HEREBY WARRANTS, CONVEYS, TRANSFERS AND ASSIGNS TO THE TRUSTEE, AND GRANTS TO THE TRUSTEE AND ITS SUCCESSORS AND ASSIGNS FOREVER IN TRUST, WITH POWER OF SALE, SUBJECT TO THE BENEFICIARY'S RIGHT, POWER AND AUTHORITY HEREUNDER TO COLLECT AND APPLY THE RENTS, GRANTOR'S RIGHT, TITLE, INTEREST, CLAIM AND DEMAND IN AND TO THE COLLATERAL, FOR THE USE AND BENEFIT OF THE BENEFICIARY AND ITS SUCCESSORS AND ASSIGNS AND TO SECURE THE FULL, COMPLETE AND INDEFEASIBLE PAYMENT AND PERFORMANCE OF ALL THE OBLIGATIONS,

TO HAVE AND TO HOLD the Premises unto the Trustee, its successors and assigns, forever, hereby expressly waiving and releasing any and all right, benefit, privilege, advantage or exemption under and by virtue of any and all statutes and laws of the state or other jurisdiction in which the Real Estate is located providing for the exemption of homesteads from sale on execution or otherwise.

The Grantor hereby covenants with and warrants to the Trustee and the Beneficiary and with the purchaser at any sale: that at the execution and delivery hereof it is lawfully seized of the estate hereby conveyed and has the full power, authority and right to grant, convey and assign the Collateral, and that, to the best knowledge of the Grantor, the [sub]lease by which the Subleasehold was created (the "Sublease") and all leases having priority over the Sublease (the "Superior Leases") are in full force and effect without modification or default by either lessor or lessee, except as set forth on Exhibit B attached to this Deed of Trust; that the Collateral is free and clear from all Liens whatsoever (and any claim of any other Person thereto) other than the interest granted herein to the Trustee and pursuant to the Related Documents and Permitted Title Exceptions (collectively, the "Permitted Title Exceptions"); that it has good and lawful right to sell and convey by deed of trust and convey the Collateral; and that it and its successors and assigns will forever warrant and defend the Collateral against all claims and demands whatsoever with the exception of the Permitted Title Exceptions.

ARTICLE I
COVENANTS AND AGREEMENTS OF THE GRANTOR

Further to secure the payment and performance of the Obligations, the Grantor hereby covenants, warrants and agrees with the Beneficiary as follows:

Section 1.1 Payment of Obligations. The Grantor agrees that it will pay, timely and in the manner required in the appropriate documents or instruments, all amounts due under the Obligations (including fees and charges). All sums payable by the Grantor hereunder shall be paid without demand, counterclaim, offset, recoupment, deduction or defense. The Grantor waives all rights now or hereafter conferred by statute or otherwise to any such demand, counterclaim, offset, recoupment, deduction or defense.

Section 1.2 Payment of Taxes. The Grantor will pay or cause to be paid before delinquent all taxes and assessments, general or special, and any and all levies, claims, expenses, liens and other Charges, ordinary or extraordinary, governmental or non-governmental, statutory or otherwise, due or to become due, that may be levied, assessed, made, imposed or charged on or against the Collateral or any property used in connection therewith, and will pay before they become delinquent any tax or other charge on the interest or estate in lands created or represented by this Deed of Trust or by any of the Related Documents, whether levied against the Grantor, the Trustee, the Beneficiary (or any Lender) or otherwise, and shall, at the request of the Beneficiary, submit to the Beneficiary a quarterly report showing payment of all of such taxes, assessments and charges for the quarter; *provided, however*, that the Grantor shall not (unless otherwise required by law) be required to pay any such taxes, assessments, levies, claims, expenses, liens or other Charges which are being contested in good faith and by appropriate proceedings and as to which reserves are being maintained in accordance with GAAP so long as forfeiture of any part of the Collateral will not result from the failure of the Grantor to pay any such taxes, assessments, levies, claims, expenses, liens or other Charges during the period of any such contest. The Grantor's making any payments and deposits required by the provisions of Section 1.22, below, shall not relieve the Grantor of, or diminish in any way, its obligations as set out in this Section 1.2.

Section 1.3 Performance of Sublease Obligations. The Grantor shall (a) comply with the provisions of the Sublease, (b) shall give immediate notice to the Beneficiary of any default by Lessor under the Sublease or any default of lessor or lessee under any Superior Lease or any notice received by Grantor from the lessor under the Sublease of any default of Grantor under the Sublease, (c) shall exercise any option to extend or renew the Sublease and shall give written confirmation to the Beneficiary of such exercise promptly following such exercise, (d) shall give immediate written notice to the Beneficiary of the commencement of any remedial action under the Sublease, or under any Superior Lease if Grantor obtains knowledge of such commencement, and shall, if required by the Beneficiary, permit the Beneficiary, as the Grantor's attorney-in-fact to control and act for the Grantor in such proceedings; *provided, however*, that Beneficiary shall not be entitled to exercise its rights as Grantor's attorney-in-fact in such proceedings unless and until an Event of Default or on Unmatured Event of Default has occurred or exists, and (e) shall, within fifteen days after request by the Beneficiary, use reasonable efforts to obtain

from the lessor under the Lease and any Superior Lease and deliver to the Beneficiary, such lessor's estoppel certificates as the Beneficiary may request. Grantor hereby expressly transfers and assigns to the Trustee for the benefit of the Beneficiary, the benefits of all covenants contained in the Sublease, whether or not such covenants run with the land, but neither Trustee nor Beneficiary shall have any liability with respect to such covenants or any other covenants contained in the Sublease. Without obtaining the Beneficiary's prior written consent, the Grantor shall not (i) surrender the Subleasehold or any interests herein conveyed or (ii) cancel or modify the Sublease. The Grantor covenants and agrees that there shall not be a merger of the Sublease or the Subleasehold with the fee title to the real property covered by the Sublease by reason of the Subleasehold or fee estate, or any part of either, coming into common ownership, unless the Beneficiary shall consent in writing to such merger; if the Grantor shall acquire such fee estate, or any part thereof, then this Deed of Trust shall simultaneously and without further action be deemed to create a lien on such fee.

Section 1.4 [INTENTIONALLY DELETED]

Section 1.5 Maintenance, Management and Operations of Collateral. With the understanding that nothing in this Section 1.5 shall require Grantor to take action which would constitute a breach of its obligations under the Sublease or would limit any rights to which Grantor is entitled under Guaranty or the Loan Agreement, the Grantor (a) shall manage and operate the Premises in accordance with good management practices and shall operate and keep the Improvements in good condition and repair; (b) shall not remove, demolish or materially alter any of the Improvements or any part thereof without the prior written consent of the Beneficiary; (c) shall complete promptly and in good and workmanlike manner any Improvement now or hereafter constructed and promptly restore, replace or rebuild in like manner any portion of the Improvements which may be damaged or destroyed from any cause whatsoever (whether or not insured against or insurable or affected by the exercise of the power of eminent domain) to the same condition such portion was in immediately prior to such damage or destruction, and pay when due all claims for labor performed and materials furnished therefor; (d) shall comply in all material respects with all laws, ordinances, rules, regulations, covenants, conditions and restrictions, subject to the Grantor's right to contest as provided in Section 1.11, below, now or hereafter affecting the Premises or any part thereof or interest therein; (e) shall not commit or permit material waste or deterioration of the Premises or any material part thereof or interest therein and shall comply with every material Authorization; (g) except as provided in the Loan Agreement, shall not commit, suffer or permit any act to be done in or upon the Premises or any part thereof or interest therein in violation, in any material respect, of any law, ordinance, rule or regulation or of any Authorization; and (k) shall within thirty (30) days from any determination by any Governmental Authority, insurance company, or fire protective association that an operation on the Premises or any part thereof has resulted in an additional fire hazard, obtain a release of such additional fire hazard from the entity making such determination by performing all necessary work to reduce the hazard. In making repairs and replacements, any component of the Improvements so replaced shall be promptly replaced with a comparable component which shall have a value and utility at least equal to the value and utility of the replaced component (as reasonably determined by the Grantor), shall be free from any Lien,

except the Permitted Title Exceptions, and such other Liens approved in writing by the Beneficiary.

The Grantor shall not commit or suffer any waste of the Collateral.

Anything to the contrary contained herein notwithstanding, the Grantor may sell, transfer or otherwise dispose of equipment, furnishings and similar personal property used in connection with the Premises if the same become damaged, destroyed or obsolete, and all such equipment, furnishings and other personal property is, prior to or concurrently with such sale, transfer or other disposition, replaced with equipment, furnishings and similar personal property that is at least of comparable quality, value and utility and is free and clear of all security interests and other Liens except for the security interest granted to the Beneficiary by this Deed of Trust or as otherwise permitted in the Loan Agreement; *provided, further*, that no such equipment, furnishings and other personal property need be so replaced if the Grantor determines in the exercise of good business judgment that the same is no longer required for the continued operation of the Premises or the operation of the business conducted therefrom if the fair market value of such property, immediately prior to the date of such damage, destruction or obsolescence (provided that such property has been maintained by the Grantor in the condition required pursuant to the terms of this Deed of Trust) is less than \$100,000 in any Fiscal Year.

