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Recording Requested By, and  
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**TRUST DEED, ASSIGNMENT OF RENTS,  
SECURITY AGREEMENT, AND FIXTURE FILING  
(LINE OF CREDIT INSTRUMENT)**

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING (this "Trust Deed") is made as of the 8th day of May, 2001, by Douglas County, Inc., dba Douglas County Forest Products, whose address is P.O. Box 848, 398 Del Rio Road, Winchester, Oregon 97495 ("Grantor"), to Amerititle, whose address is 222 S. Sixth Street, Klamath Falls, Oregon 97601 ("Trustee"), for the benefit of **LASALLE BUSINESS CREDIT, INC.**, whose address is One Centerpointe Drive, Suite 500, Lake Oswego, Oregon 97035 ("Beneficiary").

WHEREAS, Grantor has entered into a certain Loan and Security Agreement with Beneficiary dated as of December 5, 1997 (such Loan and Security Agreement, as modified, supplemented, extended, renewed or replaced from time to time being hereinafter referred to as the "Financing Agreement"), which provides for loans to be made by Beneficiary, such loans to be repayable with interest in accordance with the Financing Agreement; and

WHEREAS, pursuant to the Financing Agreement, Beneficiary has made a Timber Loan to Borrower in the sum of \$550,000 ("Timber Loan No. 1") and such loan is

evidenced by a Timber Note in the sum of \$550,000 (such note, as modified, extended, renewed or replaced from time to time being hereinafter referred to as the "Note");

WHEREAS, as a condition to the extension of credit to Grantor pursuant to the Financing Agreement, Beneficiary has required, and Grantor has agreed to execute and deliver, this Trust Deed.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.1 below, Grantor hereby irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of the Beneficiary, with power of sale and right of entry and possession, all of Grantor's rights, titles and interests in and to the real property located in Klamath County, Oregon, described in Exhibit A attached hereto and incorporated herein (the "Property"), including but not limited to all rights, titles and interests acquired by Grantor from Crown Pacific Limited Partnership pursuant to that certain Timber Deed dated March 28, 2001;

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, in and to any and all timber, whether standing, cut, or down, now or hereafter grown, growing or on the Property, all logs produced from such timber and all products and proceeds thereof (all of the foregoing being hereinafter collectively referred as the "Timber");

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, including without limitation any right of use or occupancy, in (a) the Property; (b) any and all options, agreements and contracts for the purchase or sale of all or any part or parts of the Property or interests therein; (c) all easements, rights-of-way and rights used in connection therewith or as a means of access thereto; and (d) all tenements, hereditaments and appurtenances in any manner belonging, relating or appertaining thereto; and

TOGETHER WITH all rights, titles and interests of Grantor, now owned or hereafter acquired, in and to any and all improvements of every nature now or hereafter located on the Property and all fixtures, machinery, equipment, and other personal property located on the Property or attached to, contained in or used in any such Improvements, and all appurtenances and additions thereto and substitutions and replacements thereof (all of the foregoing being hereinafter collectively referred to as the "Improvements"); and

TOGETHER WITH all rights, titles and interest of Grantor, now owned or hereafter acquired, in and to: all books and records relating to the use and operation of all or any portion of the Property and Improvements; all present and future licenses, permits, approvals and agreements with or from any municipal corporation, city, county, state, federal or other governmental or quasi-governmental entity or agency relating to the development, improvement, division or use of all or any portion of the Property or the harvesting of the Timber, to the extent such licenses, permits, approvals and agreements are assignable by law; and all other present and future contract rights and other general intangibles relating to the Property, the Timber, the Improvements or the use and operation thereof; and

TOGETHER WITH all present and future rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties and contracts which are in any way relevant to the ownership, improvement, management, sale or use of all or any portion of the Property, or any of the Improvements or the harvesting of the Timber; and

TOGETHER WITH all rights, interests and claims that Grantor now has or may hereafter acquire with respect to any damage to or taking of all or any part of the Property, the Timber or the Improvements, including without limitation any and all proceeds of insurance in effect with respect to the Timber or the Improvements, any and all awards made for taking by eminent domain or by any proceeding or purchase in lieu thereof, of the whole or any part of the Property, the Timber or the Improvements, and any and all awards resulting from any other damage to the Property, the Timber or the Improvements, all of which are hereby assigned to Beneficiary, and, subject to the terms of this Trust Deed, Beneficiary is hereby authorized to collect and receive the proceeds thereof and to give proper receipts and acquittances therefor, and to apply the same to the Obligations secured hereby.

All of the foregoing is sometimes hereinafter referred to as the "Trust Property."

TO HAVE AND TO HOLD the Trust Property to the Trustee and its successors and assigns for the benefit of the Beneficiary and its successors and assigns, forever.

PROVIDED ALWAYS, that if all the Obligations (as defined in Section 1.1 below) shall be paid, performed and satisfied in full, then the lien and estate hereby granted shall be reconveyed.

