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**LINE OF CREDIT DEED OF TRUST, FIXTURE FILING AND  
SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS  
(COLLATERAL IS OR INCLUDES FIXTURES)**

This LINE OF CREDIT DEED OF TRUST, FIXTURE FILING AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (the "*Deed of Trust*") dated as of September 29, 1999 from U.S. TIMBERLANDS YAKIMA L.L.C., a Delaware limited liability company with its principal place of business and mailing address at Suite 10-B, 625 Madison Avenue, New York, New York 10022 (hereinafter referred to as "*Grantor*") to CHICAGO TITLE INSURANCE COMPANY with its mailing address at 10001 S.E. Sunnyside Road, Clackamas, Oregon 97015 as Trustee ("*Trustee*"), and in trust for the benefit of BANK OF MONTREAL, a Canadian chartered bank acting by and through its Chicago branch with its principal place of business at 111 West Monroe Street, Chicago, Illinois 60603 (hereinafter referred to individually as "*BMO*"), as Agent for the Lenders hereinafter defined (BMO acting as such agent and any successor or successors to BMO in such capacity being hereinafter referred to as "*Beneficiary*");

**WITNESSETH THAT:**

WHEREAS, Grantor has entered into with BMO, individually and as Agent (such financial institution and all parties at any time becoming a lender jointly to the Credit Agreement referred to below being hereinafter referred to individually as a "*Lender*" and collectively as the "*Lenders*"), that certain Credit Agreement dated as of the date hereof, as the same may from time to time be amended, supplemented or restated (as so amended, supplemented or restated, the "*Credit Agreement*") pursuant to which the Lenders commit, subject to certain terms and conditions, (i) to make a revolving credit facility of \$2,000,000 (the "*Revolving Credit Loans*") available to the Grantor, with borrowings of the Revolving Credit Loans to be evidenced by revolving credit notes of Grantor, payable to the order of the respective Lender named thereon and maturing in no event later than September 30, 2002 and bearing interest thereon at the rates and payable at the times provided in the Credit Agreement (such revolving credit notes and any

This Instrument Prepared By and After  
Recording Return To:  
Daniel W. Baker  
Chapman and Cutler  
111 West Monroe Street  
Chicago, Illinois 60603

Until further notice all tax notices  
shall be sent to:  
U.S. Timberlands Yakima L.L.C.  
Suite 10-B  
625 Madison Avenue  
New York, New York 10022

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and all revolving credit notes issued in renewal thereof or in substitution or replacement being hereinafter referred to collectively as the "*Revolving Credit Notes*") and (ii) to make a term credit facility of \$58,000,000 (the "*Term Credit Loans*") available to Grantor, with borrowings of the Term Credit Loans to be evidenced by term notes of the Grantor payable to the order of the respective Lender named thereon and maturing in no event later than September 30, 2002 and bearing interest therein at rates and payable at the times provided in the Credit Agreement (such term notes and any and all notes issued in renewal thereof or in substitution or replacement therefor being hereinafter collectively referred to as the "*Term Credit Notes*"; and the Term Credit Notes together with the Revolving Credit Notes being hereinafter collectively referred to as the "*Notes*");

WHEREAS, pursuant to the terms of the Credit Agreement, the Beneficiary may from time to time issue letters of credit (such letters of credit referred to as the "*Letters of Credit*") which shall be (i) for the account of Grantor with expiry dates on or before September 30, 2002, in an aggregate face amount which when combined with the outstanding principal amount of Revolving Credit Loans from time to time, shall not exceed \$2,000,000, and (ii) evidenced by applications whereby Grantor shall promise to reimburse the Beneficiary upon the occurrence of any drawing made under the Letters of Credit (the "*Applications*");

WHEREAS, pursuant to the terms of the Credit Agreement, any Lender or Lenders may, from time to time, assign to other Lenders portions of the indebtedness evidenced by the Notes then owned by such assigning Lender together with an equivalent proportion of such assigning Lender's obligation to make advances under the Credit Agreement and to participate in Letters of Credit (each such assignment being hereinafter referred to as an "*Assignment*");

WHEREAS, in the event of each Assignment under the Credit Agreement, Grantor has agreed to execute and deliver to each new assignee Lender by reason of such Assignment new Notes evidencing that portion of the indebtedness so assigned to such new assignee Lender and advances to be thereafter made by such new assignee Lender pursuant to the Credit Agreement and it is the intention of the parties that all such new Notes constitute "*Notes*" for the purposes hereof;

WHEREAS, Grantor may from time to time enter into one or more interest rate exchange, cap, collar, floor or other agreements with one or more of the Lenders or their affiliates for the purpose of hedging or otherwise protecting Grantor against changes in interest rates on notes delivered to Beneficiary or the other Lenders (the liability of the Grantor in respect of such agreements with such Lenders or their affiliates, to the extent consented to by the Beneficiary pursuant to the terms of the Credit Agreement, being hereinafter referred to as the "*Hedging Liability*");

WHEREAS, as a condition precedent to extending the credit facilities to the Grantor, the Lenders have required, among other things, that the Grantor grant a lien on and security interest in certain personal property of the Borrower as collateral security for the Notes pursuant to a Security Agreement dated as of the date hereof (the "*Security Agreement*").

NOW, THEREFORE, to secure (i) the payment of the principal and premium, if any, of and interest on the Notes as and when the same become due and payable (whether by lapse of time, acceleration or otherwise) and all advances now or hereafter evidenced thereby, (ii) the obligation

of the Borrower to pay Beneficiary and the Lenders certain fees, costs, expenses, indemnities and other amounts pursuant to the Credit Agreement (including, without limitation, all sums owing in connection with the Letters of Credit under the Credit Agreement (collectively, the "*Reimbursement Obligations*") as and when the same become due and payable, including the obligation to reimburse the issuer for each drawing on each such Letter of Credit issued by it), (iii) the payment of all sums due or owing with respect to the Hedging Liability, (iv) the payment of all other indebtedness, obligations and liabilities which this Deed of Trust secures pursuant to any of its terms, (v) the payment of any and all sums payable under or according to the provisions of the Credit Agreement and the applications for letters of credit issued thereunder (the "*Applications*") and (vi) the observance and performance of all covenants and agreements contained herein or in the Notes, the Credit Agreement and the Applications or in any other instrument or document at any time evidencing or securing any of the foregoing or setting forth terms and conditions applicable thereto (all of such indebtedness, obligations and liabilities being hereinafter collectively referred to as the "*indebtedness hereby secured*"), Grantor hereby irrevocably grants and conveys to Trustee, in trust with power of sale, a security interest in all and singular the properties, rights, interests and privileges described in Granting Clauses I, II, III, IV, V, VI, VII and VIII below, all of the same being collectively referred to herein as the "*Mortgaged Premises*":

#### GRANTING CLAUSE I

All right, title and interest of the Grantor in respect of that certain real property located lying and being in the State of Oregon as more particularly described in Schedule I attached hereto and made a part hereof including, but not limited to, all standing trees (both merchantable and pre-merchantable) and all downed trees, in either case now or hereafter growing, grown or located on said real property.

#### GRANTING CLAUSE II

All buildings and improvements of every kind and description heretofore or hereafter erected or placed on the property described in Granting Clause I and all materials intended for construction, reconstruction, alteration and repairs of the buildings and improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises immediately upon the delivery thereof to the said real estate, and all fixtures, machinery, apparatus, equipment, fittings and articles of personal property of every kind and nature whatsoever now or hereafter attached to or contained in or used or useful in connection with said real estate and the buildings and improvements now or hereafter located thereon and the operation, maintenance and protection thereof, including but not limited to all machinery, motors, fittings, radiators, awnings, shades, screens, all gas, coal, steam, electric, oil and other heating, cooking, power and lighting apparatus and fixtures, all fire prevention and extinguishing equipment and apparatus, all cooling and ventilating apparatus and systems, all plumbing, incinerating, and sprinkler equipment and fixtures, all elevators and escalators, all communication and electronic monitoring equipment, all window and structural cleaning rigs and all other machinery and equipment of every nature and fixtures and appurtenances thereto and all items of furniture, appliances, draperies, carpets, other furnishings, equipment and personal property used or useful in the operation, maintenance and protection of the said real estate and the buildings and improvements now or hereafter located thereon and all renewals or replacements thereof or

articles in substitution therefor, whether or not the same are or shall be attached to said real estate, buildings or improvements in any manner, and all proceeds thereof, it being mutually agreed, intended and declared that all the aforesaid property shall, so far as permitted by law, be deemed to form a part and parcel of the real estate and for the purpose of this Deed of Trust to be real estate and covered by this Deed of Trust; and as to the balance of the property aforesaid, this Deed of Trust is hereby deemed to be as well a Security Agreement under the provisions of the Uniform Commercial Code of the State of Oregon for the purpose of creating hereby a security interest in said property (including, without limitation, all timber located thereon or severed therefrom), which is hereby granted by Grantor as debtor to Beneficiary as secured party, securing the indebtedness hereby secured. The addresses of Grantor (debtor) and Beneficiary (secured party) appear at the beginning hereof.