Section 1.6 Sales; Liens. Except as expressly permitted under the Loan Agreement, the Grantor will not sell, contract to sell, assign, transfer or convey, or permit to be transferred or conveyed, the Collateral or any part thereof or any interest or estate in any thereof (including any conveyance into a trust or any conveyance of the beneficial interest in any trust that may be holding title to the Premises) or remove any of the Collateral from the Premises or from the state in which the Real Estate is located; or create, suffer or permit to be created or to exist any Lien or other right or claim of any kind whatsoever upon the Collateral or any part thereof, except those of current taxes not then due and payable and the Permitted Exceptions. In the event the Collateral or any part thereof is sold, transferred, assigned, conveyed or permitted to be transferred or conveyed, or Grantor enters into any contract to sell the Collateral or any part thereof, except as expressly permitted herein, without the prior written consent of the Beneficiary, or transfers to any person or entity other than the Grantor the right to manage or control the operation of the Premises or any part thereof, without the prior written consent of the Beneficiary, the entire indebtedness and the Obligations secured hereby shall, at the option of the Beneficiary, become immediately due and payable.

Section 1.7 Access by Beneficiary. The Grantor will at all times (a) deliver to the Beneficiary either all of its executed originals (in the case of chattel paper or instruments) or certified copies (in all other cases) of all Leases, agreements creating or evidencing Intangibles, Plans, Contracts for Construction, Contracts for Sale, Timber Agreements, all amendments and supplements thereto, and any other document which is, or which evidences, governs, or creates, Collateral; (b) permit access at reasonable times by the Beneficiary to the Grantor's books and records; (c) permit the Beneficiary to inspect reports, registers, sales records, insurance policies and other papers for examination and the making of copies and extracts; prepare such schedules, summaries, reports and progress schedules as the Beneficiary may reasonably request; and

(d) permit the Beneficiary and its agents and designees, to inspect the Premises at reasonable times.

Section 1.8 Stamp and Other Taxes. If the Federal, or any state, county, local, municipal or other, government or any subdivision of any thereof having jurisdiction, shall levy, assess or charge any tax (excepting therefrom any income tax on the Beneficiary's receipt of interest payments on the principal portion of the Loan Amounts), assessment or imposition upon this Deed of Trust, any of the other Obligations, or any of the other Related Documents, the interest of the Beneficiary in the Collateral, or any of the foregoing, or upon the Beneficiary or the Trustee by reason of or as holder of any of the foregoing, or shall at any time or times require revenue stamps to be affixed to this Deed of Trust, or any of the other Related Documents, the Grantor shall pay all such taxes and stamps to or for the Beneficiary or the Trustee, as applicable, as they become due and payable. If any law or regulation is enacted or adopted permitting, authorizing or requiring any tax, assessment or imposition to be levied, assessed or charged, which law or regulation prohibits the Grantor from paying the tax, assessment, stamp, or imposition to or for the Beneficiary or the Trustee, then all sums hereby secured shall become immediately due and payable at the option of the Beneficiary. Thereafter, if the Grantor fails to make payment of all such sums within five (5) days of the Beneficiary's demand therefor, such failure shall immediately constitute an Event of Default (hereinafter defined).

Section 1.9 Insurance. The Grantor will at all times maintain or cause to be maintained on the Premises, the Goods, the Improvements and on all other Collateral, the insurance required under Article VI of the Loan Agreement. All of such original insurance policies or certified copies of such policies and certificates of such insurance reasonably satisfactory to the Beneficiary, together with receipts for the payment of premiums thereon, shall be delivered to and held by the Beneficiary, which delivery shall constitute an assignment to the Beneficiary of all return premiums to be held as additional security hereunder. Any insurance proceeds under such policies which are less than \$1,000,000 shall be paid to the Grantor for restoration, provided that an Event of Default or Unmatured Event of Default has occurred or exists at the time such proceeds are collected or at the time of the insured casualty. If the proceeds for any insured loss exceeds \$1,000,000, all of the proceeds paid under any of such policies shall be applied, at the option of the Beneficiary, toward prepayment of the Notes or any of the other Obligations (in which event Grantor shall be relieved of the obligation in Section 1.5(a) of this Deed of Trust to the extent of the repair of that part of the Improvements damaged by the casualty with respect to which insurance is paid), or to the rebuilding or repairing of the damaged or destroyed Improvements or other Collateral, as the Beneficiary in its sole and unreviewable discretion may elect (which election shall not relieve the Grantor of the duty to rebuild or repair); *provided, however*, that any proceeds of insurance made available for the rebuilding or repairing of the damaged or destroyed Improvements shall be subject to the following conditions:

(a) no Event of Default or event which materially impairs Beneficiary's security and which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default (an "*Unmatured Event of Default*") shall have occurred or be continuing (and

if such an event shall occur during restoration, the Beneficiary may, at its election, apply any insurance proceeds then remaining in its hands to the reduction of the indebtedness evidenced by the Obligations);

(b) the Grantor shall have submitted to the Beneficiary plans and specifications for the restoration which shall be reasonably satisfactory to it, which plans and specifications shall not be substantially modified, changed or revised without the Beneficiary's prior written consent and shall be in conformity with all applicable governmental regulations, including, without limitation, building, zoning, land use and environmental regulations;

(c) the Grantor, if so requested by the Beneficiary, shall have submitted to the Beneficiary fixed price contracts with good and responsible contractors and materialmen, or, in the alternative, such plans for using the Grantor's own employees, covering all work and materials necessary to complete restoration and providing for a total completion price not in excess of the amount of insurance proceeds available for restoration, or, if a deficiency shall exist, the Grantor shall have deposited the amount of such deficiency with the Beneficiary unless the Grantor has made other arrangements or furnished other evidence which is satisfactory to the Beneficiary of the Grantor's ability to pay such deficiency in full;

(d) any insurance proceeds in excess of \$1,000,000 to be released pursuant to the foregoing provisions may, at the option of the Beneficiary, be disbursed from time to time as restoration progresses to pay for restoration work completed and in place and such disbursements may, at the Beneficiary's option, be made directly to the Grantor or to or through any contractor or materialman to whom payment is due or to or through a construction escrow to be maintained by a title insurer reasonably acceptable to the Beneficiary;

(e) the Beneficiary may impose such further conditions upon the release of insurance proceeds (including the receipt of title insurance) as are customarily imposed by prudent construction lenders to insure the completion of the restoration work free and clear of all Liens or claims for Lien;

(f) all title insurance charges and other costs and expenses paid to or for the account of the Grantor in connection with the release of such insurance proceeds shall constitute so much additional indebtedness secured hereby to be payable upon demand with interest thereafter at the rate per annum equal to the rate then applying to Base Rate Loans under the Loan Agreement (the "Applicable Rate") or such lower maximum rate as shall be legal under applicable law. The Beneficiary may deduct any such costs and expenses from insurance proceeds at any time standing in its hands; and

(g) if the Grantor fails to complete restoration within a reasonable time but in all cases in compliance with any time period provided under applicable requirements of Governmental Authorities and insurance underwriters, the Beneficiary shall have the right, but not the obligation, to restore or rebuild the Improvements, or any part thereof, for or on behalf of the Grantor in lieu of applying said proceeds to the indebtedness hereby secured and for such purpose may do all necessary acts, including using funds deposited by the Grantor as aforesaid

and advancing additional funds for the purpose of restoration, all such additional funds to constitute part of the indebtedness hereby secured payable upon demand with interest at the Applicable Rate.

After the occurrence of any Event of Default or Unmatured Event of Default, the Beneficiary may, in its discretion, settle, compromise and adjust any and all claims or rights under any insurance policy maintained by the Grantor relating to the Collateral; *provided, however*, that prior to the occurrence of any Event of Default or Unmatured Event of Default, the Grantor shall have the right to settle, adjust and compromise such claims on Collateral with an aggregate value per occurrence not exceeding \$1,000,000 without the Beneficiary's involvement or approval. In the event of foreclosure of this Deed of Trust or other transfer of title to the Premises in extinguishment of the indebtedness secured hereby, all right, title and interest of the Grantor in and to any insurance policies then in force shall pass to the purchaser or grantee. Nothing contained in this Deed of Trust shall create any responsibility or obligation of the Beneficiary to collect any amounts owing on any insurance policy or resulting from any condemnation, to rebuild or replace any damaged or destroyed Improvements or other Collateral or to perform any other act hereunder. The Beneficiary shall not by the fact of approving, disapproving, accepting, preventing, obtaining or failing to obtain any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of insurance contracts, solvency of insurance companies, or payment or defense of lawsuits, and the Grantor hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

If Grantor elects to or is required to restore the Improvements, in whole or in part, damaged by casualty or fire, Grantor shall proceed promptly with the restoration, replacement, rebuilding or repair of the Improvements as nearly as possible to the condition and size such Improvements were in immediately prior to such fire or casualty.

WARNING

UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY THE LOAN AGREEMENT OR THIS DEED OF TRUST, BENEFICIARY MAY PURCHASE INSURANCE AT GRANTOR'S EXPENSE TO PROTECT BENEFICIARY'S INTEREST. THIS INSURANCE MAY, BUT NEED NOT, ALSO PROTECT GRANTOR'S INTEREST. IF THE COLLATERAL BECOMES DAMAGED, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM GRANTOR MAKES OR ANY CLAIM MADE AGAINST GRANTOR. GRANTOR MAY LATER CANCEL THIS COVERAGE BY PROVIDING EVIDENCE THAT GRANTOR HAS OBTAINED PROPERTY COVERAGE ELSEWHERE.

GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO THE OBLIGATIONS. IF THE COST IS ADDED TO THE OBLIGATIONS, THE APPLICABLE RATE WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF

COVERAGE MAY BE THE DATE GRANTOR'S PRIOR COVERAGE LAPSED OR THE DATE GRANTOR FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE BENEFICIARY PURCHASES MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE GRANTOR CAN OBTAIN ON GRANTOR'S OWN, AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

Section 1.10 Eminent Domain. In case the Collateral, or any part or interest in any thereof, is taken by condemnation, the Beneficiary is hereby empowered to collect and receive all compensation and awards of any kind whatsoever (referred to collectively herein as "*Condemnation Awards*") which may be paid for any such Collateral taken or for damages to any Collateral not taken (all of which the Grantor hereby assigns to the Beneficiary). All Condemnation Awards so received shall be forthwith applied by the Beneficiary, in accordance with the terms of the Sublease, to the prepayment of the Obligations, or to the repair and restoration of any Collateral not so taken or damaged, *provided, however*, that any Condemnation Awards payable by reason of the taking of less than all of the Collateral shall be made available to the extent required and subject to the conditions set forth in Sections 1.9 (a) through (g), above, provided, further, that no election made by the Beneficiary under this Section 1.10 shall relieve the Grantor of the duty to repair and restore. The Grantor hereby empowers the Beneficiary, in the Beneficiary's absolute discretion, to settle, compromise and adjust any and all claims or rights arising under any condemnation or eminent domain proceeding relating to the Collateral or any portion thereof; *provided, however*, that prior to the occurrence of any Event of Default or Unmatured Event of Default, the Grantor shall have the right to settle, compromise and adjust such claims jointly with the Beneficiary. Notwithstanding anything to the contrary in this Section 1.10, Grantor shall be entitled to apply any Condemnation Award that does not exceed \$1,000,000 for any Improvement to the restoration or repair of such Improvements.

Section 1.11 Governmental Requirements and Authorizations. Except as otherwise provided in the Loan Agreement, the Grantor shall at all times fully comply with, in all material respects, and cause the Collateral and the use and condition thereof fully to comply with, in all material respects, all federal, state, county, municipal, local and other governmental statutes, ordinances, requirements, regulations, rules, orders and decrees of any kind whatsoever that apply or relate to the Grantor or the Collateral or the use thereof, and will observe and comply with, in all material respects, all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits, privileges, franchises and concessions (including, without limitation, those relating to land use and development, landmark preservation, construction, access, water rights and use, noise and pollution) which are applicable to the Grantor or have been granted for the Collateral or the use thereof. Unless required by applicable law, or unless the Beneficiary has otherwise first agreed in writing, the Grantor shall not make or allow any changes to be made in the nature of the occupancy or use of the Premises or any portion thereof for which the Premises or such portion was used at the time this Deed of Trust was delivered. Except as otherwise provided in the Loan Agreement, the Grantor shall not initiate or acquiesce

in any change in any zoning or other land use classification now or hereafter in effect and affecting the Premises or any part thereof without in each case obtaining the Beneficiary's prior written consent thereto. Notwithstanding the foregoing, the Grantor shall have the right to diligently contest any such governmental requirement so long as the contest is in good faith and by appropriate proceedings and as to which reserves are being maintained in accordance with GAAP so long as forfeiture of any part of the Collateral will not result from the Grantor's failure to comply with such governmental requirement during the period of such contest.

Section 1.12 No Construction Liens. The Grantor will not suffer any construction, laborer's, materialmen's lien or logger's liens to be created or remain outstanding upon the Premises or any part thereof. Anything herein contained to the contrary notwithstanding, the Grantor shall not be deemed in default with respect to the provisions of this Section 1.12 if the Grantor provides the Beneficiary with written notice of the Grantor's good faith intention to diligently contest such claim or lien (and the Grantor does so contest such claim or lien) at the Grantor's sole expense and, if requested by the Beneficiary, the Grantor furnishes to the Beneficiary or otherwise records or files in accordance with an applicable law within twenty (20) days of the recordation or filing of any such Lien claim either a bond, in form and with sureties reasonably satisfactory to the Beneficiary, or an updated title insurance policy or endorsement to the Beneficiary's existing policy acceptable to the Beneficiary indemnifying or insuring Beneficiary against any loss, cost, damage or expense on account of any such Lien claim. The Grantor agrees to promptly deliver to the Beneficiary a copy of any notices that the Grantor receives with respect to any pending or threatened Lien or the foreclosure thereof. It is further expressly made a covenant and condition hereof that the Lien of this Deed of Trust shall extend to all right, title and interest of the Grantor in any and all improvements and fixtures now or hereafter on the Premises, prior to any other Lien thereon that may be claimed by any Person (other than Permitted Title Exceptions), so that subsequently accruing claims for any Lien on the Premises shall be junior and subordinate to this Deed of Trust to the extent provided for by law. All contractors, subcontractors, and other parties dealing with the Premises, or with any parties interested therein, are hereby required to take notice of the foregoing provisions.

Section 1.13 Continuing Priority. The Grantor (a) shall pay such fees, taxes and charges, execute and file (at the Grantor's expense) such financing statements, obtain such acknowledgements or consents, notify such obligors or providers of services and materials and do all such other acts and things as the Beneficiary may from time to time reasonably request to establish and maintain a valid and perfected first and prior Lien on and in the Collateral (subject to the Permitted Title Exceptions); (b) maintain its chief executive office and principal place of business at all times at the address shown above except as otherwise provided in the Security Agreement; (c) keep all of its books and records relating to the Collateral as provided in Section 1.5, above, or at such address as set forth for notices in Section 4.6, below; (d) keep all tangible Collateral on the Real Estate, except as the Beneficiary may otherwise consent in writing or except as otherwise provided in Section 1.5, above; (e) make notations on its books and records sufficient to enable the Beneficiary, as well as third parties, to determine the interest of the Beneficiary hereunder; and (f) not collect any rents or the proceeds of any of the Subleases or Intangibles more than thirty (30) days before the same shall be due and payable except as the Beneficiary may otherwise consent in writing or as required by existing leases.

Section 1.14 Utilities. The Grantor shall pay or cause to be paid all utility charges incurred in connection with the Collateral promptly when due and maintain all utility services, if any, necessary for use at the Premises.

Section 1.15 Contract Maintenance; Other Agreements; Subleases. The Grantor shall, for the benefit of the Beneficiary, fully and promptly keep, observe, perform and satisfy each obligation, condition, covenant, and restriction of the Grantor affecting the Premises or imposed on it under any agreement between Grantor and a third party relating to the Collateral or the Obligations secured hereby, including, without limitation, the Subleases, the Contracts for Sale, Contracts for Construction and the Intangibles (collectively, the *"Third Party Agreements"*) and the Timber Agreements, so that there will be no default in any material respect thereunder and so that the Persons (other than the Grantor) obligated thereon shall be and remain at all times obligated to perform for the benefit of the Beneficiary; and the Grantor will not permit to exist any condition, event or fact which could allow or serve as a basis or justification for any such Person to avoid such performance. Without the prior written consent of the Beneficiary, the Grantor shall not (a) terminate or permit any termination of or make or permit amendment in any material respect of the rights of the Grantor under any Third Party Agreement or Timber Agreements; (b) collect rents or the proceeds of any Subleases or Intangibles more than thirty (30) days before the same shall be due and payable; (c) modify or amend any Subleases in any material respect or, except where the lessee is in default, cancel or terminate the same or accept a surrender of the leased premises; (d) consent to the assignment or subletting of the whole or any portion of any lessee's interest under any Subleases, or grant any options to renew; (e) create or permit any Lien which, upon foreclosure, would be superior to the Sublease; or (f) in any manner impair the Beneficiary's rights and interest with respect to the Rents. The Grantor shall promptly deliver to the Beneficiary copies of any demands or notices of default received by the Grantor in connection with any Third Party Agreement or Timber Agreement and allow the Beneficiary the right, but not the obligation, to cure any such default. All security or other deposits, if any, received from tenants under the Subleases if required by law shall be segregated and maintained in an account satisfactory to the Beneficiary and in compliance with the law of the state where the Premises are located. Notwithstanding anything to the contrary contained in clauses (a) and (c) of this Section 1.15, the Beneficiary's consent shall not be required for any amendment or other modification of any Subleases under which the Grantor is the landlord if the amendment or modification does not substantially reduce the rent payable thereunder or increase any risk or liability of the Grantor.

Section 1.16 Notify the Beneficiary of an Event of Default. The Grantor shall notify the Beneficiary in writing forthwith upon learning of the occurrence of any Event of Default or Unmatured Event of Default hereunder, which notice shall describe such Event of Default or Unmatured Event of Default and the steps being taken by the Grantor with respect thereto.

Section 1.17 Assignments; Future Subleases. The Grantor shall not cause or permit any Rents, Subleases, Contracts for Sale, or other contracts relating to the Premises to be assigned, transferred, conveyed, pledged or disposed of to any party other than the Beneficiary without first obtaining the express written consent of the Beneficiary to any such assignment or permit any such assignment to occur by operation of law. In addition, the Grantor shall not

cause or permit all or any portion of or interest in the Premises or the Improvements to be subleased or assigned, except with the prior written consent of the Beneficiary and, if granted, under Subleases approved in writing by the Beneficiary.

Section 1.18 Assignment of Subleases and Rents and Collections.