This Trust Deed, the Financing Agreement, the Note and all other agreements or instruments executed at any time in connection therewith, as they may be amended, supplemented or replaced from time to time, are sometimes hereinafter collectively referred to as the "Loan Documents."

TO PROTECT THE SECURITY OF THIS TRUST DEED, GRANTOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

## ARTICLE 1.

### Particular Covenants and Warranties of Grantor

1.1 Obligations Secured. This Trust Deed secures the payment of Timber Loan No. 1, including but not limited to principal and interest, and the performance of all covenants and obligations of Grantor relating to such Timber Loan under the Financing Agreement, the Note, this Trust Deed and any other documents, whether now existing or hereafter arising and whether such payment and performance is now due or becomes due in the future (collectively, the "Obligations").

1.2 Payment of Indebtedness; Performance of Covenants. Grantor shall duly and punctually pay and perform all of the Obligations.

1.3 Further Assurances; Filing; Re-Filing; Etc.

(a) Grantor shall execute, acknowledge and deliver, from time to time, such further instruments as Beneficiary or Trustee may require to accomplish the purposes of this Trust Deed.

(b) Grantor, immediately upon the execution and delivery of this Trust Deed, and thereafter from time to time, shall cause this Trust Deed, any security agreement, mortgage or trust deed supplemental hereto and each instrument of further assurance to be recorded and re-recorded in such manner and in such places as may be required by any present or future law in order to perfect, and continue perfected, the lien and estate of this Trust Deed.

(c) Grantor shall pay all filing and recording fees, and all expenses (including attorneys' fees) incident to the preparation, execution, filing, recording and acknowledgment of this Trust Deed, any security agreement, mortgage or trust deed supplemental hereto and any instrument of further assurance, and all federal, state, city, county and municipal taxes, assessments and charges arising out of or in connection with the execution, delivery, filing and recording of this Trust Deed, any security agreement, mortgage or trust deed supplemental hereto and any instrument of further assurance. All such fees and expenses may be charged against Grantor's loan account.

1.4 Compliance with Laws. Grantor covenants that Grantor will comply with all applicable laws, statutes, ordinances, regulations and codes of all federal, state and local governments, and all covenants, conditions, easements and restrictions affecting the Property.

1.5 Definitions; Environmental Covenants; Warranties and Compliance.

(a) For purposes of this section, "Environmental Law" means any federal, state or local law, statute, ordinance, or regulation pertaining to Hazardous Substances, health, industrial hygiene, or environmental conditions.

(b) For the purposes of this section, "Hazardous Substance" includes without limitation, all substances, materials, and wastes which are or become regulated or classified as hazardous or toxic under federal, state, or local laws or regulations.

(c) Grantor will not use, generate, manufacture, produce, store, release, discharge, or dispose of on, under or about the Property or the groundwater thereof, or transport to or from the Property, any Hazardous Substance and will not permit any other person to do so.

(d) Grantor shall not cause or permit the Property or any portion thereof, including groundwater, to be in violation of any Environmental Law.

(e) Grantor shall give prompt written notice to Beneficiary of:

(i) Any proceeding, inquiry or notice by or from any governmental authority with respect to any alleged violation of any Environmental Law or the presence of any Hazardous Substance on the Property or the migration thereof from or to other premises;

(ii) All known claims made or threatened by any person against Grantor or with respect to the Property or Improvements relating to any loss or injury resulting from any Hazardous Substance or the violation of any Environmental Law;

(iii) The existence of any Hazardous Substance on or about the Property or any portion thereof; or

(iv) Grantor's discovery of any occurrence or condition on any real property adjoining or in the vicinity of the Property that could in Grantor's judgment cause any restrictions on the ownership, occupancy, transferability or use of the Property under any Environmental Law.

(f) Grantor shall promptly provide to Beneficiary copies of all reports, documents, and notices provided to or received from any agency administering any Environmental Law. Beneficiary shall have the right to join and participate, in its own name if it so elects, in any legal proceeding or action initiated with respect to the Property or Improvements in connection with any Environmental Law and have Beneficiary's attorney fees in connection therewith paid by Grantor, if Beneficiary determines that such participation is reasonably necessary to protect its interest in the Trust Property.

(g) If, at any time, Beneficiary has reason to believe that any release, discharge or disposal of any Hazardous Substance affecting the Property or Improvements has occurred or is threatened, or if Beneficiary has reason to believe that a violation of an Environmental Law has occurred or may occur with respect to the Property or Improvements, Beneficiary may require Grantor to obtain or may itself obtain, at Grantor's expense, an environmental assessment of such condition or threatened condition by a qualified environmental consultant. Grantor shall promptly provide to Beneficiary a complete copy of any environmental assessment obtained by Grantor.