### GRANTING CLAUSE III

All right, title and interest of Grantor now owned or hereafter acquired in and to all and singular the estates, tenements, hereditaments, privileges, easements, licenses, franchises, appurtenances and royalties, timber, logs, mineral, oil, and water rights belonging or in any wise appertaining to the property described in the preceding Granting Clause I and the buildings and improvements now or hereafter located thereon and the reversions, rents, issues, revenues and profits thereof, including all interest of Grantor in all rents, issues and profits of the aforementioned property and all rents, issues, profits, revenues, royalties, bonuses, rights and benefits due, payable or accruing (including all deposits of money as advanced rent or for security) under any and all leases or subleases and renewals thereof of, or under any contracts or options for the sale of all or any part of, said property (including during any period allowed by law for the redemption of said property after any foreclosure or other sale), together with the right, but not the obligation, to collect, receive and receipt for all such rents and other sums and apply them to the indebtedness hereby secured and to demand, sue for and recover the same when due or payable; *provided* that the assignments made hereby shall not impair or diminish the obligations of Grantor under the provisions of such leases or other agreements nor shall such obligations be imposed upon Trustee or Beneficiary. By acceptance of this Deed of Trust, Trustee agrees, that so long as an Event of Default shall occur and be continuing giving Trustee the power of sale or the right to foreclose this Deed of Trust, Grantor may collect, receive (except to the extent, if any, otherwise provided under the Credit Agreement) and enjoy all such rents, issues, profits, revenues, royalties, bonuses, rights and benefits.

### GRANTING CLAUSE IV

All judgments, awards of damages, settlements and other compensation heretofore or hereafter made resulting from condemnation proceedings or the taking of the property described in Granting Clause I or any part thereof or any building or other improvement now or at any time hereafter located thereon or any easement or other appurtenance thereto under the power of eminent domain, or any similar power or right (including any award from the United States Government at any time after the allowance of the claim therefor, the ascertainment of the amount thereof and the issuance of the warrant for the payment thereof), whether permanent or temporary, or for any damage (whether caused by such taking or otherwise) to said property or any part thereof or the improvements thereon or any part thereof, or to any rights appurtenant

thereto, including severance and consequential damage, and any award for change of grade of streets (collectively, "*Condemnation Awards*").

#### GRANTING CLAUSE V

All property and rights, if any, which are by the express provisions of this Deed of Trust required to be subjected to the lien hereof and any additional property and rights that may from time to time hereafter, by installation or writing of any kind, be subjected to the lien hereof by Grantor or by anyone in Grantor's behalf.

#### GRANTING CLAUSE VI

All rights in and to common areas and access roads on adjacent properties heretofore or hereafter granted to Grantor and any after-acquired title or reversion in and to the beds of any ways, roads, streets, avenues and alleys adjoining the property described in Granting Clause I or any part thereof.

#### GRANTING CLAUSE VII

All Contract Rights, whether now existing or hereafter arising, or in which Grantor now has or hereafter acquires any rights (the term "*Contract Rights*" means and includes, without limitation, all contracts for the purchase, sale, harvest or transportation of timber or Inventory (as defined in the Security Agreement) or any other agreement, including, without limitation, any consulting agreements to which Grantor is a party or a third party beneficiary (as each and any of such contracts or agreements may be amended, supplemented or otherwise modified from time to time) together with all rights of Grantor to receive monies due and to become due under or pursuant to said contracts or agreements, all rights of Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to said contracts or agreements or to the return of amounts deposited with others, all claims of Grantor for damages arising out of or for breach of or default under said contracts or agreements, and all rights of Grantor to terminate, amend, supplement or modify said contracts or agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder); *provided* that if and so long as an Event of Default shall occur and be continuing giving Trustee or Beneficiary the power of sale or the right to foreclose this Mortgage, Beneficiary shall not (except to the extent, if any, otherwise provided in the Credit Agreement) exercise any rights included in or relating to the Contract Rights and Grantor shall be entitled to exercise all such rights, including, but not limited to, the right to collect, receive and enjoy any and all amounts due or to become due under or pursuant to any of said contracts or agreements).

#### GRANTING CLAUSE VIII

All proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims, including, without limitation, all proceeds of insurance.

TO HAVE AND TO HOLD the Mortgaged Premises and the properties, rights and privileges hereby granted, bargained, sold, conveyed, mortgaged, warranted, pledged and assigned, and in which a security interest is granted, or intended so to be, unto Trustee, its successors and assigns, forever; *provided, however*, that this Deed of Trust is upon the express

condition that if the principal of and interest on the Notes, all sums from time to time advanced thereon, any Hedging Liability and all Reimbursement Obligations shall be paid in full and all other indebtedness hereby secured shall be fully paid and performed and no Letter of Credit shall remain outstanding and any commitment contained in the Credit Agreement to extend credit thereunder shall have terminated, then this Deed of Trust and the estate and rights hereby granted shall cease, determine and be void and this Deed of Trust shall be released by Trustee upon the written request and at the expense of Grantor, otherwise to remain in full force and effect.

Grantor hereby covenants and agrees with Trustee and Beneficiary as follows:

1. *Payment of the Indebtedness.* The indebtedness hereby secured will be promptly paid as and when the same becomes due.

2. *Further Assurances.* Grantor will execute and deliver such further instruments and do such further acts as may be necessary or proper to carry out more effectively the purpose of this Deed of Trust and, without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the Granting Clauses hereof or intended so to be.

3. *Ownership of the Mortgaged Premises.* Grantor covenants and warrants that it is lawfully seized of and has good and marketable fee title to the Mortgaged Premises free and clear of all liens, charges and encumbrances whatsoever except for the Permitted Encumbrances (as hereinafter defined) and Grantor has good title, full power and authority to convey, transfer and mortgage the same to Trustee for the uses and purposes set forth in this Deed of Trust: and Grantor will warrant and defend the title to the Mortgaged Premises against all claims and demands whatsoever except Permitted Encumbrances (as hereinafter defined).

4. *Possession.* Provided no Event of Default has occurred and is continuing hereunder, Grantor shall be suffered and permitted to remain in full possession, enjoyment and control of the Mortgaged Premises, subject always to the observance and performance of the terms of this Deed of Trust.

5. *Payment of Taxes.* Grantor shall pay before any penalty attaches, all general taxes and all special taxes, special assessments, water, drainage and sewer charges and all other charges of any kind whatsoever, ordinary or extraordinary, which may be levied, assessed, imposed or charged on or against the Mortgaged Premises or any part thereof and which, if unpaid, might by law become a lien or charge upon the Mortgaged Premises or any part thereof, and shall, upon written request, exhibit to Beneficiary official receipts evidencing such payments, except that, unless and until foreclosure, distraint, sale or other similar proceedings shall have been commenced, no such charge or claim need be paid if being contested (except to the extent any full or partial payment shall be required by law), after notice to Beneficiary, by appropriate proceedings which shall operate to prevent the collection thereof or the sale or forfeiture of the Mortgaged Premises or any part thereof to satisfy the same, conducted in good faith and with due diligence and if Grantor shall have furnished such security, if any, as may be required in the proceedings or as may be reasonably requested by Trustee or Beneficiary.

6. *Payment of Taxes on Notes, Deed of Trust or Interest of Trustee, Beneficiary or Lender.* Grantor agrees that if any tax, assessment or imposition upon this Deed of Trust or the

indebtedness hereby secured or the Notes, the Applications or the interest of Trustee or Beneficiary in the Mortgaged Premises or upon Trustee, Beneficiary or any Lender by reason of or as a holder of any of the foregoing (including, without limitation, corporate privilege, franchise and excise taxes, but excepting therefrom any income tax on interest payments on the principal portion of the indebtedness hereby secured imposed by the United States or any state) is levied, assessed or charged, then, unless all such taxes are paid by Grantor to, for or on behalf of Trustee, Beneficiary or such Lender, as the case may be, as they become due and payable (which Grantor agrees to do upon demand of Trustee, Beneficiary or such Lender, to the extent permitted by law), or Trustee, Beneficiary or such Lender, as the case may be, is reimbursed for any such sum advanced by Trustee or Beneficiary, all indebtedness hereby secured shall become immediately due and payable, at the option of Trustee or Beneficiary upon thirty (30) days' notice to Grantor, notwithstanding anything contained herein or in any law heretofore or hereafter enacted, including any provision thereof forbidding Grantor from making any such payment. Grantor agrees to exhibit to Trustee, Beneficiary or any Lender, upon request, official receipts showing payment of all taxes and charges which Grantor is required to pay hereunder.

7. *Recordation and Payment of Taxes and Expenses Incident Thereto.* Grantor will cause this Deed of Trust, all trust deeds supplemental hereto and any financing statement or other notice of a security interest required by Trustee or Beneficiary at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law for the recording and filing or for the rerecording and refiling of a mortgage, security interest, assignment or other lien or charge upon the Mortgaged Premises, or any part thereof, in order fully to preserve and protect the rights of Trustee and Beneficiary hereunder and, without limiting the foregoing, Grantor will pay or reimburse Trustee or Beneficiary for the payment of any and all taxes, fees or other charges incurred in connection with any such recordation or rerecording, including any documentary stamp tax or tax imposed upon the privilege of having this Deed of Trust or any instrument issued pursuant hereto recorded.

