

AFTER RECORDING, RETURN TO:

U.S. Timberlands Klamath Falls, L.L.C.
6400 Highway 66
Klamath Falls, OR 97601

STATUTORY SPECIAL WARRANTY DEED

98 APR -1 P1:12

COLLINS PRODUCTS LLC, an Oregon limited liability company ("Grantor"), conveys and specially warrants to **U.S. TIMBERLANDS KLAMATH FALLS, L.L.C.**, a Delaware limited liability company ("Grantee"), the real property described on the attached **Exhibit A** (the "Property"), free of encumbrances created or suffered by Grantor except as specifically set forth on the attached **Exhibit B**, **RESERVING** unto Grantor, its successors and assigns, the right of first refusal and option to repurchase set forth on attached **Exhibit C**, **FURTHER RESERVING** unto Grantor, its successors and assigns, an easement for the benefit of Grantor, across, over and under the Property for all existing pipelines and utility lines located on the Property and for the purpose of operating, maintaining, repairing and replacing, and operating the existing irrigation pump on the Property. The foregoing easements shall be appurtenant to the real property now owned by Grantor in the vicinity of the Property described on attached **Exhibit A**.

Grantor further grants to Grantee a perpetual, non-exclusive easement 30 feet in width, the centerline of which is the centerline of the existing road adjacent to the Property (the "100 Road") from a point where such road abuts the Property and extending westerly to the western boundary of Grantor's adjacent real property (the "Access Strip"). The terms and conditions of this easement are set forth on attached **Exhibit D**.

The true consideration for this conveyance is other value given.

Until a change is requested, all tax statements shall be sent to the following address:
U.S. Timberlands Klamath Falls, L.L.C., 6400 Highway 66, Klamath Falls, Oregon 97601.

10566

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 AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

DATED this 30th day of March, 1998.

COLLINS PRODUCTS LLC, an Oregon limited liability company

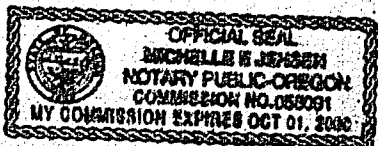
By: Jack E. Swertson
Its: Vice President

STATE OF OREGON

ss.

County of Multnomah

This instrument was acknowledged before me on March 26, 1998, by Jack Swertson, as Vice President of Collins Products LLC, an Oregon limited liability company.



Michelle H. Jensen
Notary Public for Oregon

10567

Grant of First Right of First Refusal and Option to Repurchase

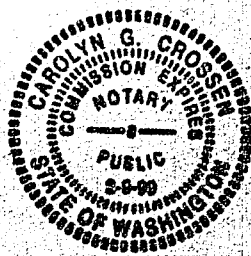
U.S. Timberlands Klamath Falls, L.L.C. hereby grants to Collins Products LLC, it successors and assigns, the Right of First Refusal and Option to Repurchase the Property as described on attached Exhibit C.

U.S. TIMBERLANDS KLAMATH FALLS, L.L.C.,
a Delaware limited liability company

By: Allen E. Symington
Its: President BM

STATE OF WASHINGTON
County of King ss.

This instrument was acknowledged before me on March 23, 1999, by Allen E. Symington, as President of U.S. Timberlands Klamath Falls, L.L.C., a Delaware limited liability company.



Carolyn G. Crossen
Notary Public for 2/9/99

EXHIBIT A
SORT YARD PARCEL

A portion of Sections 22, 23, 26 and 27, Township 39 South, Range 8 East of the Willamette Meridian, located in Klamath County, Oregon, more particularly described as follows:

Beginning at the initial point, as marked by a 5/8" x 30" iron pin with Tru-Line Surveying Inc plastic cap, on the southerly right of way of Highway No.66, as described in Volume M-89, page 24105 of the Klamath County Deed Records, from which the 1/4 Corner common to Sections 14 and 23 of Township 39 South, Range 8 East bears North 42°12'00" East 3,529.42 feet; thence South 89°33'58" East 607.74 feet; thence South 00°26'02" West 3,173.88 feet; thence along the arc of a curve to the left 410.34 feet with a radius of 14,460 feet, a central angle of 01°37'33" and long chord bearing South 55°09'47" West 410.32 feet; thence South 55°58'34" West 339.83 feet; thence North 59°22'54" West 909.12 feet; thence North 00°26'02" East 2,140.50 feet; \pm to the Southeasterly right-of-way line of Highway No. 66 as described in Volume M-89, page 24105, thence Northeasterly along said right-of-way 1283.66 feet, to the initial point and the terminus of the legal description.