(h) In the event that any investigation, site monitoring, containment, cleanup, removal, restoration or other remedial work of any kind or nature (the "Remedial Work") is required of Grantor under any applicable Environmental Law, any judicial order, or by any governmental agency or person because of, or in connection with, the current or future presence, suspected presence, release or suspected release of a Hazardous Substance on, under or about the Property or any portion thereof or the contamination (whether presently existing or occurring after the date hereof) of the soil, groundwater, surface water, air or other elements on or under any other property as a result of Hazardous Substances emanating from the Property, Grantor shall, within 30 days after written demand by Beneficiary for performance thereof by Beneficiary (or such shorter period of time as may be required under any applicable law, regulation, order or agreement), commence and thereafter diligently prosecute to completion, all such Remedial Work. All costs and expenses of such Remedial Work shall be paid by Grantor including, without limitation, Beneficiary's reasonable attorney fees and costs incurred in connection with

monitoring or review of the legal aspects of such Remedial Work. In the event Grantor shall fail to timely commence, or cause to be commenced, such Remedial Work, Beneficiary may, but shall not be required to, cause such Remedial Work to be performed. In that event, all costs and expenses thereof, or incurred in connection therewith, shall become part of the Obligations secured hereby and shall bear interest until paid at the rate provided in the Financing Agreement.

(i) Grantor shall hold Beneficiary, its directors, officers, employees, agents, successors and assigns, harmless from, indemnify them for, and defend them against any and all losses, damages, liens, costs, expenses, and liabilities directly or indirectly arising out of or attributable to any violation by Grantor of any Environmental Law, any breach of Grantor's warranties in this Section 1.5, or the use, generation, manufacture, production, storage, release, threatened release, discharge, disposal, or presence of any Hazardous Substance on, under or about the Property, including without limitation the costs of any required repair, cleanup, containment or detoxification of the Property, the preparation and implementation of any closure, remedial or other required plans, attorney fees and costs (including but not limited to those incurred in any proceeding and in any review or appeal), fees, penalties, and fines.

(j) All representations, warranties, and covenants in this Section 1.5 shall survive the satisfaction of the Obligations, the reconveyance of the Trust Property, or the foreclosure of this Trust Deed by any means.

1.6 Maintenance. Grantor shall maintain the Trust Property in good repair and condition. Grantor shall not commit, permit or suffer any waste, strip or deterioration of the Trust Property.

1.7 Liens. Grantor shall pay when due all claims for labor, materials or supplies that, if unpaid, might become a lien on the Trust Property or any portion thereof. Grantor shall not create, or suffer or permit to be created, any mortgage, trust deed, lien, security interest, charge or encumbrance upon the Trust Property prior to, on a parity with, or subordinate to the lien of this Trust Deed.

1.8 Inspection of the Property. Grantor shall permit Trustee, Beneficiary and their authorized representatives to enter and inspect the Trust Property, to examine the records and books of account of the Grantor with respect thereto and make copies or extracts thereof, all at such reasonable times as Beneficiary or Trustee may choose.

1.9 Limitations of Use. Grantor shall not initiate, join in, or consent to any rezoning of the Property or any change in any Covenant or other public or private restrictions limiting or defining the uses that may be made of the Property and the Improvements or any part thereof without the prior written consent of Beneficiary.

1.10 Insurance.

(a) Property and Other Insurance. In addition to any insurance requirements set forth in the Financing Agreement, for the Trust Property Grantor shall obtain and maintain in full force and effect during the term of this Trust Deed: (i) all risk property insurance together

with endorsements for replacement cost, inflation adjustment, and malicious mischief coverages, all in amounts not less than the value of the Timber plus the full replacement cost of all Improvements, without reduction for co-insurance; and (ii) comprehensive general liability insurance, including liabilities assumed under contract, with limits, coverages, and risks insured acceptable to Beneficiary, and in no event less than \$1,000,000 combined single limit coverage. In addition, Grantor shall obtain and maintain all such other insurance coverages which at the time are commonly carried for similar property, in such amounts as Beneficiary may require.

(b) Insurance Companies and Policies. All insurance shall be written by a company or companies reasonably acceptable to Beneficiary with a rating of A VIII or better as provided in Best's Rating Guide; shall contain a long form loss payee endorsement in favor of Beneficiary with loss proceeds under any policy payable to Beneficiary, subject to the terms of this Trust Deed; shall require 30 days' prior written notice to Beneficiary of cancellation or reduction in coverage; shall contain waivers of subrogation and endorsements that no act or negligence of Grantor or any occupant, and no occupancy or use of the Property for purposes more hazardous than permitted by the terms of the policy will affect the validity or enforceability of such insurance as against Beneficiary; shall be in full force and effect on the date of this Trust Deed; and shall be accompanied by proof of premiums paid for the current policy year. Beneficiary shall be named as additional insured on all liability policies. Grantor shall forward to Beneficiary upon request certificates evidencing the coverages required under this Trust Deed and copies of all policies.