8. *Insurance.* Grantor will, at its expense, keep all buildings, improvements and equipment (excluding timber) now or hereafter constituting part of the Mortgaged Premises insured against loss or damage by fire, lightning, windstorm, explosion and such other risks as are usually included under extended coverage policies, or which are usually insured against by owners of like property, in amount sufficient to prevent Grantor, Trustee or Beneficiary from becoming a co-insurer of any partial loss under applicable policies and in any event not less than the then full insurable value (actual replacement value without deduction for physical depreciation) thereof. Grantor shall not carry separate insurance concurrent in kind or form and contributing in the event of loss, with any insurance required hereby. Grantor shall also obtain and maintain public liability, property damage and workmen's compensation insurance with such coverages and in amounts as are customarily carried by owners of like property.

Grantor shall also obtain and maintain such other insurance with respect to the Mortgaged Premises in such amounts and against such insurable hazards as Beneficiary from time to time may reasonably require. All insurance required hereby shall be maintained in such amount with financially sound and reputable insurance companies reasonably satisfactory to Beneficiary and shall be reasonably acceptable to Beneficiary in all other respects. Grantor shall cause Beneficiary, for the ratable benefit of the Lenders, to be named in each insurance policy as secured party or mortgagee and loss payee or additional insured, in a manner reasonably acceptable to

Beneficiary. Each policy of insurance shall contain a clause or endorsement requiring the insurer to give not less than thirty (30) days prior written notice to Beneficiary in the event of cancellation of the policy for any reason whatsoever and a clause or endorsement stating that the interest of Beneficiary shall not be impaired or invalidated by any act or negligence of Grantor or the use of the Mortgaged Premises for purposes more hazardous than are permitted by such policy. All premiums for such insurance shall be paid by Grantor when due, and certificates of insurance and, if requested, photocopies of the policies shall be delivered to Beneficiary. If Grantor fails to procure such insurance or to pay the premiums therefor when due, Beneficiary may (but shall not be required to) do so and the same shall constitute so much additional indebtedness hereby secured payable upon demand with interest at a rate per annum equal to the Default Rate. In the event of foreclosure, Grantor authorizes and empowers Beneficiary to effect insurance upon the Mortgaged Premises in amounts aforesaid for a period covering the time of redemption from foreclosure sale provided by law, and if necessary therefore to cancel any or all existing insurance policies. Not later than thirty (30) days after the renewal, replacement or material modification of any insurance policy, Grantor shall deliver to Beneficiary a detailed schedule setting forth for each such policy: (i) the amount and policy number of such policy, (ii) the risks insured against by such policy, (iii) the name of the insurer and each insured party under such policy, and (iv) such other information as Beneficiary may reasonably request.

WARNING. UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY OUR CONTRACT OR LOAN AGREEMENT, 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 MORTGAGED PREMISES 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 YOU HAVE OBTAINED PROPERTY COVERAGE ELSEWHERE.

GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY THE BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO GRANTOR'S CONTRACT OR LOAN BALANCE. IF THE COST IS ADDED TO GRANTOR'S CONTRACT OR LOAN BALANCE, THE INTEREST RATE ON THE UNDERLYING CONTRACT OR LOAN WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE YOUR 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 ITS OWN AND MAY NOT SATISFY ANY NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

9. *Damage to or Destruction of Mortgaged Premises.*

(a) *Notice.* In case of any material damage to or destruction of the Mortgaged Premises or any part thereof, whether or not covered by insurance, Grantor shall promptly give written notice thereof to Beneficiary, generally describing the nature and extent of such damage or destruction.

(b) *Adjustment of Loss.* Grantor hereby authorizes Beneficiary, at Beneficiary's option, to adjust, compromise and settle any losses under any insurance afforded at any time after the occurrence and during the continuation of any Event of Default, and Grantor does hereby irrevocably constitute Beneficiary, its officers, agents and attorneys, as Grantor's attorneys-in-fact, with full power and authority after the occurrence and during the continuation of any Event of Default to effect such adjustment, compromise and/or settlement and to endorse any drafts drawn by an insurer of the Mortgaged Premises or any part thereof and to do everything necessary to carry out such purposes and to receive and receipt for any unearned premiums due under policies of such insurance. Unless Beneficiary elects to adjust, compromise or settle losses as aforesaid, any adjustment, compromise and/or settlement of any losses under any insurance shall be made by Grantor subject to final approval of Beneficiary (regardless of whether or not an Event of Default shall have occurred) in the case of losses exceeding \$500,000.

(c) *Restoration.* In case of any damage to or destruction of the Mortgaged Premises or any part thereof, Grantor, whether or not the insurance proceeds, if any, received on account of such damage or destruction shall be sufficient for the purpose, at Grantor's expense, will promptly commence and complete (subject to unavoidable delays occasioned by strikes, lockouts, acts of God, inability to obtain labor or materials, governmental restrictions and similar causes beyond the reasonable control of Grantor) the restoration, replacement or rebuilding of the Mortgaged Premises as nearly as possible to its value, condition and character immediately prior to such damage or destruction.

(d) *Application of Insurance Proceeds.* Subject to Section 9(b) above, net insurance proceeds received by Beneficiary under the provisions of this Deed of Trust or any instruments supplemental hereto or thereto or under any policy or policies of insurance covering the Mortgaged Premises or any part thereof shall first be applied as a prepayment on the Notes (and Beneficiary is hereby irrevocably authorized and directed to make such an application whether or not the Notes may then be due or otherwise adequately secured) and shall thereafter be applied to the reduction of any other indebtedness hereby secured: *provided, however*, that such proceeds shall be made available for the restoration of the portion of the Mortgaged Premises damaged or destroyed if written application for such use is made within thirty (30) days of receipt of such proceeds and the following conditions are satisfied: (i) Grantor has in effect business interruption insurance covering the income to be lost during the restoration period as a result of the damage or destruction to the Mortgaged Premises or provides Beneficiary with other evidence reasonably satisfactory to it that Grantor has cash resources sufficient to pay its obligations during the restoration period; (ii) the effect of the damage to or destruction of the Mortgaged Premises giving rise to receipt of the insurance proceeds is not to terminate, or give a lessee the option to terminate, any lease of all or any portion of the Mortgaged Premises; (iii) no Event of Default, or event which, with the lapse of time, the giving of notice, or both, would constitute an Event of Default, shall have occurred or be continuing (and if such an event shall occur during restoration Beneficiary may, at its election, apply any insurance proceeds then remaining in its hands to the reduction of the indebtedness evidenced by the Notes and the other indebtedness hereby secured); (iv) Grantor shall have submitted to Beneficiary plans and specifications for the restoration which shall be reasonably satisfactory to it; and (v) Grantor shall submit to Beneficiary

fixed price contracts with good and responsible contractors and materialmen 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, Grantor shall have deposited the amount of such deficiency with Beneficiary. Any insurance proceeds to be released pursuant to the foregoing provisions may at the option of Beneficiary be disbursed from time to time as restoration progresses to pay for restoration work completed and in place and such disbursements may at Beneficiary's option be made directly to 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 acceptable to Beneficiary. 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. All title insurance charges and other costs and expenses paid to or for the account of Grantor in connection with the release of such insurance proceeds shall constitute so much additional indebtedness hereby secured to be payable upon demand with interest at the rate applicable to the Notes at the time such costs or expenses are incurred. Beneficiary may deduct any such costs and expenses from insurance proceeds at any time standing in its hands.

10. *Eminent Domain.* Grantor acknowledges that Condemnation Awards have been assigned to Trustee and Beneficiary. Grantor shall, immediately upon learning of the actual or threatened institution of any proceeding for the condemnation or other taking of any of the Mortgaged Premises having a value in excess of \$500,000 (including any easement therein or appurtenance thereof or severance and consequential damage and change in grade of streets), notify Trustee and Beneficiary of the pendency of such proceeding and deliver to Trustee and Beneficiary copies of any and all papers served in connection with any such proceedings, and Grantor agrees that, during the continuance of an Event of Default, Beneficiary may participate in any such proceeding, and Grantor from time to time will deliver to Trustee and Beneficiary all instruments reasonably requested by Trustee or Beneficiary to permit such participation. Grantor may collect and use the proceeds of all condemnation claims and awards; provided, however, that Beneficiary is authorized, during the continuance of an Event of Default and if so requested by the Required Lenders (as such term is defined in the Credit Agreement), to collect the proceeds of any condemnation claim or award, to apply the same toward the payment of the amount owing on account of the indebtedness hereby secured in such order of application as the Required Lenders may elect and whether or not the same may then be due and payable or otherwise adequately secured. Grantor further covenants and agrees to make, execute and deliver to Beneficiary, at any time or times upon request, free, clear and discharged of any encumbrances of any kind whatsoever, any and all further assignments and/or instruments deemed necessary by Beneficiary for the purpose of validly and sufficiently assigning all awards and other compensation heretofore and hereafter to be made to Grantor for any taking, either permanent or temporary, under any such proceeding. If the condemned property is to be replaced, repaired, restored or rebuilt, such replacement, repair, restoration or rebuilding shall be done with materials and workmanship of substantially as good a quality as existed before such loss, damage or destruction, and Grantor shall commence the work of replacement, repair restoration or rebuilding as soon as practicable and proceed diligently with it until completion.