(a) All of the Grantor's interest in and rights under the Subleases now existing or hereafter entered into, and all of the Rents, whether now due, past due, or to become due, and including all prepaid rents and security deposits, and all other amounts due or otherwise collectible with respect to any of the other Collateral, are hereby absolutely, presently and unconditionally assigned and conveyed to the Beneficiary to be applied by the Beneficiary in payment of all sums due under the Loan Agreement, the other Obligations and all other sums payable under this Deed of Trust. Prior to the occurrence of any Event of Default, the Grantor shall have a license to collect and receive all Rents and other amounts, which license shall be terminated at the sole option of the Beneficiary, without regard to the adequacy of its security hereunder and without notice to or demand upon the Grantor, except as otherwise provided in the Loan Agreement, upon the occurrence of any Event of Default. Upon the occurrence of any Event of Default, this shall constitute a direction to and full authority to each lessee under any Sublease, each guarantor of any of the Subleases and any other Person obligated under any of the Collateral to pay all Rents and other amounts to the Beneficiary without proof of the Event of Default relied upon. The Grantor hereby irrevocably authorizes each such Person to rely upon and comply with any notice or demand by the Beneficiary for the payment to the Beneficiary of any Rents and other amounts due or to become due.

(b) The Grantor shall apply the Rents and other amounts to the payment of all necessary and reasonable operating costs and expenses of the Collateral, debt service on the Obligations and otherwise in compliance with the provisions of the Related Documents.

(c) The Grantor shall at all times fully perform the obligations of the lessor under all Subleases. The Grantor shall at any time or from time to time, upon request of the Beneficiary, transfer and assign to the Beneficiary in such form as may be satisfactory to the Beneficiary, the Grantor's interest in the Subleases, subject to and upon the condition, however, that prior to the occurrence of any Event of Default hereunder the Grantor shall have a license to collect and receive all Rents under such Subleases upon accrual, but not prior thereto, as set forth in Subsection 1.18(a), above.

(d) The Beneficiary shall have the right to assign the Beneficiary's right, title and interest in any Subleases to any subsequent holder of this Deed of Trust or any participating interest therein or to any Person acquiring title to all or any part of the Collateral through foreclosure or otherwise. Any subsequent assignee shall have all the rights and powers herein provided to the Beneficiary. Upon the occurrence of any Event of Default, the Beneficiary shall have the right to execute new leases of any part of the Collateral on commercially reasonable terms, including leases that extend beyond the term of this Deed of Trust. The Beneficiary shall have the authority, as the Grantor's attorney-in-fact, such authority being coupled with an interest and irrevocable, to sign the name of the Grantor and to bind the Grantor on all papers

and documents relating to the operation, leasing and maintenance of the Collateral from and after the occurrence of an Event of Default hereunder.

Section 1.19 Trustee's or Beneficiary's Performance. Subject to the last sentence of this Section 1.19, if the Grantor fails to pay or perform any of its obligations herein contained (including payment of expenses of foreclosure and court costs), the Trustee or the Beneficiary may (but need not), as agent or attorney-in-fact of the Grantor, make any payment or perform (or cause to be performed) any obligation of the Grantor hereunder, in any form and manner deemed expedient by the Trustee or the Beneficiary, and any amount so paid or expended (plus reasonable compensation to the Trustee or the Beneficiary for its out-of-pocket and other expenses for each matter for which it acts under this Deed of Trust), with interest thereon at the Applicable Rate, shall, if owed to the Beneficiary, be added to the principal debt hereby secured and shall be repaid to the Trustee or the Beneficiary upon demand. By way of illustration and not in limitation of the foregoing, the Trustee or Beneficiary may (but need not) do all or any of the following: make payments of principal or interest or other amounts on any Lien, on any of the Collateral; complete construction; make repairs; collect rents; prosecute collection of the Collateral or proceeds thereof; purchase, discharge, compromise or settle any tax lien or any other lien, encumbrance, suit, proceeding, title or claim thereof; contest any tax or assessment; redeem from any tax sale or forfeiture affecting the Premises. In making any payment or securing any performance relating to any obligation of the Grantor hereunder, the Trustee or the Beneficiary shall be the sole judge of the legality, validity and amount of any Lien and of all other matters necessary to be determined in satisfaction thereof. No such action of the Trustee or the Beneficiary shall ever be considered as a waiver of any right accruing to it on account of the occurrence of any matter which constitutes an Event of Default or an Unmatured Event of Default. Notwithstanding the foregoing, the Trustee or the Beneficiary shall not exercise the rights granted to it under this Section 1.19 unless an Event of Default has occurred and is continuing; *provided, however*, that the Trustee or the Beneficiary may exercise such rights prior to an Event of Default if any performance or other exercise of the rights granted hereunder are, in the Trustee's or the Beneficiary's sole discretion, necessary to preserve the Collateral such as (by way of illustration and not of limitation) repairs or measures to prevent immediate and material damage to all or any portion of the Collateral or the renewal or replacement of insurance about to expire thereon.

Section 1.20 Subrogation. To the extent that the Beneficiary, on or after the date hereof, pays any sum under any provision of law or any instrument or document creating any Lien or other interest prior or superior to the Lien of this Deed of Trust, or the Grantor or any other Person pays any such sum with the proceeds of the loan secured hereby, the Beneficiary shall have and be entitled to a Lien or other interest on the Collateral equal in priority to the Lien or other interest discharged and the Beneficiary shall be subrogated to, and receive and enjoy all rights and liens possessed, held or enjoyed by, the holder of such lien, which shall remain in existence and benefit the Beneficiary in securing the Obligations.

Section 1.21 Hazardous Material. Except as disclosed in the Environmental Indemnity or listed in Exhibit A attached thereto and incorporated herein by this reference, and except in accordance with the Grantor's ordinary business practices and in compliance with applicable

laws, neither the Grantor nor to the best of the Grantor's knowledge any other Person has ever caused or permitted any Hazardous Substance (hereinafter defined) to be placed, held, located or disposed of on, under or at the Premises or the Real Estate or any part thereof or any other real property legally or beneficially owned (or any interest or estate in real property which is owned) or operated by the Grantor, and to the best of the Grantor's knowledge, no such real property has ever been used (whether by the Grantor or by any other Person) as (a) permanent storage site for any Hazardous Substance, (b) a dump site or (c) a temporary storage site for Hazardous Substance.

For purposes of this Deed of Trust, "*Hazardous Substance*" shall be defined as such term is defined in the Environmental Indemnity.

Section 1.22 Reserve for Taxes, Assessments and Insurance. Except as otherwise provided in the last paragraph of this Section 1.22, the Grantor covenants and agrees to pay to the Beneficiary monthly until the Obligations have been paid in full, a sum equal to taxes and assessments next due upon the Premises (all as estimated by the Beneficiary) and the premiums that will next become due and payable on policies of insurance covering the Grantor and/or the Premises required under the terms of this Deed of Trust, divided by the number of months to elapse before one (1) month prior to the date when such taxes, assessments and insurance premiums will become due and payable, such sums to be held by the Beneficiary without interest accruing thereon, to pay each of the said items.

All payments described above in this Section 1.22 shall be paid by the Grantor each month in a single payment to be applied by the Beneficiary to the foregoing items in such order as the Beneficiary shall elect in its sole discretion.

Except as otherwise provided in the last paragraph of this Section 1.22, the Grantor shall also pay to the Beneficiary, at least thirty (30) days prior to the due date of any taxes, assessments or insurance premiums levied on, against or with respect to the Premises, such additional amount as may be necessary to provide the Beneficiary with sufficient funds to pay any such tax, assessment, insurance premiums under this Section 1.22. The Grantor's failure timely to make any payments required under this Section 1.22 shall be an Event of Default under this Deed of Trust.

Except as otherwise provided in the last paragraph of this Section 1.22, after receipt from Grantor of a written request therefor, together with such supporting documentation as the Beneficiary may reasonably require (including, without limitation, official tax bills or, as applicable, statements for insurance premiums), the Beneficiary shall cause proper amounts to be withdrawn from such account and paid directly to the appropriate tax collecting authority or insurer prior to delinquency. Even though the Grantor may have made all appropriate payments to the Beneficiary as required by this Deed of Trust, the Grantor shall nevertheless have full and sole responsibility at all times to cause all taxes, assessments and insurance premiums to be fully and timely paid, and the Beneficiary shall have no responsibility or obligation of any kind with respect thereto except with respect to payments required to be made by the Grantor hereunder for which the Beneficiary has received funds to cover such payments in full and all statements,

invoices, reports or other materials necessary to make such payments, all not less than ten (10) days prior to the date upon which any such payment would become delinquent. If at any time the funds so held by the Beneficiary shall be insufficient to cover the full amount of all taxes, assessments, and insurance premiums then accrued (as estimated by the Beneficiary) with respect to the then-current twelve-month period, the Grantor shall, within ten (10) days after receipt of notice thereof from the Beneficiary, deposit with the Beneficiary such additional funds as may be necessary to remove the deficiency. Failure to do so within such 10-day period shall be an Event of Default hereunder and all sums hereby secured shall immediately become due and payable at the option of the Beneficiary. If the Premises are sold under foreclosure, Trustee power of sale, or are otherwise acquired by the Beneficiary, accumulations under this Section 1.22 may be applied to the Obligations as provided in Section 3.3, above.

Anything contained in this Section 1.22 to the contrary notwithstanding, the Beneficiary hereby (by acceptance of this Deed of Trust and without the necessity of any written waiver, consent or acknowledgment from the Grantor) waives the requirement of all deposits described in this Section 1.22; *provided, however*, that the Beneficiary shall have the right, in its sole discretion, to rescind such waiver from and after the occurrence of any Event of Default or Unmatured Event of Default hereunder.

Section 1.23 Appointment of Successor Trustee.

(a) The Beneficiary may, from time to time, by a written instrument executed and acknowledged by the Beneficiary, mailed to the Grantor and recorded in the Official Records of the County in which the Real Estate is located, and by otherwise complying with the provisions of applicable law, substitute a successor or successors to any Trustee named herein or acting hereunder. Said successor or successors shall, without conveyance from the predecessor Trustee, succeed to all title, estate, rights, powers and duties of said predecessor.