(c) Blanket Policy. If a blanket policy is issued, a certified copy of such policy shall be furnished together with a certificate indicating that the Trust Property and Beneficiary are insured under such policy in the proper designated amount.

(d) Insurance Proceeds. All proceeds from any insurance on the Trust Property shall be used in accordance with the provisions of Section 1.12.

1.11 Assignments of Policies Upon Foreclosure. In the event of foreclosure of the lien of this Trust Deed or other transfer of title or assignment of the Trust Property in whole or in part, all right, title and interest of Grantor in and to all policies of insurance procured under Section 1.10 shall inure to the benefit of and pass to the successors in interest of Grantor or the purchaser or grantee of the Trust Property or any part thereof.

#### 1.12 Casualty/Loss Restoration.

(a) After the occurrence of any casualty to the Trust Property, whether or not required to be insured against as provided in this Trust Deed, Grantor shall give prompt written notice thereof to Beneficiary, specifically describing the nature and cause of such casualty and the extent of the damage or destruction to the Trust Property. Beneficiary may make proof of loss if it is not made promptly and to Beneficiary's satisfaction by Grantor.

(b) Subject to rights of any superior mortgagee or trust deed beneficiary as provided in Section 7.11 below, Grantor hereby assigns to Beneficiary all insurance proceeds which Grantor may be entitled to receive with respect to any casualty. Beneficiary may, at its

sole option, apply the insurance proceeds to the reduction of the Obligations in such order as Beneficiary may determine, whether or not such obligations are then due, or apply the insurance proceeds, or any portion thereof, to the cost of restoring the Trust Property that was damaged or destroyed. In the event that Beneficiary elects to apply the insurance proceeds to restoration, Beneficiary shall be entitled to hold the proceeds, and the proceeds shall be released only upon such terms and conditions as Beneficiary shall require in its sole discretion, including but not limited to prior approval of plans and release of liens. No proceeds shall be released if Grantor is in default under this Trust Deed.

### 1.13 Actions to Protect Trust Property; Reserves.

(a) If Grantor shall fail to obtain the insurance required by Section 1.10 or perform or observe any of its other covenants or agreements hereunder, Beneficiary may, without obligation to do so, obtain or pay the same or take other action which it deems appropriate to remedy such failure. All sums, including reasonable attorney fees, so expended or expended to maintain the lien or estate of this Trust Deed or its priority, or to protect or enforce any of Beneficiary's rights hereunder, or to recover any indebtedness secured hereby, shall be a lien on the Trust Property, shall be secured by this Trust Deed, and shall be paid by Grantor upon demand, together with interest thereon at the default rate provided in the Financing Agreement. No payment or other action by Beneficiary under this section shall impair any other right or remedy available to Beneficiary or constitute a waiver of any default.

(b) If Grantor fails to promptly perform any of its obligations under Section 1.10 of this Trust Deed, Beneficiary may require Grantor thereafter to pay and maintain with Beneficiary reserves for payment of such obligations. In that event, Grantor shall pay to Beneficiary each month a sum estimated by Beneficiary to be sufficient to produce, at least 20 days before due, an amount equal to the insurance premiums. If the sums so paid are insufficient to satisfy any insurance premium when due, Grantor shall pay any deficiency to Beneficiary upon demand. The reserves may be commingled with Beneficiary's other funds, and Beneficiary shall not be required to pay interest to Grantor on such reserves. Beneficiary shall not hold the reserve in trust for Grantor, and Beneficiary shall not be the agent of Grantor for payment of the taxes and assessments required to be paid by Grantor.

### WARNING

**UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE OF THE INSURANCE COVERAGE AS REQUIRED BY THIS 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 TRUST PROPERTY BECOMES DAMAGED, THE COVERAGE BENEFICIARY PURCHASES MAY NOT PAY ANY CLAIM GRANTOR MAKES OR ANY CLAIM MADE AGAINST GRANTOR. GRANTOR MAY LATER CANCEL THIS COVERAGE BY**



**PROVIDING EVIDENCE THAT GRANTOR HAS OBTAINED THE REQUIRED COVERAGE ELSEWHERE.**

**GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY BENEFICIARY. THE COST OF THIS INSURANCE MAY BE ADDED TO GRANTOR'S LIABILITIES UNDER THE FINANCING AGREEMENT. IF THE COST IS ADDED TO GRANTOR'S LIABILITIES, THE DEFAULT INTEREST RATE AS PROVIDED IN THE FINANCING AGREEMENT WILL APPLY TO THIS ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE GRANTOR'S PRIOR COVERAGE LAPSED OR THE DATE GRANTOR FAILED TO PROVIDE PROOF OF COVERAGE.**

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

1.14 Estoppel Certificates. Grantor, within five days of request therefor, shall furnish Trustee and Beneficiary a written statement, duly acknowledged, of the amount of the Obligations secured by this Trust Deed and whether any offsets or defenses exist against the Obligations secured hereby. If Grantor shall fail to furnish such a statement within the time allowed, Beneficiary shall be authorized, as Grantor's attorney-in-fact, to execute and deliver such statement.