11. *Construction, Repair, Waste, Etc.* Grantor agrees that no building or other improvement on the Mortgaged Premises and constituting a part thereof shall be altered, removed or demolished, nor shall any fixtures or appliances on, in or about said buildings or improvements be severed, removed, sold or mortgaged, without the consent of Beneficiary unless such fixtures or appliances are either (a) obsolete, unusable or not needed for Grantor's operations in the ordinary course of its business or (b) replaced by fixtures or appliances at least equal in quality and condition to those replaced, and in the event of the demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered hereby, Grantor covenants that unless such fixtures, chattels or articles are obsolete, unusable or not needed in the ordinary course of its business, the same will be replaced promptly by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from any security interest in or encumbrance thereon or reservation of title thereto; to permit, commit or suffer no waste, impairment or deterioration of the Mortgaged Premises or any part thereof; to keep and maintain said Mortgaged Premises and every part thereof in good and first class repair and condition; to effect such repairs as Beneficiary may reasonably require and from time to time to make all needful and proper replacements and additions so that said buildings, fixtures, machinery and appurtenances will, at all times, be in good and first class condition, fit and proper for the respective purposes for which they were originally erected or installed; to comply in all material respects with all statutes, orders, requirements or decrees relating to the Mortgaged Premises by any federal, state or municipal authority; to observe and comply with all conditions and requirements necessary to preserve and extend any and all rights, licenses, permits (including, but not limited to, zoning variances, special exceptions and non-conforming uses), privileges, franchises and concessions which are applicable to the Mortgaged Premises or which have been granted to or contracted for by Grantor in connection with any existing or presently contemplated use of the Mortgaged Premises or any part thereof and not to initiate or acquiesce in any changes to or terminations of any of the foregoing or of zoning classifications affecting the use to which the Mortgaged Premises or any part thereof may be put without the prior written consent of Beneficiary, which consent shall not be unreasonably withheld.

12. *Sales, Transfers and Encumbrances.* Grantor will not, directly or indirectly, sell, transfer, exchange, convey, assign, mortgage, hypothecate, pledge or otherwise encumber or dispose of the Mortgaged Premises or any portion thereof or legal or equitable interest therein, and shall not enter into any agreement or arrangement therefor, including, without limitation, any contract sale, installment sale or sale under articles of agreement for deed, except (a) for liens and other matters permitted under Sections 8.11 of the Credit Agreement, and (b) for those matters existing on the date hereof and set forth on Schedule II attached hereto (the "*Permitted Encumbrances*"), and (c) as otherwise permitted by the Credit Agreement or this Deed of Trust. Any sale, transfer, exchange, mortgage, hypothecation, pledge, conveyance or other disposition in violation of this Section 12 shall constitute an immediate Event of Default hereunder. Notwithstanding any other provision of this Deed of Trust to the contrary, Grantor shall have (prior to the occurrence and continuance of an Event of Default) the right, subject to compliance with the Credit Agreement, (a) to cut and remove timber from the Mortgaged Premises for use by Grantor, or for sale by Grantor to third parties, (b) to sell standing timber (and permit the removal of the same) to third parties, and (c) to sell, lease, assign, transfer or otherwise dispose of the Mortgaged Premises pursuant to the terms and conditions of Section 8.15 of the Credit Agreement.

13. *Right of Trustee or Beneficiary to Perform Grantor's Covenants, Etc.* If Grantor shall fail to make any payment or perform any act required to be made or performed hereunder within the applicable grace or notice and cure periods provided herein or in the Credit Agreement, Trustee or Beneficiary, without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Grantor, and may enter upon the Mortgaged Premises or any part thereof for such purpose and take all such action thereon as, in the reasonable opinion of Trustee or Beneficiary, may be necessary or appropriate therefor. All sums so paid by Trustee or Beneficiary and all costs and expenses (including without limitation attorneys' fees and expenses) so incurred, together with interest thereon from the date of payment or incurrence at the Default Rate, shall constitute so much additional indebtedness hereby secured and shall be paid by Grantor to the party who made such payment on demand. Trustee or Beneficiary in making any payment authorized under this Section relating to taxes or assessments may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim thereof. Trustee or Beneficiary, in performing any act hereunder, shall be the sole judge (acting, at all times, in good faith) of whether Grantor is required to perform same under the terms of this Deed of Trust.

14. *After-Acquired Property.* Except as otherwise permitted under the Credit Agreement, any and all property hereafter acquired which is of the kind or nature herein provided, or intended to be and become subject to the lien hereof, shall *ipso facto*, and without any further conveyance, assignment or act on the part of Grantor, become and be subject to the lien of this Deed of Trust as fully and completely as though specifically described herein; but nevertheless Grantor shall from time to time, if requested by Trustee or Beneficiary, execute and deliver any and all such further assurances, conveyances and assignments as Trustee or Beneficiary may reasonably require for the purpose of expressly and specifically subjecting to the lien of this Deed of Trust all such property.

15. *Inspection by Trustee or Beneficiary.* Trustee, Beneficiary, any Lender and any participant in the indebtedness hereby secured shall have the right to inspect the Mortgaged Premises (including, without limitation, the right to have a cruise of all timber on the Mortgaged Premises by an independent timber cruiser) at all reasonable times, and access thereto shall be permitted for that purpose.

16. *Right of Trustee to Enforce Leases.* Grantor irrevocably, hereby designates, makes, constitutes and appoints Trustee (and all persons designated by Trustee) as Grantor's true and lawful attorney and agent-in-fact, with power, without notice to Grantor and at such time or times as Trustee and/or Beneficiary, at their sole election, may determine, in the name of Grantor, Trustee or both names: (i) to demand payment of all rents, issues, profits, revenues and other rights and benefits due, payable or accruing (including all deposits of money as advanced rent or for security) (collectively, the "*Rents*") under any and all leases or subleases and renewals thereof of all or any portion of the Mortgaged Premises (the "*Leases*"), and to demand performance of the Leases; (ii) to enforce payment of the Rents and performance of the Leases, by legal proceedings or otherwise; (iii) to exercise any or all of Grantor's rights, interests and remedies in and under the Leases and to collect the Rents; (iv) to settle, adjust, compromise, extend or renew the Leases and/or the Rents; (v) to settle, adjust or compromise any legal proceeding brought to

collect the Rents or obtain performance of the Leases; (vi) to take control, in any manner, of the Leases and Rents; (vii) to prepare, file and sign Grantor's name on any proof of claim in bankruptcy, or similar document in a similar proceeding against the obligors of the Leases; (viii) to endorse the name of Grantor upon any payments or proceeds of the Rents and to deposit the same to the account of Trustee; and (ix) to do all acts and things necessary, in Trustee's sole discretion, to carry out any or all of the foregoing; *provided, however*, notwithstanding anything to the contrary in the foregoing, Trustee shall not exercise any of the rights and powers conferred on it under this Section 16 unless and until there shall have occurred an Event of Default hereunder. Notwithstanding anything to the contrary hereinabove, under no circumstances shall Trustee have any duty to produce Rents from the Mortgaged Premises. Regardless of whether or not Trustee in person or by agent takes actual possession of the Mortgaged Premises, Trustee is not and shall not be deemed to be (A) a "*beneficiary in possession*" for any purpose; (B) responsible for performing any of the obligations of the lessor under any Lease; (C) responsible for any waste committed by lessees or any other parties, any dangerous or defective condition of the Mortgaged Premises, or any negligence in the management, upkeep, repair or control of the Mortgaged Premises; or (D) liable in any manner for the Mortgaged Premises or the use, occupancy, enjoyment or operation of all or any part thereof.

17. *Subrogation.* Grantor acknowledges and agrees that Trustee and Beneficiary shall be subrogated to any lien discharged out of the proceeds of any extension of credit evidenced by the Notes or out of any advance by Trustee or Beneficiary hereunder, irrespective of whether or not any such lien may have been released of record.

18. *Events of Default.* The occurrence of any event or the existence of any condition specified as an "*Event of Default*" under the Credit Agreement shall constitute an "*Event of Default*" hereunder.

19. *Remedies.* When any Event of Default has occurred and is continuing (regardless of the pendency of any proceeding which has or might have the effect of preventing Grantor from complying with the terms of this Deed of Trust, the Credit Agreement or any of the other Loan Documents (as defined in the Credit Agreement) or the adequacy of the security for the indebtedness hereby secured), in addition to such other rights as may be available under applicable law, but subject at all times to any mandatory legal requirements:

(a) *Acceleration.* Beneficiary may, by written notice to Grantor, declare all unpaid indebtedness hereby secured, including any interest then accrued thereon, to be forthwith due and payable, whereupon the same shall become and be forthwith due and payable, without other notice or demand of any kind.