(b) The Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

(c) Upon receipt by the Trustee of instructions from the Beneficiary, at any time or from time to time, the Trustee shall (i) give any notice or direction or exercise any right, remedy or power hereunder or in respect of any part or all of the Collateral as shall be specified in such instruction and (ii) approve as satisfactory all matters required by the terms hereof to be satisfactory to the Trustee or to the Beneficiary.

Section 1.24 Trustee's Powers. At any time, or from time to time, without liability therefor and without notice, upon written request of the Beneficiary and, if no Event of Default shall have occurred and be continuing, with the Grantor's consent and with presentation of this Deed of Trust, and without affecting the personal liability of any person for payment or performance of the Obligations secured hereby or the effect of this Deed of Trust upon the remainder of the Collateral, the Trustee may (a) reconvey any part of the Collateral, (b) consent in writing to the making of any map or plat thereof, (c) join in granting any easement thereon or (d) join in any extension agreement or any agreement subordinating the Lien hereof.

Section 1.25 Beneficiary's Powers. Without affecting the Obligations herein mentioned, and without affecting the Lien of this Deed of Trust upon any portion of the Collateral not then or theretofore released as security for the full amount of all unpaid Obligations, the Beneficiary may, as provided in the Loan Agreement, from time to time and without notice, (a) release any person so liable, (b) extend the maturity or renew or alter any of the terms of any such Obligations, (c) grant other indulgences or waivers, (d) release or reconvey, or cause to be released or reconveyed, any part or all of the Collateral, (e) take or release any other or additional security for any liability herein mentioned or (f) make compositions or other arrangements with debtors in relation thereto.

Section 1.26 Limitations of Use. The Grantor shall not initiate, join in or consent to any change in any private restrictive covenant, zoning ordinance or other public or private restrictions limiting or defining the uses which may be made of the Subleasehold.

ARTICLE II DEFAULTS

Each of the following shall constitute a default ("*Event of Default*") hereunder:

Section 2.1 Related Documents. The occurrence of an Event of Default under and as described and defined in the Loan Agreement; or

Section 2.2 Provisions of this Deed of Trust. Non-compliance by the Grantor with, or failure by the Grantor to perform, any agreement contained herein (other than any non-compliance or failure which constitutes an Event of Default under Sections 2.1, above) and continuance of such non-compliance or failure for five (5) days after notice thereof with respect to the payment of any amounts required to be paid under this Deed of Trust or for ten (10) days after the Grantor shall become aware thereof, whether by notice from the Beneficiary or otherwise, or should reasonably have been aware thereof, *provided* that if such Unmatured Event of Default is not reasonably susceptible to cure within ten (10) days, then the Grantor shall have such additional time as it reasonably takes to effect such cure, but in no event longer than thirty (30) days from the occurrence of such Unmatured Event of Default, so long as the Grantor promptly commences and diligently pursues such cure.

ARTICLE III REMEDIES

Section 3.1 Acceleration. Upon the occurrence of any Event of Default, the entire amount of the Obligations shall, notwithstanding any provisions of the Related Documents and without demand or notice of any kind to the Grantor or to any other Person (except as otherwise provided in the Loan Agreement), (a) automatically become immediately due and payable in the event of the occurrence of any of the Events of Default described in Sections 10.1(h) and 10.1(i) of the Loan Agreement and (b) at the option of the Required Lenders as provided in the Loan Agreement, become immediately due and payable in the event of the occurrence of any other Event of Default.

Section 3.2 Remedies Cumulative. No remedy or right of the Beneficiary or any Lender hereunder or under any of the Related Documents, or otherwise, or available under applicable law or in equity, shall be exclusive of any other right or remedy, but each such remedy or right shall be cumulative and in addition to every other remedy or right now or hereafter existing under any such document or under applicable law or in equity. Specifically, without otherwise limiting the generality of the foregoing, it is acknowledged and agreed by the Grantor that the power of sale contained in Section 3.3, below, is not an exclusive remedy, and the Beneficiary may, at its sole option, foreclose this Deed of Trust as a mortgage and sue on the Notes and the Loan Agreement according to law. No delay in the exercise of, or omission to exercise, any remedy or right accruing on any Event of Default shall impair any such remedy or right or be construed to be a waiver of any such Event of Default or an acquiescence therein, nor shall it affect any subsequent Event of Default of the same or a different nature. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by the Beneficiary. All obligations of the Grantor, and all rights, powers and remedies of the Beneficiary, expressed herein shall be in addition to, and not in limitation of, those provided by law or in equity, the Loan Agreement or any other Related Documents or any other written agreement or instrument relating to any of the Obligations or any security therefor.

Section 3.3 Sale of the Collateral. At such time as the indebtedness evidenced by the Obligations shall become due and payable, whether by acceleration or otherwise, the Beneficiary may, at the Beneficiary's sole election and by or through the Trustee or substitute trustee duly appointed, sell or offer for sale the Collateral in such portions, order and parcels as Beneficiary may determine, with or without having first taken possession of same, to the highest bidder for

cash at public auction. Such sale shall be made at the time and place, and after giving such notices, as may be required by the provisions of Oregon Revised Statutes 86.705 *et seq.*, or any similar or successor provision of the law of the jurisdiction where the real estate is located. At any such sale: (a) the Trustee shall not be required to have physically present, or to have constructive possession of, the Collateral (the Grantor hereby covenanting and agreeing to deliver to the Trustee any portion of the Collateral not actually or constructively possessed by the Trustee immediately upon demand by the Trustee) and the title to and right of possession of any such property shall pass to the purchaser thereof as completely as if such property had been actually present and delivered to purchaser at such sale; (b) the Trustee shall deliver to the purchaser its deed and bill of sale conveying the property so sold, but without any covenant or warranty, express or implied; (c) each and every recital contained in any instrument of conveyance made by the Trustee shall conclusively establish the truth and accuracy of the matters recited therein, including, without limitation, non-payment of the Obligations, the advertisement and conduct of such sale in the manner provided herein and otherwise by law and the appointment of any successor Trustee hereunder; (d) any and all prerequisites to the validity of such sale shall be conclusively presumed to have been performed; (e) the receipt of the Trustee or of such other party making the sale shall be a sufficient discharge to the purchaser for his purchase money and no purchaser, or his assigns or personal representatives, shall thereafter be obligated to see to the application of such purchase money or be in any way answerable for any loss, misapplication or nonapplication thereof; (f) the Grantor shall be completely and irrevocably divested of all of its right, title, interest, claim and demand

whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against the Grantor, and against any and all other persons claiming or to claim the property sold or any part thereof, by, through or under the Grantor; and (g) the Beneficiary or any Lender may be a purchaser at any such sale. Should the Collateral be sold in one or more parcels as permitted by this Section 3.3, the right of sale arising out of any Event of Default shall not be exhausted by any one or more such sale, but other and successive sales may be made until all of the Collateral has been sold or until the Obligations have been satisfied. Except to the extent otherwise required by applicable law, any proceeds of the sale of the Collateral shall be applied, first, to the payment of all costs and expenses of taking possession of the Collateral and of holding, leasing, operating, using, repairing, improving, and selling the same, including, without limitation, reasonable fees of the Trustee and attorneys retained by the Beneficiary, any Lender or the Trustee, fees of any receiver or accountants, recording and filing fees, court costs, costs of advertisement and the payment of any and all Liens or other rights, title or interests equal or superior to the Lien of this Deed of Trust (except those Liens which encumber the Collateral as sold by the Trustee at the trustee's sale and without in any way implying the Beneficiary's consent to the creation thereof); second, to the full and complete payment of all Obligations and the remainder of the sale proceeds, if any, shall be deposited with the clerk of the circuit court of the County in which the sale took place.

Section 3.4 Possession of Premises; Remedies under the Related Documents. The Grantor hereby waives all right to the possession, income and rents of the Premises from and after the occurrence of any Event of Default, and the Beneficiary is hereby expressly authorized and empowered, at and following any such occurrence, to enter into and upon and take possession of the Premises or any part thereof, to complete any construction in progress thereon at the expense of the Grantor, to lease the same, to collect and receive all Rents and to apply the same, less the necessary or appropriate expenses of collection thereof, either for the care, operation and preservation of the Premises or, at the election of the Beneficiary in its sole discretion, to a reduction of such of the Obligations in such order as the Beneficiary may from time to time elect. Without limiting the generality of the preceding sentence, the Grantor hereby grants to the Beneficiary an easement on and as to the entirety of the Premises in order to enter to harvest and remove the Timber upon the occurrence of an Event of Default or to effect through itself or any agent or representatives thereof any self-help remedy available under applicable law or to effect any foreclosure sale (public or private) of any of the collateral covered by the Uniform Commercial Code as in effect in the State of Oregon (the "UCC") in each case upon the occurrence of an Event of Default. The Beneficiary, in addition to the rights provided above or under the Loan Agreement or any of the other Related Documents, is also hereby granted full and complete authority to enter upon the Premises, employ watchmen to protect the Goods and Improvements from depredation or injury and to preserve and protect the Collateral, and to continue any and all outstanding contracts for the erection and completion of Improvements to the Premises, to make, enter into or perform any contracts and obligations wherever necessary in its own name (including Timber Agreements), and to pay and discharge all debts, obligations and liabilities incurred thereby, all at the expense of the Grantor. All expenditures by the Beneficiary shall be Obligations hereunder. Upon the occurrence of any Event of Default, the Beneficiary may also exercise any or all rights or remedies available under

the Guaranty Loan Agreement or any of the other Related Documents or available under applicable law.