## ARTICLE 2.

### Timberland Covenants

Grantor covenants and agrees as follows:

2.1 Definition. The term "Timber Lands" as used in this Article 2 refers to that part of the Trust Property that is Timber or is maintained and operated primarily for the production of Timber.

2.2 Management; General. The Timber Lands shall be operated for their highest and best use as timberlands, having due regard to soil conditions, stand arrangements, and other factors relevant to the conduct of sound silvicultural and harvesting practices.

2.3 Harvesting Operations. All cutting operations shall be conducted in accordance with reasonable industry standards.

2.4 Salvage. To the extent economically feasible, all trees which are dead, diseased, fallen, or otherwise damaged by casualty, shall be salvaged in accordance with sound silvicultural practices.

2.5 Fire Protection. All measures shall be taken which are reasonably necessary to protect the Timber Lands from loss by fire, which measures shall be at least equal to fire-control practices generally followed on timber producing property in the same general area, including the adoption of suitable prevention and control measures, the maintenance of adequate fire-fighting equipment, proper disposal of slash, and full cooperation with state and federal agencies on matters of fire prevention and control.

2.6 Protective Associations. Grantor shall maintain membership in forest protective associations where any of the Timber Lands fall within a forest protective district under the jurisdiction of any such association and shall pay as due any forest patrol assessments of the State Forester, or of any such forest protective association.

2.7 Maintenance of Roads. An adequate system of roads and roadways shall be maintained in such manner as to permit access of mobile fire-fighting equipment to all parts of the Timber Lands.

2.8 Control of Disease. There shall be maintained at all times in a manner satisfactory to Beneficiary and in accordance with sound silvicultural practices all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the Timber Lands.

2.9 Trespass. The Timber Lands shall be marked to indicate the boundaries thereof in a conspicuous manner satisfactory to Beneficiary, and such markings shall be renewed from time to time as may be necessary clearly to maintain public notice of boundaries. Grantor shall cause the Timber Lands to be inspected for the purpose of preventing trespass of any type or nature, including unauthorized cutting of Timber.

2.10 Contracts. Grantor shall not enter into any contract for the sale of Timber wherein the buyer is granted the privilege of entry upon the Property for cutting and removal without the prior written approval of Beneficiary.

2.11 Compliance. Grantor shall comply in all respects with all city, county, state, federal and other laws and regulations applicable to forestry practices, including, without limitation, rules relating to reforestation and fish and wildlife. Grantor shall pay all forest fees, yield taxes and other charges and assessments as and when due. Grantor shall also comply with all covenants, conditions and requirements of the Stumpage Agreement dated March 28, 2001 between Grantor and Crown Pacific Limited Partnership and the Timber Deed dated March 28, 2001 from Crown Pacific Limited Partnership to Grantor.

2.12 Cutting and Removal of Timber. Grantor shall not cut, remove, or permit the cutting or removal of timber from the Timber Lands for any purpose other than commercial use or resale without the prior written consent of Beneficiary.

### ARTICLE 3.

#### Condemnation

##### 3.1 Condemnation.

(a) Should the Trust Property or any part thereof or interest therein be taken or damaged by reason of any public improvement, eminent domain, condemnation proceeding or in any similar manner (a "Condemnation"), or should Grantor receive any notice or other information regarding such action, Grantor shall give immediate notice thereof to Beneficiary.

(b) Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor ("Condemnation Proceeds") up to the full amount of the Obligations, and shall be entitled, at its option, to commence, appear in and prosecute any Condemnation proceeding in its own or Grantor's name and make any compromise or settlement in connection with such Condemnation. In the event the Trust Property is taken in its entirety by condemnation, all Obligations secured by this Trust Deed, at Beneficiary's election, shall become immediately due and collectible.

(c) Beneficiary may, at its sole option, apply the Condemnation Proceeds to the reduction of the Obligations in such order as Beneficiary may determine, or apply the Condemnation Proceeds, or any portion thereof, to the cost of restoring and improving the remaining Trust Property. In the event that Beneficiary elects to apply the Condemnation Proceeds to restoration and improvement, such proceeds shall be held by Beneficiary and shall be released only upon such terms and conditions as Beneficiary shall require in its sole discretion, including but not limited to prior approval of plans and release of liens. No Condemnation Proceeds shall be released if Grantor is in default under this Trust Deed.

