

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.**

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. Rudoy
President

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

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.

[Signature]
 Notary Public

RICHARD FRIEDMAN
 (Type or Print Name)

RICHARD E. FRIEDMAN
 NOTARY PUBLIC, State of New York
 No. 31-0415830
 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.

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 \$ 150⁰⁰