(b) *Uniform Commercial Code.* Trustee shall, with respect to any part of the Mortgaged Premises constituting property of the type in respect of which realization on a lien or security interest granted therein is governed by the Uniform Commercial Code, have all the rights, options and remedies of a secured party under the Uniform Commercial Code of Oregon, including without limitation, the right to the possession of any such property, or any part thereof, and the right to enter without legal process any premises where any such property may be found. Any requirement of said Uniform Commercial Code for reasonable notification shall be met by delivery of written notice to Grantor at its address above set forth at least five (5) business days prior to the sale or other event for

which such notice is required. The costs and expenses of retaking, selling, and otherwise disposing of said property, including attorneys' fees and expenses incurred in connection therewith, shall constitute so much additional indebtedness hereby secured and shall be payable upon demand with interest at the Default Rate.

(c) *Foreclosure.* Trustee or Beneficiary may proceed to protect and enforce the rights of Trustee or Beneficiary hereunder (i) by any action at law, suit in equity or other appropriate proceedings, whether for the specific performance of any agreement contained herein, or for an injunction against the violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law, or (ii) by the foreclosure of this Deed of Trust.

(d) *Trustee's Sale.* Upon the occurrence of an Event of Default, Beneficiary may declare all indebtedness hereby secured immediately due and payable by delivery to Trustee of written declaration of default and demand for sale and of written notice of default and of election to cause the Mortgaged Premises to be sold, which notice Trustee shall cause to be filed for record. After Trustee shall have given and recorded such other notice as the law then requires as a condition precedent to a Trustee's sale under power of sale, after the lapse of such time as may then be required by law following the recordation of said notice of default and notice of sale having been given as then required by law, Trustee, without notice to or demand upon Grantor except as otherwise required by law, may sell the Mortgaged Premises at the time and place of sale fixed by it in the notice of sale, either as a whole or in separate parcels and in such order as it or Beneficiary may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale (the indebtedness hereby secured being the equivalent of cash for purposes of said sale). Grantor shall have no right to direct the order in which the Mortgaged Premises are sold. Trustee may postpone sale of all or any portion of the Mortgaged Premises by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at such time fixed by the preceding postponement. Trustee shall deliver to the purchaser at such sale a deed conveying the Mortgaged Premises or portion thereof so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof absent manifest error. Any person, including Grantor or Beneficiary may purchase at such sale. After deducting all costs, fees and expenses of Trustee, and of this Trust, including, without limitation, cost of evidence of title and attorneys' fees in connection with sale, all as provided in Section 21 hereof, Trustee shall apply the proceeds of sale as prescribed in Section 22 hereof. Before any such Trustee's sale under power, Beneficiary may rescind such notices of default and of election to cause the Mortgaged Premises or any part thereof to be sold by delivering to Trustee a written notice of rescission, which notice, when recorded, shall cancel any prior declaration of default, demand for sale and acceleration of maturity. The exercise of such right of rescission shall not constitute a waiver of any default then existing or subsequently occurring, or impair the right of Beneficiary to deliver to Trustee other declarations of default and demands for sale or notices of default and of election to cause the Mortgaged Premises or any part thereof to be sold, or otherwise affect any provision of the Notes or of this Deed of Trust or any of the rights, obligations or remedies of Beneficiary or Trustee hereunder.

(e) *Appointment of Receiver.* Trustee or Beneficiary shall, as a matter of right, without notice and without giving bond to Grantor or anyone claiming by, under or through it, and without regard to the solvency or insolvency of Grantor or the then value of the Mortgaged Premises, be entitled to have a receiver appointed of all or any part of the Mortgaged Premises and the rents, issues and profits thereof, with such power as the court making such appointment shall confer, and Grantor hereby consents to the appointment of such receiver and shall not oppose any such appointment. Any such receiver may, to the extent permitted under applicable law, without notice, enter upon and take possession of the Mortgaged Premises or any part thereof by force, summary proceedings, ejectment or otherwise, and may remove Grantor or other persons and any and all property therefrom, and may hold, operate and manage the same and receive all earnings, income, rents, issues and proceeds accruing with respect thereto or any part thereof, whether during the pendency of any foreclosure or until any right of redemption shall expire or otherwise.

(f) *Taking Possession, Collecting Rents, Etc.* Trustee or Beneficiary or their agent may enter and take possession of the Mortgaged Premises or any part thereof and manage, operate, insure, repair and improve the same and take any action which, in Trustee's or Beneficiary's judgment, is necessary or proper to conserve the value of the Mortgaged Premises, including, but not limited to, the harvest and sale of timber from the Mortgaged Premises. Beneficiary may also take possession of, and for these purposes use, any and all personal property contained in the Mortgaged Premises and used in the operation, rental or leasing thereof or any part thereof. Trustee or Beneficiary or their agent shall be entitled to collect and receive all earnings, revenues, rents, issues and profits of the Mortgaged Premises or any part thereof, including, but not limited to, all earnings, revenues, and profits arising from the harvest and sale of timber from the Mortgaged Premises (and for such purpose Grantor does hereby irrevocably constitute and appoint Beneficiary its true and lawful attorney-in-fact for it and in its name, place and stead to receive, collect and receipt for all of the foregoing, Grantor irrevocably acknowledging that any payment made to Beneficiary hereunder shall be a good receipt and acquittance against Grantor to the extent so made) and to apply same to the reduction of the indebtedness hereby secured. The right to enter and take possession of the Mortgaged Premises and use any personal property therein, to manage, operate and conserve the same, and to collect the rents, issues and profits thereof, shall be in addition to all other rights or remedies of Trustee or Beneficiary hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Trustee, at Beneficiary's sole discretion without notice thereof to Grantor, and without taking possession of the Mortgaged Premises may notify any or all of the obligors of the leases and subleases of the Mortgaged Premises that such leases and subleases have been assigned to Trustee, and Trustee, in the name of Trustee, Grantor or in both names, may direct such obligors thereafter to make all payments due from them under such leases and subleases directly to Trustee. Grantor, immediately upon demand by Trustee, irrevocably shall direct all obligors of the leases and subleases then and thereafter to make all payments then and thereafter due from them under the leases and subleases directly to Trustee. The costs and expenses (including any receiver's fees and expenses, attorneys' fees and expenses and agent's compensation) incurred pursuant to the powers herein contained shall be so much

additional indebtedness hereby secured which Grantor promises to pay upon demand together with interest at the Default Rate. Trustee or Beneficiary shall not be liable to account to Grantor for any action taken pursuant hereto other than to account for any rents actually received by Trustee or Beneficiary. Without taking possession of the Mortgaged Premises, Trustee or Beneficiary may, in the event the Mortgaged Premises becomes vacant or is abandoned, take such steps as it deems appropriate to protect and secure the Mortgaged Premises (including hiring watchmen therefor) and all costs incurred in so doing shall constitute so much additional indebtedness hereby secured payable upon demand with interest thereon at the Default Rate.

20. *Waiver of Right to Redeem From Sale - Waiver of Appraisalment, Valuation, Etc.* Grantor shall not and will not apply for or avail itself of any appraisalment, valuation, stay, extension or exemption laws, or any so-called "Moratorium Laws", now existing or hereafter enacted in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, but hereby waives the benefit of such laws. Grantor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Premises marshalled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Premises sold as an entirety. In the event of any sale made under or by virtue of this Deed of Trust, the whole of the Mortgaged Premises may be sold in one parcel as an entirety or in separate lots or parcels at the same or different times, all as the Beneficiary may determine. Beneficiary shall have the right to become the purchaser at any sale made under or by virtue of this Deed of Trust and Beneficiary so purchasing at any such sale shall have the right to be credited upon the amount of the bid made therefor by Beneficiary with the amount payable to Trustee by Grantor out of the net proceeds of such sale. In the event of any such sale, the Notes, Reimbursement Obligations and the other indebtedness hereby secured, if not previously due, shall be and become immediately due and payable without demand or notice of any kind. To the extent permitted by applicable law, Grantor hereby waives any and all rights of redemption from any sale under any order or decree of foreclosure pursuant to rights herein granted, on behalf of Grantor, and each and every person acquiring any interest in, or title to the Mortgaged Premises described herein subsequent to the date of this Deed of Trust, and on behalf of all other persons to the extent permitted by applicable law.