### ARTICLE 4.

#### Assignment of Rents

Grantor hereby assigns and transfers to Beneficiary all licenses, contracts and other agreements, whether now existing or hereafter arising, relating to the Trust Property and all revenues, issues, profits, income, proceeds and benefits derived from the Trust Property (collectively, the "Rents"). Beneficiary hereby grants to Grantor a revocable license to collect and receive the Rents. Such license may be revoked by Beneficiary, without notice to Grantor, upon the occurrence of any event of default under this Trust Deed. Unless and until such license is revoked, Grantor agrees to apply the proceeds of Rents to the payment of the Obligations and to the payment of taxes, assessments, governmental charges, insurance premiums and other

obligations in connection with the Trust Property, before using such proceeds for any other purpose.

## ARTICLE 5.

### Security Agreement and Fixture Filing

To secure the Obligations, Grantor hereby grants to Beneficiary a security interest in the following: (i) the Trust Property to the extent the same is not encumbered by this Trust Deed as a first priority real estate lien; (ii) all personal property that is used or will be used in the construction of any Improvements on the Trust Property; (iii) all personal property that is now or will hereafter be placed on or in the Trust Property or Improvements; (iv) all personal property that is derived from or used in connection with the use, occupancy, or enjoyment of the Trust Property; (v) all property defined in the Uniform Commercial Code as adopted in the state of Oregon as accounts, equipment, fixtures, and general intangibles, to the extent the same are used at, or arise in connection with the ownership, maintenance, or operation of, the Trust Property; (vi) all causes of action, claims, refunds of fees or deposits paid to any governmental authority, refunds of taxes, and refunds of insurance premiums relating to the Trust Property; and (vii) all present and future attachments, accessions, amendments, replacements, additions, products, and proceeds of every nature of the foregoing. This Trust Deed shall constitute a security agreement and "fixture filing" under the Uniform Commercial Code-Secured Transactions statutes of the state of Oregon. 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 Trust Deed. This Trust Deed shall be filed for record in the real estate records of Klamath County, Oregon. Crown Pacific Limited Partnership is record owner of the land described in Exhibit A.

## ARTICLE 6.

### Events of Default; Remedies

6.1 Events of Default. Each of the following shall constitute an event of default under this Trust Deed and under each of the other Loan Documents:

(a) Nonpayment. Failure of Grantor to pay any of the Obligations on or before the due date.

(b) Breach of Other Covenants. Failure of Grantor to perform or abide by any other covenant included in the Obligations, including without limitation those covenants in the Financing Agreement, in this Trust Deed or in any other Loan Document.

(c) Misinformation. Misrepresentation by Grantor or its agents to Beneficiary of any material fact, or failure to supply any fact necessary to make any representation made or information supplied by Grantor or its agents to Beneficiary not materially misleading.

(d) Other Default. The occurrence of any other event of default under the Financing Agreement or any of the other Obligations.

(e) Other Indebtedness; Secondary Financing. Grantor's default beyond applicable grace periods in the payment of any other indebtedness owed by Grantor to any person.

(f) Bankruptcy. The occurrence of any of the following with respect to Grantor, any guarantor of the Obligations, or the then owner of the Trust Property: (i) appointment of a receiver, liquidator, or trustee for any such party or any of its properties; (ii) adjudication as a bankrupt or insolvent; (iii) filing of any petition by or against any such party under any state or federal bankruptcy, reorganization, moratorium or insolvency law; (iv) institution of any proceeding for dissolution or liquidation; (v) inability to pay debts when due; (vi) any general assignment for the benefit of creditors; or (vii) abandonment of the Trust Property.

(g) Transfer; Due-on-Sale; Due-on-Encumbrance. Any sale, gift, conveyance, contract for conveyance, transfer, assignment, encumbrance, pledge or grant of a security interest in the Trust Property, or any part thereof or any interest therein, either voluntarily, involuntarily, or by the operation of law (a "Transfer"), without Beneficiary's prior written consent. The provisions of this paragraph (g) shall apply to each and every Transfer, regardless of whether or not Beneficiary has consented or waived its rights in connection with any previous Transfer. Beneficiary may attach such conditions to its consent under this paragraph (g) as Beneficiary may determine in its sole discretion, including without limitation an increase in the interest rate or the payment of transfer or assumption fees, and the payment of administrative and legal fees and costs incurred by Beneficiary.

(h) Certain Taxes. For purposes of this subsection (h), State Tax shall mean:

(i) A specific tax on mortgages, trust deeds, secured indebtedness or any part of the Obligations secured by this Trust Deed.

(ii) A specific tax on the grantor of property subject to a trust deed which the taxpayer is authorized or required to deduct from payments on the trust deed.

(iii) A tax on property chargeable against the Beneficiary or Trustee under a trust deed or holder of the note secured thereby.

(iv) A specific tax (other than an income tax or a gross receipts tax) on all or any portion of the Obligations or on payments of principal and interest made by Grantor.

If any State Tax is enacted after the date of this Trust Deed applicable to this Trust Deed, enactment of the State Tax shall constitute an event of default, unless the following conditions are met:

(i) Grantor may lawfully pay the tax or charge imposed by the State Tax without causing any resulting economic disadvantage or increase of tax to Beneficiary or Trustee, and

(ii) Grantor pays or agrees in writing to pay the tax or charge within 30 days after notice from Beneficiary or Trustee that the State Tax has been enacted.