Section 3.5 Receiver. Upon the occurrence of any Event of Default, the Beneficiary and Trustee shall have the right immediately to foreclose this Deed of Trust. In any action to foreclose the Deed of Trust and without notice to the Grantor or to any party claiming under Grantor and without regard to the solvency or insolvency at the time of such application of any Person then liable for the payment of any of the Obligations, without regard to the then value of the Premises or whether the same shall then be occupied, in whole or in part, as a homestead, by the owner of the equity of redemption, and without regarding any bond from the complainant in such proceedings, appoint a receiver for the benefit of the Beneficiary, with power to take possession, charge, and control of the Premises, to operate or lease the same, to keep the buildings thereon insured and in good repair, and to collect all Rents during the pendency of such foreclosure suit, and, in case of foreclosure sale and a deficiency, during any period of redemption.

The court may, from time to time, authorize said receiver to apply the net amounts remaining in its hands, after deducting reasonable compensation for the receiver and its counsel as allowed by the court, in payment (in whole or in part) of any or all of the Obligations, including without limitation the following, in such order of application as the Beneficiary may elect: (a) amounts due for the Obligations secured hereunder in the order of application as set forth in Section 3.3, above, (b) amounts due upon any decree entered in any suit foreclosing this Deed of Trust, (c) costs and expenses of foreclosure and litigation upon the Premises, (d) insurance premiums, repairs, taxes, special assessments, water charges and interest, penalties and costs, in connection with the Premises, (e) any other Lien or charge upon the Premises that may be or become superior to the Lien of this Deed of Trust, or of any decree foreclosing the same and (f) all moneys advanced by the Beneficiary to cure or attempt to cure any Event of Default or Unmatured Event of Default by the Grantor in the performance of any obligation or condition contained in any Related Documents or this Deed of Trust or otherwise, to protect the Lien granted herein in favor of the Beneficiary, or in any Related Documents, with interest on such advances at the Applicable Rate. This Deed of Trust may be foreclosed once against all, or successively against any portion or portions, of the Premises, as the Beneficiary may elect, until all of the Premises have been foreclosed against and sold. In case of any foreclosure of this Deed of Trust (or the commencement of or preparation therefor) in any court, all expenses of every kind paid or incurred by the Beneficiary for the enforcement, protection or collection of this security, including court costs, attorneys' fees, stenographers' fees, costs of advertising, and costs of title insurance and any other documentary evidence of title, shall be paid by the Grantor.

Section 3.6 Purchase by Beneficiary. In the case of any sale of the Premises pursuant to the provisions of Section 3.3, above, or pursuant to any judgment or decree of any court at public auction or otherwise, subject to the Loan Agreement, the Beneficiary, on behalf and for the benefit of the Lenders, or any Lender may become the purchaser and for the purpose of making settlement for or payment of the purchase price, shall be entitled to use any claims for the debt in an amount equal to the purchase price in order that there may be credited as paid on

the purchase price the amount of such debt. In no event shall the Trustee have the right to bid in at the sale, but this shall not limit the right of the Beneficiary, on behalf and for the benefit of the Lenders, or any Lender to bid in.

Section 3.7 Remedies for Subleases and Rents. From and after the occurrence of and during the continuation of an Event of Default, whether before or after institution of legal proceedings to foreclose the Lien of this Deed of Trust or before or after the sale thereunder, the Beneficiary shall be entitled, in its discretion, to do all or any of the following: (a) enter and take actual possession of the Premises, the Rents, the Subleases and other Collateral relating thereto or any part thereof personally, or by its agents or attorneys, and exclude the Grantor therefrom; (b) with or without process of law, enter upon and take and maintain possession of all of the documents, books, records, papers and accounts of the Grantor relating thereto; (c) as attorney-in-fact or agent of the Grantor, or in its own name as mortgagee and under the powers herein granted, hold, operate, manage and control the Premises, the Rents, the Subleases and other Collateral relating thereto and conduct the business, if any, thereof either personally or by its agents, contractors or nominees, with full power to use such measures, legal or equitable, as in its discretion or in the discretion of its successors or assigns may be deemed proper or necessary to enforce the payment of the Rents, the Subleases and other Collateral relating thereto (including actions for the recovery of rent, actions in forcible detainer and actions in distress of rent); (d) cancel or terminate any Lease or sublease for any cause or on any ground which would entitle the Grantor to cancel the same; (e) elect to disaffirm any Lease or sublease made subsequent hereto or subordinated to the Lien hereof; (f) make all necessary or proper repairs, decorations, renewals, replacements, alterations, additions, betterments and improvements to the Premises that, in its discretion, may seem appropriate; (g) insure and reinsure the Collateral for all risks incidental to the Beneficiary's possession, operation and management thereof; and (h) receive all such Rents and proceeds, and perform such other acts in connection with the management and operation of the Collateral, as the Beneficiary in its discretion may deem proper, the Grantor hereby granting the Beneficiary full power and authority to exercise each and every one of the rights, privileges and powers contained herein at any and all times after any Event of Default without notice to the Grantor or any other Person. The Beneficiary, in the exercise of the rights and powers conferred upon it hereby, shall have full power to use and apply the Rents to the payment of or on account of the following, in such order as it may determine: (i) to the payment of the operating expenses of the Premises, including the cost of management and leasing thereof (which shall include reasonable compensation to the Beneficiary and its agents or contractors, if management be delegated to agents or contractors, and it shall also include lease commissions and other compensation and expenses of seeking and procuring tenants and entering into leases), established claims for damages, if any, and premiums on insurance hereinabove authorized; (ii) to the payment of taxes, charges and special assessments, the costs of all repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements of the Collateral, including the cost from time to time of installing, replacing or repairing the Collateral, and of placing the Collateral in such condition as will, in the judgment of the Beneficiary, make it readily rentable; and (iii) to the payment of any Obligations secured hereunder in the order of application as set forth in Section 3.3, above. The entering upon and taking possession of the Premises, or any part thereof, and the collection of any Rents and the application thereof as aforesaid shall not cure or waive any Event of Default theretofore

or thereafter occurring or affect any notice or Event of Default hereunder or invalidate any act done pursuant to any such Event of Default or notice, and, notwithstanding continuance in possession of the Premises or any part thereof by the Beneficiary or a receiver and the collection, receipt and application of the Rents, the Beneficiary shall be entitled to exercise every right provided for in this Deed of Trust or by law or in equity upon or after the occurrence of an Event of Default. Any of the actions referred to in this Section 3.7 may be taken by the Beneficiary irrespective of whether any notice of Event of Default has been given hereunder and without regard to the adequacy of the security for the indebtedness hereby secured.

Section 3.8 Personal Property. From and after the occurrence of an Event of Default, the Beneficiary may exercise from time to time any rights and remedies available to it elsewhere in this Deed of Trust, under the Security Agreement or any of the other Related Documents or under applicable law.

For purposes of this Section 3.8, the Beneficiary hereby assigns the Uniform Commercial Code ("UCC") security interest granted herein to the Trustee in trust for the benefit of the Beneficiary, to be dealt with as a portion of the Collateral except as otherwise specified herein. From and after the occurrence of an Event of Default, as to any Collateral covered by the UCC, the Trustee shall have and exercise at the Beneficiary's sole election the rights and remedies of a secured party under the UCC. At the request of the Beneficiary, the Trustee shall reassign to the Beneficiary the security interest created hereby, and after the reassignment the Beneficiary shall have the right, upon the occurrence or continuance of any Event of Default, to realize upon the Collateral subject to this Deed of Trust, independent of any action of the Trustee.

Section 3.9 Performance of Third Party Agreements and Timber Agreements. From and after the occurrence of an Event of Default, the Beneficiary may, in its sole discretion, notify any Person obligated to the Grantor under or with respect to any Third Party Agreements or Timber Agreements of the existence of an Event of Default, require that performance be made directly to the Beneficiary at the Grantor's expense, advance such sums as are necessary or appropriate to satisfy the Grantor's obligations thereunder and exercise, on behalf of the Grantor, any and all rights of the Grantor under the Third Party Agreements or Timber Agreements as the Beneficiary, in its sole discretion, deems necessary or appropriate; and the Grantor agrees to cooperate with the Beneficiary in all ways reasonably requested by the Beneficiary (including the giving of any notices requested by, or joining in any notices given by, the Beneficiary) to accomplish the foregoing.

Section 3.10 No Liability of Beneficiary. Notwithstanding anything contained herein, the Beneficiary shall not be obligated to perform or discharge, and does not hereby undertake to perform or discharge, any obligation, duty or liability of the Grantor, whether hereunder, under any of the Third Party Agreements any of the Timber Agreements or otherwise, and the Grantor shall and does hereby agree to indemnify, protect, defend against and hold the Beneficiary harmless of and from (a) any and all liabilities, losses or damages which the Beneficiary may incur or pay under or with respect to any of the Collateral or under or by reason of its exercise of rights hereunder with the exception of any exercise of such rights by the Beneficiary in a manner so as to constitute gross negligence or willful misconduct and

(b) any and all claims and demands whatsoever which may be asserted against the Beneficiary by reason of any alleged obligations or undertakings on its part to perform or discharge any of the terms, covenants or agreements contained in any of the Collateral or in any of the contracts, documents or instruments evidencing or creating any of the Collateral. The Beneficiary shall not have responsibility for the control, care, management or repair of the Premises or be responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Premises resulting in loss, injury or death to any tenant, licensee, employee, stranger or other Person. No liability shall be enforced or asserted against the Beneficiary in its exercise of the powers granted to it under this Deed of Trust, and the Grantor expressly waives and releases any such liability. Should the Beneficiary incur any such liability, loss or damage under any of the Third Party Agreements or Timber Agreements or under or by reason hereof, or in the defense of any claims or demands, the Grantor agrees to reimburse the Beneficiary immediately upon demand for the full amount thereof, including reasonable costs, expenses and Attorney Costs.