21. *Costs and Expenses of Foreclosure.* Subject to any limitations thereon imposed by applicable law, in case of any sale of the Mortgaged Premises, or any part thereof, pursuant to any judgment or decree of any court or pursuant to the power of sale herein contained or in connection with the enforcement of any of the terms of this Deed of Trust or otherwise under or by virtue of this Deed of Trust, there shall be allowed and included as so much additional indebtedness hereby secured to be paid out of the proceeds of such sale, reasonable Trustee's fees incurred in connection with any exercise of the power of sale granted hereunder for all services rendered by Trustee, its agents, attorneys and counsel in and about foreclosure, enforcement or other protection of this Deed of Trust and all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Trustee and/or Beneficiary and any Lender for attorneys' fees, appraisers' fees, environmental auditors' fees, outlays for documentary and expert evidence, stenographic charges, publication costs and costs (which may be estimated as the items to be expended after such Trustee's sale or the entry of any foreclosure order or decree) of procuring all such abstracts of title, title searches and examination, guarantee policies, Torrens certificates and similar data and assurances with respect to title as Trustee or Beneficiary may deem to be

reasonably necessary either to prosecute any foreclosure or sale proceeding or to evidence to the bidder at any sale pursuant thereto the true condition of the title to or the value of the Mortgaged Premises, all of which compensation and expenditures shall become so much additional indebtedness hereby secured which Grantor agrees to pay and all of such shall be immediately due and payable with interest thereon from the date of expenditure until paid at the Default Rate.

22. *Application of Proceeds.* The proceeds of any foreclosure or other sale of the Mortgaged Premises or of any sale of property pursuant to Section 19 hereof shall be distributed in the following order of priority: First, on account of all costs and expenses incident to the foreclosure or other proceedings including all such items as are mentioned in Sections 19 and 21 hereof; and Second, pursuant to Section 3.6 of the Credit Agreement.

23. *Deficiency Decree.* If at any foreclosure proceeding the Mortgaged Premises shall be sold for a sum less than the total amount of indebtedness for which judgment is therein given, the judgment creditor shall be entitled to the entry of a deficiency decree against Grantor and against the property of Grantor for the amount of such deficiency; and Grantor does hereby irrevocably consent to the appointment of a receiver for the Mortgaged Premises and the property of Grantor and of the rents, issues and profits thereof after such sale and until such deficiency decree is satisfied in full.

24. *Trustee's, Beneficiary's and Lenders' Remedies Cumulative - No Waiver.* No remedy or right of Trustee, Beneficiary or any Lender shall be exclusive of but shall be cumulative and in addition to every other remedy or right now or hereafter existing at law or in equity or by statute or otherwise. No delay in the exercise or omission to exercise any remedy or right accruing on any default shall impair any such remedy or right or be construed to be a waiver of any such default or acquiescence therein, nor shall it affect any subsequent 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 Trustee and Beneficiary.

25. *Trustee and Beneficiary Party to Suits.* If Trustee or Beneficiary shall be made a party to or shall intervene in any action or proceeding affecting the Mortgaged Premises or the title thereto or the interest of Trustee and Beneficiary under this Deed of Trust (including probate and bankruptcy proceedings), or if Trustee and Beneficiary employs an attorney to collect any or all of the indebtedness hereby secured or to enforce any of the terms hereof or realize hereupon or to protect the lien hereof, or if Trustee and Beneficiary shall incur any costs or expenses in preparation for the commencement of any foreclosure proceedings or for the defense of any threatened suit or proceeding which might affect the Mortgaged Premises or the security hereof, whether or not any such foreclosure or other suit or proceeding shall be actually commenced, then in any such case, Grantor agrees to pay to Trustee and Beneficiary, immediately and without demand, all reasonable costs, charges, expenses and attorney's fees incurred by Trustee and Beneficiary in any such case, and the same shall constitute so much additional indebtedness hereby secured payable upon demand with interest at the Default Rate.

26. *Modifications Not to Affect Lien.* Trustee and Beneficiary, without notice to anyone, and without regard to the consideration, if any, paid therefor, or the presence of other liens on the Mortgaged Premises, may in its discretion release any part of the Mortgaged Premises or any person liable for any of the indebtedness hereby secured, may extend the time of payment of any of the indebtedness hereby secured and may grant waivers or other indulgences with

respect hereto and thereto, and may agree with Grantor to modifications to the terms and conditions contained herein or otherwise applicable to any of the indebtedness hereby secured (including modifications in the rates of interest applicable thereto), without in any way affecting or impairing the liability of any party liable upon any of the indebtedness hereby secured or the priority of the lien of this Deed of Trust upon all of the Mortgaged Premises not expressly released, and any party acquiring any direct or indirect interest in the Mortgaged Premises shall take same subject to all of the provisions hereof

27. *Notices.* All communications provided for herein shall be in writing and shall be deemed to have been given when delivered personally or mailed by first class mail, postage prepaid, addressed to the parties hereto at their addresses as shown at the beginning of this Deed of Trust or to such other and different address as Grantor, Trustee, Beneficiary or any Lender may designate pursuant to a written notice sent in accordance with the provisions of this Section.

28. *Compliance with Environmental Laws.* Grantor represents and warrants that to the best of Grantor's knowledge the Mortgaged Premises comply (to the extent that failure to comply therewith would constitute a Material Adverse Effect on the Grantor) in all material respects with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. §9601 *et seq.*, the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. §6901 *et seq.*, the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. §1251 *et seq.*, the Toxic Substances Control Act of 1976, 15 U.S.C. §2601 *et seq.*, the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. §11001 *et seq.*, the Clean Air Act of 1966, as amended, 42 U.S.C. §7401 *et seq.*, the National Environmental Policy Act of 1975, 42 U.S.C. §4321, the Rivers and Harbours Act of 1899, 33 U.S.C. §401 *et seq.*, the Occupational Safety and Health Act of 1970, 29 U.S.C. §651 *et seq.*, and the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. §300(f) *et seq.*, and all rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment (all of the foregoing are sometimes referred to collectively as "*Environmental Laws*"), including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling or disposal of polychlorinated biphenyls (PCB's), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), to exposure to toxic, hazardous, or other controlled, prohibited or regulated substances, to the transportation, storage, disposal, management or release of gaseous or liquid substances, and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

29. *Condition of Property.* Grantor warrants and represents that to the best of Grantor's knowledge the Mortgaged Premises, including all personal property, is free from contamination, that there has not been thereon a release, discharge or emission, or threat of release, discharge or emission, in violation of any Environmental Laws of any hazardous substance, gas or liquid (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), or any other substance, gas or liquid, which is prohibited, controlled or regulated under applicable

law, or which poses a threat or nuisance to safety, health or the environment (all of such hazardous substances, gases and liquids are sometimes referred to collectively as "*Hazardous Materials*"), and that to the best of Grantor's knowledge the Mortgaged Premises do not contain, and are not affected by: (i) asbestos, (ii) urea formaldehyde foam insulation, (iii) polychlorinated biphenyls (PCB's), (iv) underground storage tanks, (v) landfills, land disposals or dumps or (vi) petroleum, its derivatives or by-products, or other hydrocarbons.

30. *Notice of Environmental Problem.* Grantor represents and warrants that it has not given, nor should it give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that: (i) Grantor has violated, or is about to violate, any federal, state, regional, county or local Environmental Law, judgment or order, (ii) there has been a release, or there is threat of release, of Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons) from the Mortgaged Premises; (iii) Grantor may be or is liable, in whole or in part, for the costs or cleaning up, remediating or responding to a release of Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons); or (iv) any of the Grantor's property or assets are subject to a lien in favor of any governmental body for any liability, costs or damages, under federal, state or local Environmental Law arising from or costs incurred by such governmental entity in response to a release of a Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons). In the event that Grantor receives any notice of the type described in this Section, Grantor shall promptly provide a copy to Beneficiary, and in no event, later than fifteen (15) days from Grantor's receipt or submission thereof.

31. *Use of Property and Facilities.* (a) Grantor represents and warrants that it has never in the past engaged in, and agrees that in the future it shall not conduct, any business, operations or activity on the Mortgaged Premises, or employ or use the personal property or facilities, to manufacture, use, generate, treat, store, transport or dispose of any Hazardous Materials (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), or any other substance which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring Grantor, its property or facilities, within the ambit of any Environmental Law, including, without limitation, any state statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder. The provisions of this Section shall apply to all of the Mortgage Premises.

(b) Notwithstanding any other provision of this Deed of Trust to the contrary, Grantor shall be permitted to use petroleum products, insecticides, hardwood suppressants and other chemicals or materials which may constitute Hazardous Materials for purposes of this Deed of Trust as part of Grantor's manufacturing, production, processing or other activities at its mill facilities and/or as part of Grantor's timber management activities, *provided* that (i) the use of any such chemicals or materials is not prohibited by any of the Environmental Laws, (ii) Grantor uses such chemicals or materials in a safe and responsible manner and in accordance with the method of application approved by the manufacturer of each such chemical or material, (iii) Grantor uses such chemicals or materials in strict accordance with any and all Environmental Laws applicable to the use thereof, and (iv) before using any such chemicals or materials on the Mortgaged Premises, Grantor shall have obtained any and all permits which may from time to time be

required by any regulatory agency or other public body as a condition to such use. Any prior use of such chemicals or materials in accordance with the conditions set forth in the preceding sentence shall be deemed a qualification of and exception to the representations and warranties of Grantor set forth in this Deed of Trust.