6.2 Remedies in Case of Default. If an Event of Default shall occur, Beneficiary or Trustee, as the case may be, may exercise any one or more of the following rights and remedies, in addition to any other remedies which may be available by law, in equity, or otherwise:

(a) Acceleration. Beneficiary may declare all or any portion of the Obligations immediately due and payable.

(b) Receiver. Beneficiary may have a receiver appointed for the Trust Property. Beneficiary shall be entitled to the appointment of a receiver as a matter of right whether or not the apparent value of the Trust Property exceeds the amount of the indebtedness secured by this Trust Deed. Employment by Trustee or Beneficiary shall not disqualify a person from serving as receiver. Grantor consents to the appointment of a receiver at Beneficiary's option and waives any and all defenses thereto.

(c) Possession. Beneficiary may, either through a receiver or as lender-in-possession, enter and take possession of all or any part of the Trust Property and use, operate, manage and control it as Beneficiary shall deem appropriate in its sole discretion. Upon request after an Event of Default, Grantor shall peacefully relinquish possession and control of the Trust Property to Beneficiary or any receiver appointed under this Trust Deed.

(d) Rents. Beneficiary may revoke Grantor's right to collect the Rents, and may, either itself or through a receiver, collect the same. Beneficiary shall not be deemed to be in possession of the Property solely by reason of exercise of the rights contained in this subsection (d). If Rents are collected by Beneficiary under this subsection (d), Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact, with power of substitution, to endorse instruments received in payment thereof in the name of Grantor and to negotiate such instruments and collect the proceeds thereof. After payment of all Obligations, any remaining amounts shall be paid to Grantor and this power shall terminate.

(e) Power of Sale. Beneficiary may direct Trustee, and Trustee shall be empowered, to foreclose the Trust Property by advertisement and sale under applicable law.

(f) Foreclosure. Beneficiary may judicially foreclose this Trust Deed and obtain a judgment foreclosing Grantor's interest in all or any part of the Trust Property and giving Beneficiary the right to collect any deficiency remaining due after disposition of the Trust Property.

(g) Fixtures and Personal Property. With respect to any Improvements and other personal property subject to a security interest in favor of Beneficiary, Beneficiary may exercise any and all of the rights and remedies of a secured party under the Uniform Commercial Code.

(h) Abandonment. Beneficiary may abandon all or any portion of the Trust Property by written notice to Grantor.

6.3 Sale. In any sale under this Trust Deed or pursuant to any judgment, the Trust Property, to the extent permitted by law, may be sold as an entirety or in one or more parcels and in such order as Beneficiary may elect, without regard to the right of Grantor, any person claiming under Grantor, or any guarantor or surety to the marshalling of assets. The purchaser at any such sale shall take title to the Trust Property or the part thereof so sold, free and clear of the estate of Grantor, the purchaser being hereby discharged from all liability to see to the application of the purchase money. Any person, including Beneficiary, its officers, agents and employees, may purchase at any such sale. Beneficiary shall be permitted to bid and make payment at such sale by credit against the Obligations to the fullest extent permitted by law. Beneficiary and each of its officers is hereby irrevocably appointed Grantor's attorney-in-fact, with power of substitution, to make all appropriate transfers and deliveries of the Trust Property or any portions thereof so sold and, for that purpose, Beneficiary and its officers may execute all appropriate instruments of transfer. Nevertheless, Grantor shall ratify and confirm, or cause to be ratified and confirmed, any such sale or sales by executing and delivering, or by causing to be executed and delivered, to Beneficiary or to such purchaser or purchasers all such instruments as may be advisable, in the judgment of Beneficiary, for such purpose.

6.4 Cumulative Remedies. All remedies under this Trust Deed are cumulative and not exclusive. Any election to pursue one remedy shall not preclude the exercise of any other remedy. An election by Beneficiary to cure under Section 1.13 shall not constitute a waiver of the default or of any of the remedies provided herein. No delay or omission in exercising any right or remedy shall impair the full exercise of that or any other right or remedy or constitute a waiver of the default.

6.5 Receiver or Trustee-in-Possession. Upon taking possession of all or any part of the Trust Property, Trustee, Beneficiary or a receiver may:

(a) Management. Use, operate, manage, control and conduct business with the Trust Property, including harvesting and removal of the Timber, and make expenditures for such purposes and for such maintenance and improvements as are deemed reasonably necessary.

(b) Rents and Revenues. Collect all Rents from the Trust Property and apply such sums to the reasonable expenses of use, operation, management, maintenance and improvements.

(c) Construction. At its option, construct any roads or improvements it deems necessary on the Property, and in that connection pay bills, borrow funds, employ contractors and make any plans and specifications as it deems appropriate.