ARTICLE IV GENERAL

Section 4.1 Permitted Acts. The Grantor agrees that, without affecting or diminishing in any way the liability of the Grantor or any other Person (except any Person expressly released in writing by the Beneficiary) for the payment or performance of any of the Obligations or for the performance of any obligation contained herein or affecting the Lien hereof upon the Collateral or any part thereof, the Beneficiary may at any time and from time to time, without notice to or the consent of any Person, subject to the Loan Agreement, release any Person liable for the payment or performance of the Obligations or any guaranty given in connection therewith; extend the time for, or agree to alter the terms of payment of, any indebtedness under the Obligations or any guaranty given in connection therewith; modify or waive any obligation; subordinate, modify or otherwise deal with the Lien hereof; accept additional security of any kind for repayment of the Obligations or any guaranty given in connection therewith; release any Collateral or other property securing any or all of the Obligations or any guaranty given in connection therewith; make releases of any portion of the Premises; consent to the making of any map or plat of the Premises; consent to the creation of a condominium regime on all or any part of the Premises or the submission of all or any part of the Premises to the provisions of any condominium act or any similar provisions of law of the state where the Premises are located, or to the creation of any easements on the Premises or of any covenants restricting the use or occupancy thereof; or exercise or refrain from exercising, or waive, any right the Beneficiary may have.

Section 4.2 Legal Expenses. The Grantor agrees to indemnify the Beneficiary from all loss, damage and reasonable expense, including, without limitation, Attorney Costs, incurred in connection with any suit or proceeding in or to which the Beneficiary may be made or become a party for the purpose of protecting the Lien or priority of this Deed of Trust. In the event any action or proceeding is brought to enforce or interpret the provisions of this Deed of Trust, the prevailing party shall be entitled to recover, as a part of the prevailing party's costs, reasonable attorneys' fees, in arbitration, at trial, on appeal and in any bankruptcy proceedings, the amount

of which shall be fixed by arbitration panel or the court and made a part of any determination, ruling or judgment rendered.

Section 4.3 Related Documents. The Grantor covenants that it will timely and fully perform and satisfy all the terms, covenants and conditions of the Loan Agreement and the other Related Documents. If there shall be any inconsistency between the provisions of this Deed of Trust and the Loan Agreement, the terms and provisions of the Loan Agreement shall prevail.

Section 4.4 Security Agreement; Fixture Filing. This Deed of Trust, to the extent that it conveys or otherwise deals with personal property or with items of personal property which are or may become fixtures, shall also be construed as a security agreement under the UCC, and pursuant to Oregon Revised Statutes 79.4020(6), and this Deed of Trust constitutes a financing statement filed as a fixture filing in the records maintained pursuant to Oregon Revised Statutes 205.130 by the county clerk of the County in which the Premises are located for purposes of recording mortgages of real estate with respect to any and all fixtures included within the term "Collateral" as used herein and with respect to any Goods or other personal property that may now be or hereafter become such fixtures. For purposes of the foregoing, the Grantor is the debtor (with its address as set forth below) and the Beneficiary is the secured party (with its address set forth below). If any item of Collateral hereunder also constitutes collateral granted to the Beneficiary under any other deed of trust, security agreement, document, or instrument, the Grantor shall be required to meet the obligations of all such agreements, but in the event of any conflict between the provisions of this Deed of Trust and the provisions of such other deed of trust, security agreement, document, or instrument relating to the Collateral, the provision or provisions selected by the Beneficiary shall control with respect to the Collateral.

Section 4.5 Defeasance. Upon full payment of all indebtedness secured hereby and satisfaction of all the Obligations in accordance with their respective terms and at the time and in the manner provided, and when the Beneficiary has no further obligation to make any advance, or extend any credit hereunder, or under the Loan Agreement or any other Related Document, this conveyance shall be null and void, and thereafter, upon demand therefor, Beneficiary shall request that Trustee promptly deliver to Grantor an appropriate instrument of reconveyance or release, at the expense of the Grantor.

Section 4.6 Notices. Each notice, demand or other communication in connection with this Deed of Trust shall be in writing or by facsimile addressed or transmitted to such party at the addresses or numbers set forth below, or at such other addresses or numbers as may be designated pursuant to the Loan Agreement. Any notice, if mailed and properly addressed with postage prepaid or if properly addressed and sent by prepaid courier service, shall be deemed given when received; and notice sent by facsimile shall be deemed given upon confirmation of receipt of same:

Grantor: **TIMBERLANDS SERVICES COMPANY, L.L.C.**
 6400 Highway 66
 Klamath Falls, Oregon 97061
 Attn: John J. Stephens, President
 Telephone: (541) 884-2241
 Facsimile: (541) 882-8872

with copy to: **LINDSAY, HART, NEIL & WEIGLER, LLP**
 1300 S.W. Fifth Avenue, Suite 3400
 Portland, Oregon 97201
 Attention: Robert W. Palmer, Esq.
 Telephone: (503) 226-7677
 Facsimile: (503) 226-7697

Beneficiary: **ABN-AMRO BANK, N.V., AS AGENT**
 One Union Square
 600 University Street, Suite 2323
 Seattle, WA 98101
 Attention: Leif H. Olsson, Group Vice President and Director
 Telephone: (206) 587-3768
 Facsimile: (206) 682-5641

with copy to: **COOLEY GODWARD CASTRO**
HUDDLESON & TATUM
 One Maritime Plaza - 20th Floor
 San Francisco, CA 94111
 Attention: Peter H. Carson, Esq.
 Telephone: (415) 693-2000
 Facsimile: (312) 951-3699

Trustee: **CHICAGO TITLE INSURANCE COMPANY**
 888 SW Fifth Avenue, Suite 930
 Portland, Oregon 97204
 Telephone: (503) 248-0955

Section 4.7 Successors; The Grantor; Gender. All provisions hereof shall bind the Grantor and the Beneficiary and their respective successors, vendees and assigns and shall inure to the benefit of the Beneficiary, its successors and assigns, and the Grantor and its permitted successors and assigns. The Grantor shall not have any right to assign any of its rights hereunder except as permitted in the Loan Agreement. Except as limited by the preceding sentence, the word "Grantor" shall include all Persons claiming under or through the Grantor and all Persons liable for the payment or performance by the Grantor of any of the Obligations whether or not such Persons shall have executed the Loan Agreement or this Deed of Trust. Wherever used, the singular number shall include the plural, the plural the singular, and the use of any gender shall be applicable to all genders.

Section 4.8 Care by the Beneficiary. The Beneficiary shall be deemed to have exercised reasonable care in the custody and preservation of any of the Collateral assigned by the Grantor to the Beneficiary or in the Beneficiary's possession if it takes such action for that purpose as the Grantor requests in writing, but failure of the Beneficiary to comply with any such request shall not be deemed to be (or to be evidence of) a failure to exercise reasonable care, and no failure of the Beneficiary to preserve or protect any rights with respect to such Collateral against prior parties, or to do any act with respect to the preservation of such Collateral not so requested by the Grantor, shall be deemed a failure to exercise reasonable care in the custody or preservation of such Collateral.

Section 4.9 No Obligation on Beneficiary. This Deed of Trust is intended only as security for the Obligations. Anything herein to the contrary notwithstanding (a) the Grantor shall be and remain liable under and with respect to the Collateral to perform all of the obligations assumed by it under or with respect to each thereof, (b) the Beneficiary shall have no obligation or liability under or with respect to the Collateral by reason or arising out of this Deed of Trust and (c) the Beneficiary shall not be required or obligated in any manner to perform or fulfill any of the obligations of the Grantor under, pursuant to or with respect to any of the Collateral.

Section 4.10 No Waiver; Writing. No delay on the part of the Beneficiary in the exercise of any right or remedy shall operate as a waiver thereof, and no single or partial exercise by the Beneficiary of any right or remedy shall preclude other or further exercise thereof or the exercise of any other right or remedy. The granting or withholding of consent by Beneficiary to any transaction as required by the terms hereof shall not be deemed a waiver of the right to require consent to future or successive transactions.

SECTION 4.11 GOVERNING LAW. THIS DEED OF TRUST SHALL BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF OREGON APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED WITHIN THE STATE OF OREGON WHENEVER POSSIBLE, EACH PROVISION OF THIS DEED OF TRUST SHALL BE INTERPRETED IN SUCH MANNER AS TO BE EFFECTIVE AND VALID UNDER APPLICABLE LAW, BUT IF ANY PROVISION OF THIS DEED OF TRUST SHALL BE PROHIBITED BY OR INVALID UNDER APPLICABLE LAW, SUCH PROVISION SHALL BE INEFFECTIVE TO THE EXTENT OF SUCH PROHIBITION OR INVALIDITY, WITHOUT INVALIDATING THE REMAINDER OF SUCH PROVISION OR THE REMAINING PROVISIONS OF THIS DEED OF TRUST.