32. *Environmental Indemnity.* The Grantor hereby does and shall indemnify, defend and hold harmless the Trustee, Beneficiary, and each Lender, and their respective successors and assigns forever, from and against all loss, liability, damage and expense, including reasonable attorneys' fees (including allocated cost of in-house counsel), suffered or incurred by the Trustee, Beneficiary, and each Lender, and their respective successors and assigns, in connection with or arising from or out of any action taken by any person, entity or public authority pursuant to any of the Environmental Laws (as hereinafter defined) or under common law, or otherwise, pertaining to Hazardous Materials with respect to or in connection with the Mortgaged Premises, including, but not limited to (i) the Environmental Laws, including without limitation any violation thereof or noncompliance therewith or the assertion of any lien, security interest, change or encumbrance of any nature whatsoever thereunder, (ii) the presence of any Hazardous Materials on, at or from the Mortgaged Premises, including, without limitation, human exposure thereto, (iii) any spill, release, discharge or emission affecting the Mortgaged Premises whether or not the same originates or emanates from the Mortgaged Premises or any contiguous real estate, including, without limitation, any loss of value of the Mortgaged Premises as a result thereof, and (iv) a misrepresentation in any representation or warranty or breach of or failure to perform any covenant made by the Grantor in Sections 28, 29, 30 and 31, which indemnity and agreement to defend and hold harmless shall survive any termination or satisfaction of this Deed of Trust or the indebtedness hereby secured or the sale, assignment or foreclosure thereof or the sale, transfer or conveyance of all or part of the Mortgaged Premises or any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of Borrower under the indebtedness hereby secured or otherwise, *provided* that such indemnity and agreement to defend and hold harmless shall apply only to acts and omissions occurring prior to any such sale, assignment or foreclosure or any such sale, transfer or conveyance unless such contaminations arises from any Hazardous Materials that were present at the Mortgaged Premises prior to such sale, assignment, foreclosure, transfer or conveyance of the Mortgaged Premises.

33. *Substitute Trustee.* Trustee, or any substitute Trustee, may be removed at any time with or without cause, at the option of Beneficiary, by written declaration of such removal signed by Beneficiary and duly recorded in the same records as this Deed of Trust, without any notice to or demand upon Trustee or substitute Trustee so removed, or Grantor or any other person. If at any time Trustee or any substitute Trustee should be so removed, or should absent himself from Oregon, die, or refuse, fail or be unable to act as such Trustee or substitute Trustee, Beneficiary may appoint any person as substitute Trustee hereunder, without any formality other than a written declaration of such appointment executed by Beneficiary and duly recorded in the same records as this Deed of Trust; and immediately upon such appointment, the substitute Trustee so appointed shall automatically become vested with all the estate and title in the Property, and with all of the rights, powers, privileges, authority, options and discretions, and charged with all of the duties and liabilities, vested in or imposed upon Trustee by this Deed of Trust, and any conveyance executed by such substitute Trustee, including the recitals therein contained, shall have the same effect and validity as if executed by Trustee.

34. *Revolving Credit Loan.* This Deed of Trust is given to secure, among other things, a revolving credit loan and shall secure not only presently existing indebtedness under the Credit Agreement but also future advances, whether such advances are obligatory or to be made at the option of Beneficiary, or otherwise, as are made within twenty (20) years from the date hereof, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust, although there may be no advance made at the time of execution of this Deed of Trust and although there may be no indebtedness hereby secured outstanding at the time any advance is made. The lien of this Deed of Trust shall be valid as to all indebtedness hereby secured, including future advances. The total amount of indebtedness hereby secured may increase or decrease from time to time, but the total unpaid balance of indebtedness hereby secured (including disbursements which Beneficiary may make under this Deed of Trust, the Credit Agreement or any other documents related thereto) at any one time outstanding shall not exceed a maximum principal amount of Sixty Million Dollars (\$60,000,000) plus interest thereon and any disbursements made for payment of taxes, special assessments or insurance on the Mortgaged Premises and interest on such disbursements, together with any fees, costs or expenses which may be payable hereunder (all such indebtedness being hereinafter referred to as the "*maximum amount secured hereby*"). This Deed of Trust shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the Mortgaged Premises, to the extent of the maximum amount secured hereby.

35. *Multisite Real Estate Transaction.* Grantor acknowledges that this Deed of Trust is one of several deeds of trust and other security documents (the aforesaid being together called the "*Other Security Documents*") which secure the indebtedness evidenced by the Notes, the Credit Agreement and the Reimbursement Obligations. Grantor agrees that the lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of the Trustee or Beneficiary and, without limiting the generality of the foregoing, the lien hereof shall not be impaired by any acceptance by the Trustee or Beneficiary of any security for or guarantees upon any of the indebtedness hereby secured, or by any failure, neglect or omission on the part of the Trustee or Beneficiary to realize upon or protect any of the indebtedness hereby secured or any security therefor including the Other Security Documents. The lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromises, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the indebtedness hereby secured or of any of the collateral security therefor, including, without limitation, the Other Security Documents or of any guarantee thereof, and the Trustee or Beneficiary may at their discretion foreclose, exercise any power of sale, or exercise any other remedy available to them under any or all of the Other Security Documents without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Trustee's or Beneficiary's rights and remedies under any or all of the Other Security Documents shall not in any manner impair the indebtedness hereby secured, except to the extent of its reduction by payment, or the lien of this Deed of Trust and any exercise of the rights or remedies of Trustee or Beneficiary hereunder shall not impair the lien of any of the Other Security Documents or any of Trustee's or Beneficiary's rights and remedies thereunder. Grantor specifically consents and agrees that Beneficiary may exercise its rights and remedies hereunder and under the Other Security Documents separately or concurrently and in any order that it may deem appropriate.

34. *Revolving Credit Loan.* This Deed of Trust is given to secure, among other things, a revolving credit loan and shall secure not only presently existing indebtedness under the Credit Agreement but also future advances, whether such advances are obligatory or to be made at the option of Beneficiary, or otherwise, as are made within twenty (20) years from the date hereof, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust, although there may be no advance made at the time of execution of this Deed of Trust and although there may be no indebtedness hereby secured outstanding at the time any advance is made. The lien of this Deed of Trust shall be valid as to all indebtedness hereby secured, including future advances. The total amount of indebtedness hereby secured may increase or decrease from time to time, but the total unpaid balance of indebtedness hereby secured (including disbursements which Beneficiary may make under this Deed of Trust, the Credit Agreement or any other documents related thereto) at any one time outstanding shall not exceed a maximum principal amount of Sixty Million Dollars (\$60,000,000) plus interest thereon and any disbursements made for payment of taxes, special assessments or insurance on the Mortgaged Premises and interest on such disbursements, together with any fees, costs or expenses which may be payable hereunder (all such indebtedness being hereinafter referred to as the "*maximum amount secured hereby*"). This Deed of Trust shall be valid and have priority over all subsequent liens and encumbrances, including statutory liens, excepting solely taxes and assessments levied on the Mortgaged Premises, to the extent of the maximum amount secured hereby.

35. *Multisite Real Estate Transaction.* Grantor acknowledges that this Deed of Trust is one of several deeds of trust and other security documents (the aforesaid being together called the "*Other Security Documents*") which secure the indebtedness evidenced by the Notes, the Credit Agreement and the Reimbursement Obligations. Grantor agrees that the lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of the Trustee or Beneficiary and, without limiting the generality of the foregoing, the lien hereof shall not be impaired by any acceptance by the Trustee or Beneficiary of any security for or guarantees upon any of the indebtedness hereby secured, or by any failure, neglect or omission on the part of the Trustee or Beneficiary to realize upon or protect any of the indebtedness hereby secured or any security therefor including the Other Security Documents. The lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromises, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the indebtedness hereby secured or of any of the collateral security therefor, including, without limitation, the Other Security Documents or of any guarantee thereof, and the Trustee or Beneficiary may at their discretion foreclose, exercise any power of sale, or exercise any other remedy available to them under any or all of the Other Security Documents without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Trustee's or Beneficiary's rights and remedies under any or all of the Other Security Documents shall not in any manner impair the indebtedness hereby secured, except to the extent of its reduction by payment, or the lien of this Deed of Trust and any exercise of the rights or remedies of Trustee or Beneficiary hereunder shall not impair the lien of any of the Other Security Documents or any of Trustee's or Beneficiary's rights and remedies thereunder. Grantor specifically consents and agrees that Beneficiary may exercise its rights and remedies hereunder and under the Other Security Documents separately or concurrently and in any order that it may deem appropriate.

36. *Default Rate.* For purposes of this Deed of Trust, the term "Default Rate" shall mean the rate per annum determined by adding 3.5% to the Base Rate (as defined in the Credit Agreement) in effect from time to time.

37. *Governing Law.* The creation of the Deed of Trust, the perfection of the lien or security interest in the Mortgaged Premises, and the rights and remedies of Trustee or Beneficiary with respect to the Mortgaged Premises, as provided herein and by the laws of the state in which the Mortgaged Premises are located, shall be governed by and construed in accordance with the internal laws of the state in which the Mortgaged Premises is located without regard to principles of conflicts of law. Otherwise, the Credit Agreement, the Notes, and all other obligations of Grantor (including, but not limited to, the liability of Grantor for any deficiency following a foreclosure of all or any part of the Mortgaged Premises) shall be governed by and construed in accordance with the internal laws of the State of Illinois without regard to principles of conflicts of laws, such state being the state where such documents were executed and delivered.