The foregoing tract being the same property described as Parcel 2 of Land Partition 31-97 filed for record November 25, 1997 in the Records of Klamath County, Oregon.

EXHIBIT B**Exceptions**

1. Agricultural Lease dated January 1, 1997 between Grantor and Tim Howard.
2. License Agreement dated July 1, 1997 between Grantor and Plevna Hunting Club.
3. Possible additional taxes and penalties if the property is disqualified for assessment on the basis of farm use.

EXHIBIT C

Reserved Right of First Refusal and Option to Repurchase

Grantor reserves from this conveyance, and Grantee hereby grants to Grantor, its successors and assigns, the following rights:

1. **Right of First Refusal.** A right of first refusal in favor of Grantor on the following terms if Grantee elects to sell, lease or otherwise convey the Property or any interest in the Property to any third party, other than a party controlling, controlled by or under common control by Grantee:

1.1 When Grantee receives a bona fide offer from a third party for a sale, lease or other conveyance of the Property or an interest therein which Grantee would accept, Grantee shall provide Grantor with a copy of the offer and notice that Grantee would accept the offer.

1.2 When Grantor receives such notice, Grantor shall have the prior and preferential right to purchase or lease the Property or interest in the Property at the same price and on the same terms as stated in the third party offer except that if the offer is an offer to purchase the closing shall take place no earlier than 60 days after Grantor's election to exercise the right of first refusal.

1.3 Grantor shall have 30 days from Grantor's receipt of the notice to notify Grantee whether Grantor elects to lease or purchase the Property or interest in the Property.

1.4 If Grantor fails to timely exercise its right to purchase or lease the Property or interest in the Property, and only in such event, Grantee shall be entitled to sell or lease the Property or interest in the Property to the third party on the terms set forth in the notice to Grantor, and not otherwise; provided, however, that if Grantee does not sell or lease the Property or interest in the Property to the third party within six (6) months of Grantor's election not to purchase or lease the Property or interest in the Property then Grantee must resubmit such offer and any other offers to Grantor and such offer or offers shall be subject to this right of first refusal.

1.5 Grantor's right of first refusal to purchase the Property or any interest in the Property shall survive regardless of whether Grantee leases the Property or any interest in the Property to a third party offeror.

2. **Option to Repurchase.** An option to repurchase the Property in favor of Grantor on the following terms if Grantee elects to use the Property for any use other than agricultural purposes, a log sort yard, storage of logging equipment or other purposes ancillary thereto:

- 2.1 If Grantee elects to use the Property for any use other than agricultural purposes, a log sort yard, storage of logging equipment or other purposes ancillary thereto, Grantee shall deliver written notice to Grantor of its election to do so. Upon receipt of the notice, Grantor shall have the option to repurchase the Property for a price equal to the Fair Market Value of the Property as of the date Grantee exercises its option.
- 2.2 Grantor may exercise the option by delivering written notice to Grantee that states that Grantor has elected to repurchase the Property any time within 30 days after Grantor's receipt of notice from Grantee that Grantee has elected to change the use of the Property.
- 2.3 If Grantor fails to exercise the option after receipt of notice from Grantee pursuant to paragraph 2.1 and as set forth herein, Grantor shall have no further claim against or interest in the Property under the option.
- 2.4 If Grantee uses the Property for any use other than a log sort yard, storage of logging equipment or other purposes ancillary thereto and Grantee does not give Grantor notice of Grantee's election to do so as required by paragraph 2.1, Grantor may, at any time after such change of use, exercise the option by delivering notice to Grantee that states that Grantor has elected to repurchase the Property.
- 2.5 In the event Grantor and Grantee are unable to agree upon the Fair Market Value of the Property within 30 days after Grantor's notice exercising the option, the Fair Market Value shall be determined by arbitration. Grantor and Grantee shall each select as an arbitrator an independent realtor or appraiser familiar with the market for agricultural and industrial properties in the Klamath Falls, Oregon area, and the two arbitrators shall choose a third with similar qualifications. If the choice of the second or third arbitrator is not made within Fifteen (15) days after the appointment of the prior arbitrator, then either party may apply to the Presiding Judge of the Klamath County Circuit Court to appoint the required arbitrator(s). The arbitrators shall proceed in accordance with the Oregon statutes governing arbitration, and the decision of the arbitrators shall be binding upon the parties. Grantor and Grantee shall each pay the costs of their respective arbitrator and attorneys fees, and shall share equally the cost of the third arbitrator.
- 2.6 If Grantor exercises the option, Grantee shall convey the Property to Grantor by statutory special warranty deed, free of all liens and encumbrances created or suffered by Grantor, and the closing procedure, closing costs and prorations shall be consistent with customary practices in Klamath County, Oregon.
3. If either of the rights granted pursuant to paragraphs 1 and 2 shall be determined to violate the Uniform Statutory Rule Against Perpetuities, ORS 105.950 to 105.975, such right shall terminate no later than the ninetieth anniversary of the date of this instrument. The rights reserved herein shall run in favor of Grantor, its successors and assigns.

EXHIBIT D

Access Easement

1. The easement shall be appurtenant to the Property.
2. Grantee shall, at its expense, maintain the portion of the 100 Road on the Access Strip caused by this easement in as good a condition as presently exists.
3. Grantee shall use the Access Strip only for purposes of ingress and egress to the Property, including hauling of logs and forest products.
4. Grantor reserves the right to use the Access Strip, and the remainder of its property, for any purposes which do not unreasonably interfere with Grantee's use of the Easement.
5. Grantee shall comply with all reasonable traffic regulations established from time to time by Grantor.
6. Grantee shall procure and continuously carry at Grantee's expense, comprehensive liability insurance with limits of at least \$1,000,000 for injury to one person, \$2,000,000 for injury to two or more persons in one occurrence, and \$750,000 for damage to property in any one occurrence. Such insurance shall include coverage for the following:
 - (a) Comprehensive liability, including coverage for business operations and premises; products and completed operations hazards; contingent liability for activities of contractors; personal injury; and contractual liability assumed by Grantee, regardless of negligence.
 - (b) Comprehensive automobile liability covering owned vehicles, hired vehicles and non-owned vehicles.

Such insurance policies shall be obtained from insurance companies authorized to do business in Oregon and reasonably satisfactory to Grantor. All such policies shall name Grantor as an additional insured, bear endorsements requiring the insurer to give ten (10) days prior written notice to the Grantor of any intended or proposed cancellation or modification of such policies. Before exercising any of the rights granted herein, Grantee shall deliver to Grantor a certificate from Grantee's insurers representing that the insurance required by this paragraph is in force with the required liability limits and that such insurers will give Grantor ten (10) days' written notice prior to any cancellation or modification of such insurance.

7. Grantee shall indemnify, defend and hold harmless Grantor from any claims or liability to third parties, including without limitation, employees or agents of Grantor, for death, bodily injury; property damage or economic loss asserted against Grantor and arising out of or related to in any manner to the use of the Access Strip or the exercise of Grantee's rights under this easement, regardless of whether such occurrence is caused or contributed to by the negligence of Grantor or its employees, unless the claim, loss, damage, expense or liability is caused solely by the gross negligence or intentional misconduct of Grantor or its employees.

STATE OF OREGON: COUNTY OF KLAMATH : ss.

Filed for record at request of Stoel Rives LLP the 1st day
of April A.D., 19 98 at 1:12 o'clock P. M., and duly recorded in Vol. M98
of Deeds on Page 10565

FEE \$70.00

By Bernethia G. Letsch Bernethia G. Letsch, County Clerk

Exhibit D
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