Section 4.12 Waiver. The Grantor, on behalf of itself and all Persons now or hereafter interested in the Premises or the Collateral, to the fullest extent permitted by applicable law hereby waives all rights under all appraisal, homestead, moratorium, valuation, exemption, stay, extension, and redemption statutes, laws or equities now or hereafter existing, and hereby further waives the pleading of any statute of limitations as a defense to any and all Obligations secured by this Deed of Trust, and the Grantor agrees that no defense, claim or right based on any thereof will be asserted, or may be enforced, in any action enforcing or relating to this Deed

of Trust or any of the Collateral. Without limiting the generality of the preceding sentence, the Grantor, on its own behalf and on behalf of each and every Person acquiring any interest in or title to the Premises subsequent to the date of this Deed of Trust, hereby irrevocably waives any and all rights of redemption from sale under any order or decree of foreclosure of this Deed of Trust or under any power contained herein or under any sale pursuant to any statute, order, decree or judgment of any court. The Grantor, for itself and for all Persons hereafter claiming through or under it or who may at any time hereafter become holders of liens junior to the lien of this Deed of Trust, hereby expressly waives and releases all rights to direct the order in which any of the Collateral shall be sold in the event of any sale or sales pursuant hereto and to have any of the Collateral and/or any other property now or hereafter constituting security for any of the indebtedness secured hereby marshalled upon any foreclosure of this Deed of Trust or of any other security for any of said indebtedness.

Section 4.13 No Merger. It being the desire and intention of the parties hereto that this Deed of Trust and the Lien hereof do not merge in fee simple title to the Premises, it is hereby understood and agreed that should the Beneficiary or any Lender acquire an additional or other interests in or to the Premises or the ownership thereof, then, unless a contrary intent is manifested by the Beneficiary as evidenced by an express statement to that effect in an appropriate document duly recorded, this Deed of Trust and the Lien hereof shall not merge in the fee simple title, toward the end that this Deed of Trust may be foreclosed as if owned by a stranger to the fee simple title.

Section 4.14 Beneficiary Not Joint Venturer or Partner. The Grantor and the Beneficiary acknowledge and agree that in no event shall the Beneficiary be deemed to be a partner or joint venturer with the Grantor. The Beneficiary shall not be deemed to be such a partner or joint venturer on account of the Beneficiary becoming a mortgagee in possession or exercising any rights pursuant to this Deed of Trust or pursuant to any other instrument or document evidencing or securing any of the Obligations secured hereby, or otherwise.

Section 4.15 Time of Essence. Time is declared to be of the essence in this Deed of Trust, the Loan Agreement and the other Related Documents and of every part hereof and thereof.

Section 4.16 No Third Party Benefits. This Deed of Trust, the Loan Agreement and the other Related Documents are made for the sole benefit of the Grantor and the Beneficiary and, subject to the provisions of Section 4.7, above, their successors and assigns, and no other party shall have any legal interest of any kind under or by reason of any of the foregoing. Whether or not the Beneficiary elects to employ any or all of the rights, powers or remedies available to it under any of the foregoing, the Beneficiary shall have no obligation or liability of any kind to any third party by reason of any of the foregoing or any of the Beneficiary's actions or omissions pursuant thereto or otherwise in connection with this transaction.

Section 4.17 Trustee; Successor Trustee; Exculpation. With or without cause, at any time, the Beneficiary shall have the authority and power to name, constitute and appoint, without any formality whatsoever other than an appointment and designation in writing signed by the

Beneficiary or its agent or officer (whose authority shall be presumed) and other than such acts as are required by law, another trustee in the place and stead of the Trustee or in the place and stead of any other trustee later substituted therefor, all of whom successively shall, while so acting, have all of the title, rights, powers and authority and be charged with all of the duties that are conferred or charged upon the Trustee; and the conveyance by Trustee, or by any trustee later substituted therefor as aforesaid, to the purchaser(s) at any sale as herein provided for shall be equally valid and effective. The Trustee shall have no duties and shall not be obligated to perform any acts other than those herein expressly set forth or intended. The Trustee shall not incur any personal liability hereunder, except for its own willful neglect or default; and Trustee shall have the right to rely on any instrument, document, or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. The Trustee shall be entitled to reimbursement for all expenses incurred by it in the performance of its duties, and shall be entitled to reasonable compensation for such of its services as shall be rendered.

Section 4.18 Invalidity of Certain Provisions. Every provision of this Deed of Trust is intended to be severable. In the event any term or provision hereof or any application of any provision is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect or impair the legality, validity or enforceability of the balance of the terms and provisions hereof or any other application of such provision or of the other Related Documents, or of such provisions in any other jurisdiction or the application of such provisions in any other jurisdiction and such terms and provisions shall remain binding and enforceable. If the Lien of this Deed of Trust is invalid or unenforceable as to any part of the Obligations secured hereby, or if the Lien is invalid or unenforceable as to any part of the Collateral, the unsecured or partially secured portion of the Obligations shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the Obligations, and all payments made on the Obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Obligations which is not secured or fully secured by the Lien of this Deed of Trust.

Section 4.19 Trust Irrevocable; No Claim. The trust created hereby is irrevocable by the Grantor. No claim that the Grantor now or may in the future have against the Beneficiary shall relieve the Grantor from performing any of its Obligations contained herein or secured hereby; provided that the preceding clause shall not constitute a waiver of such claim.

Section 4.20 Further Acts, Cooperation. Grantor will, at the cost of Grantor, and without expense to the Beneficiary, do, execute, acknowledge and deliver all and every such further reasonable acts, deeds, conveyances, mortgages, deeds of trust, assignments, notices of assignments, transfers and assurances as the Beneficiary shall, from time to time, reasonably require, for the better assuring, conveying, assigning, transferring, and confirming unto the Beneficiary the property and rights hereby mortgaged, given, granted, bargained, sold, aliened, enfeoffed, conveyed, confirmed, pledged, assigned and hypothecated or intended now or hereafter so to be, or which Grantor may be or may hereafter become bound to convey or assign to the Beneficiary, or for carrying out the intention or facilitating the performance of the terms

of this Deed of Trust or for filing, registering or recording this Deed of Trust and, on demand, will execute and deliver and hereby authorizes the Beneficiary to execute in the name of the Grantor or without the signature of Grantor to the extent the Beneficiary may lawfully do so, one or more financing statements, chattel mortgages or comparable security instruments, to evidence more effectively the lien hereof upon the Collateral. Grantor grants to the Beneficiary an irrevocable power of attorney coupled with an interest for the purpose of exercising and perfecting any and all rights and remedies available to the Beneficiary at law and in equity, including without limitation such rights and remedies available to the Beneficiary pursuant to this Section 4.20.

Section 4.21 Written Agreements. UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY LENDERS AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE USTK'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE LENDER TO BE ENFORCEABLE.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES.

IN WITNESS WHEREOF, the undersigned have executed and delivered this Deed of Trust in Portland, Oregon on the day and year first above written.

TIMBERLANDS SERVICES COMPANY, L.L.C.,
a Delaware limited liability company

By: _____


George R. Hornig Vice President

27021

**EXHIBIT A
to Sublease**

**OFFICE LEASE OFFICE AREA
LEGAL DESCRIPTION**

A Parcel of Land in Section 13, Township 39 South, Range 8 East, W.M., Klamath County, Oregon described as follows:

Beginning at a point located 1125.4 feet North and 434.7 feet East from the Section corner common to Sections 13, 14, 23 & 24, T 39S, R8E, which is a point located on a fence line, thence N27°-35' W 683.8 ft. distance to NW corner a point located below the irrigation access road, thence N58°-32' E 546.7 ft. to a point at the intersection of an irrigation road and a paved access road to the plant site, thence S21°-20' E 660.9 ft to a point at the intersection of the parking lot road and the paved access road to plant site, thence S14°-31' E 99.5 ft. to SE corner a point at end of a fence, thence N66°-56' E 435.8 ft. to the point of beginning.

27022

EXHIBIT B

MODIFICATIONS TO SUPERIOR LEASES

NONE

STATE OF CALIFORNIA

CITY AND COUNTY OF SAN FRANCISCO

On August 28, 1996, before me, LAURENCE A. DEVER
(Name and Title of officer)personally appeared GEORGE HORNIG.☐

personally known to me

☒

-or-

proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person or the entity upon behalf of which the person acted, executed the instrument.

LAURENCE A. DEVER
COMM. # 977178
Notary Public - California
SAN FRANCISCO COUNTY
My Comm. Expires NOV 5, 1996

Witness my hand and official seal.

Laurence A. Dever
Signature of Notary

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

CAPACITY(ies) CLAIMED BY SIGNER(s)

Signer's Name: _____

☐ Individual☐ Corporate Officer

Title(s): _____

☐ Partner — ☐ Limited ☐ General☐ Attorney-in-Fact☐ Trustee☐ Guardian or Conservator☐ Other: _____

Signer is representing:

Name of Person(s) or Entity(ies)

Top of thumb here

CAPACITY(ies) CLAIMED BY SIGNER(s)

Signer's Name: _____

☐ Individual☐ Corporate Officer

Title(s): _____

☐ Partner — ☐ Limited ☐ General☐ Attorney-in-Fact☐ Trustee☐ Guardian or Conservator☐ Other: _____

Signer is representing:

Name of Person(s) or Entity(ies)

Right Thumbprint

OF SIGNER

Top of thumb here

STATE OF OREGON: COUNTY OF KLAMATH: ss.

Filed for record at request of Amerititle the 30th day
of Aug, A.D., 19 96 at 11:05 o'clock A.M., and duly recorded in Vol. M96
of Mortgages on Page 26987.

FEE \$210.00

Bernetha G. Letsch

County Clerk

By Kathleen Ross