38. *Agent.* Beneficiary has been appointed as agent pursuant to the Credit Agreement. In acting under or by virtue of this Deed of Trust, Beneficiary shall be entitled to all the rights, authority, privileges and immunities provided in the Credit Agreement (including, without limitation, Section 11 thereof), all of which provisions of said Credit Agreement are incorporated by reference herein with the same force and effect as if set forth herein. Beneficiary hereby disclaims any representation or warranty to Lenders concerning the perfection of the security interest granted hereunder or the value of the Mortgaged Premises.

39. *Security Agreement.* To secure the indebtedness hereby secured, Grantor hereby grants to Beneficiary a security interest in all timber that is severed from the real property covered by this Deed of Trust. This Deed of Trust shall constitute a security agreement under Article 9 of the Uniform Commercial Code of the State of Oregon with the Beneficiary having the rights of a secured party under Article 9 thereof. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust.

40. *Fixtures Filing.* Certain of the personal property covered by this Deed of Trust is or will become fixtures on the real property which is a part of the Mortgaged Premises described on Schedule I, and this Trust Deed upon being filed for record in the real estate records of the county wherein such fixtures are situated shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the Uniform Commercial Code upon such of the properties which are or may become fixtures. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust. The Grantor has an interest of record in such real property.

41. *Partial Invalidity.* All rights, powers and remedies provided herein are intended to be limited to the extent necessary so that they will not render this Deed of Trust invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Deed of Trust shall be held to be invalid, illegal or unenforceable, the validity and enforceability of the other terms of this Deed of Trust shall in no way be affected thereby.

42. *Successors and Assigns.* Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the

covenants, promises and agreements in this Deed of Trust contained by or on behalf of Grantor, or by or on behalf of Trustee or Beneficiary, shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not. If more than one party signs this instrument as Grantor, then the term "*Grantor*" as used herein shall mean all of such parties, jointly and severally.

43. *Headings.* The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

44. *Changes, Etc.* This instrument and the provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

45. **STATUTES OF FRAUDS.** UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BENEFICIARY AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY US TO BE ENFORCEABLE.

39505

IN WITNESS WHEREOF, Grantor has caused these presents to be executed the day and year first above written.

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

By

Name

Its

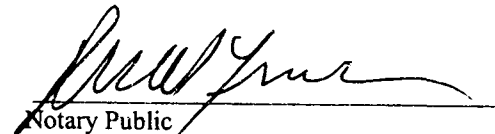
John M. Rudey  
President

39506

STATE OF NEW YORK )  
 ) SS  
COUNTY OF NEW YORK )

I, the undersigned, a Notary Public in and for said County in the State aforesaid, do hereby certify that JOHN RUDE, the PRESIDENT of U.S. TIMBERLANDS YAKIMA L.L.C., who is personally known to me to be the same person whose name is subscribed to the foregoing instrument as such PRESIDENT, appeared before me this day in person and acknowledged that s/he signed and delivered the same instrument as his/he own free and voluntary act and as the free and voluntary act and deed of said company for the uses and purposes therein set forth.

Given under my hand and notarial seal this 29 day of SEPTEMBER 1999.

  
Notary Public

RICHARD E. FRIEDMAN  
(Type or Print Name)

RICHARD E. FRIEDMAN  
NOTARY PUBLIC, State of New York  
No. 31-6415830  
Qualified in New York County  
Term Expires July 31, 2000

(SEAL)

Commission expires:  
\_\_\_\_\_

This Instrument Prepared By and After  
Recording Return To:  
Daniel W. Baker  
Chapman and Cutler  
111 West Monroe Street  
Chicago, Illinois 60603

Until further notice all tax notices  
shall be sent to:  
U.S. Timberlands Yakima L.L.C.  
Suite 10-B  
625 Madison Avenue  
New York, New York 10022

## SCHEDULE I

## LEGAL DESCRIPTION

## PARCEL 1

Section 1 - Government Lots 1 and 2, S1/2 NE1/4, SE1/4, NE1/4 SW1/4  
 Section 12 - E1/2  
 Section 13 - E1/2, SE1/4 SW1/4  
 Section 24 - NE1/4

- All being in Township 28 South; Range 10 East of the Willamette Meridian, Klamath County, Oregon.

## PARCEL 2

Section 1 - W1/2 SW1/4, SE1/4 SW1/4  
 Section 2 - Government Lot 3, S1/2 N1/2, S1/2  
 Section 3 - Government Lots 2 and 4, S1/2 N1/2, S1/2  
 Section 4 - Government Lot 1, SE1/4 NE1/4, SE1/4, S1/2 SW1/4, NW1/4 SW1/4, SW1/4  
 NW1/4  
 Section 5 - NE1/4 SE1/4  
 Section 9 - E1/2, N1/2 NW1/4, SE1/4 NW1/4, NE1/4 SW1/4  
 Section 10 - All  
 Section 11 - N1/2, SW1/4, N1/2 SE1/4, SW1/4 SE1/4  
 Section 12 - NW1/4, NW1/4 NE1/4  
 Section 13 - SW1/4 SE1/4, SW1/4, SW1/4 NW1/4  
 Section 14 - S1/2, NW1/4  
 Section 15 - All  
 Section 16 - All  
 Section 21 - NE1/4 NE1/4  
 Section 22 - N1/2, SE1/4, NE1/4 SW1/4  
 Section 23 - All  
 Section 24 - W1/2, SE1/4  
 Section 25 - NW1/4, N1/2 SW1/4, SW1/4 SW1/4  
 Section 26 - N1/2, N1/2 SE1/4, SW1/4 SE1/4, SW1/4  
 Section 27 - NE1/4 NE1/4, S1/2 N1/2, N1/2 S1/2, S1/2 SE1/4, SE1/4 SW1/4  
 Section 28 - NE1/4 NE1/4  
 Section 34 - N1/2 NE1/4  
 Section 35 - N1/2, N1/2 SW1/4, SE1/4 SW1/4, SE1/4  
 Section 36 - All

All being in Township 27 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

## SCHEDULE I

## LEGAL DESCRIPTION CONTINUED

## PARCEL 3

- Section 1 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
- Section 2 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
- Section 3 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
- Section 5 - S1/2 NE1/4
- Section 6 - Government Lots 4, 5, 6 and 7, SE1/4 NW1/4, SE1/4 SE1/4, W1/2 SE1/4, E1/2 SW1/4
- Section 7 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
- Section 8 - W1/2 W1/2, E1/2 SW1/4
- Section 10 - E1/2 E1/2, NW1/4 NE1/4
- Section 11 - All
- Section 12 - All
- Section 13 - All
- Section 14 - All
- Section 17 - W1/2, SE1/4
- Section 18 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
- Section 19 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
- Section 20 - W1/2 W1/2, N1/2 NE1/4
- Section 23 - N1/2 NE1/4
- Section 24 - NW1/4 NW1/4, E1/2 NW1/4, NE1/4
- Section 28 - SE1/4 SW1/4
- Section 29 - SW1/4 SE1/4, S1/2 NW1/4, NW1/4 NW1/4
- Section 30 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
- Section 31 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
- Section 32 - All
- Section 33 - All
- Section 34 - NE1/4, SE1/4 NW1/4, N1/2 SW1/4, SE1/4 SW1/4, SE1/4
- Section 35 - SE1/4 SE1/4
- Section 36 - All

All being in Township 28 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

## PARCEL 4

- Section 1 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
- Section 2 - Government Lots 1 and 2, S1/2 NE1/4, SE1/4 NW1/4, S1/2
- Section 3 - Government Lots 1 and 2, SE1/4 NE1/4, E1/2 SE1/4, SW1/4 SE1/4, SW1/4
- Section 4 - Government Lots 2, 3 and 4, SW1/4 NE1/4, S1/2 SE1/4, SW1/4, S1/2 NW1/4
- Section 5 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
- Section 6 - Government Lots 1, 2, 3, 4, 5, 6 and 7, S1/2 NE1/4, SE1/4, E1/2 SW1/4, SE1/4 NW1/4

All being in Township 29 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

## PARCEL 5

- Section 1 - Government Lots 1 and 2, S1/2 NE1/4

All being in Township 29 South, Range 10 East of the Willamette Meridian, Klamath County, Oregon.

39509

**SCHEDULE II**

**PERMITTED ENCUMBRANCES**

Those exceptions set forth in that certain mortgage title insurance policy issued by Chicago's Title Insurance Company pursuant to that certain Preliminary Title Report prepared by Amertitle (a) with respect to the Mortgaged Premises located in Klamath County (Order Number 494319) dated September 17, 1999 and (b) with respect to the Mortgaged Premises located in Lake County (Order Number LA05028) dated September 16, 1999.

State of Oregon, County of Klamath  
Recorded 10/04/99 at 11:49 a.m.  
In Vol. M99 Page 39482  
Linda Smith  
County Clerk      Fee \$ 150<sup>00</sup>