(d) Additional Indebtedness. If the revenues produced by the Trust Property are insufficient to pay expenses, Beneficiary, Trustee or the receiver may borrow or advance such sums upon such terms as it deems reasonably necessary for the purposes stated in this

section. All advances shall bear interest, unless otherwise provided, at the default rate set forth in the Financing Agreement, and repayment of such sums shall be secured by this Trust Deed.

6.6 Application of Proceeds. All proceeds realized from the exercise of the rights and remedies under this Section 6 shall be applied as follows:

(a) Costs and Expenses. To pay all costs of exercising such rights and remedies, including the costs of maintaining and preserving the Trust Property, the costs and expenses of any receiver or lender-in-possession, the costs of any sale, and the costs and expenses provided for in Section 7.7 below.

(b) Indebtedness. To pay all Obligations, in such order as Beneficiary shall determine in its sole discretion.

(c) Surplus. The surplus, if any, remaining after satisfaction of all the Obligations shall be paid to the clerk of the court in the case of a judicial foreclosure proceeding, otherwise to the person or persons legally entitled thereto.

6.7 Deficiency. No sale or other disposition of all or any part of the Trust Property pursuant to this Section 6 shall be deemed to relieve Grantor of any of the Obligations, except to the extent the proceeds thereof are applied to the payment of such Obligations. If the proceeds of sale, collection or other realization of or upon the Trust Property are insufficient to cover the costs and expenses of such realization and the payment in full of the Obligations, Grantor shall remain liable for any deficiency to the fullest extent permitted by law.

6.8 Waiver of Stay, Extension, Moratorium and Valuation Laws. To the fullest extent permitted by law, Grantor hereby waives the benefit of any existing or future stay, extension, or moratorium law which may affect observance or performance of the provisions of this Trust Deed and any existing or future law providing for the valuation or appraisal of the Trust Property prior to any sale.

## ARTICLE 7.

### General Provisions

7.1 Time is of the Essence. Time is of the essence with respect to all covenants and obligations of Grantor under this Trust Deed.

7.2 Reconveyance by Trustee. At any time upon the request of Beneficiary, payment of Trustee's fees, if any, and presentation of this Trust Deed, without affecting liability of any persons for the payment of the Obligations, Trustee may reconvey, without warranty, all or any part of the Trust Property. The grantee in any reconveyance may be described as the "person or persons legally entitled thereto," and the recitals therein of any facts shall be conclusive proof of the truthfulness thereof.



7.3 Notice. Except as otherwise provided in this Trust Deed, all notices pertaining hereto shall be in writing and may be delivered by hand, or mailed by first class, registered or certified mail, return receipt requested, postage prepaid, and addressed to the appropriate party at its address set forth at the outset of this Trust Deed. Any party may change its address for such notices from time to time by notice to the other parties. Notices given by mail in accordance with this paragraph shall be deemed to have been given upon the date of mailing; notices given by hand shall be deemed to have been given when actually received.

7.4 Substitute Trustee. In the event of dissolution or resignation of Trustee, Beneficiary may substitute one or more trustees to execute the trust hereby created, and the new trustee(s) shall succeed to all the powers and duties of the prior trustee(s).

7.5 Trust Deed Binding on Successors and Assigns. This Trust Deed shall be binding upon and inure to the benefit of the successors and assigns of Grantor, Trustee and Beneficiary. If the Trust Property or any portion thereof shall at any time be vested in any person other than Grantor, Beneficiary shall have the right to deal with such successor regarding this Trust Deed, the Trust Property and the Obligations secured hereby in such manner as Beneficiary deems appropriate in its sole discretion, without notice to or approval by Grantor and without impairing Grantor's liability for the Obligations.

7.6 Indemnity. Grantor shall hold Beneficiary and Trustee and their respective directors, officers, employees, agents and attorneys, harmless from and indemnify them for any and all claims, demands, damages, liabilities and expenses, including but not limited to attorney fees and court costs, arising out of or in connection with Trustee's or Beneficiary's interest under this Trust Deed, except Grantor shall not be liable for willful misconduct of Beneficiary, its agents or employees.

7.7 Expenses and Attorney Fees. If Beneficiary refers any of the Obligations to an attorney for collection or seeks legal advice following a default; if Beneficiary is the prevailing party in any litigation instituted in connection with any of the Obligations; or if Beneficiary or any other person initiates any judicial or nonjudicial action, suit or proceeding in connection with any of the Obligations or the Trust Property (including but not limited to proceedings under federal bankruptcy law, eminent domain, under probate proceedings or in connection with any state or federal tax lien), and an attorney is employed by Beneficiary to (a) appear in any such action, suit or proceeding, or (b) reclaim, seek relief from a judicial or statutory stay, sequester, protect, preserve or enforce Beneficiary's interests, then in any such event Grantor shall pay reasonable attorney fees, costs and expenses incurred by Beneficiary and/or its attorney in connection with the above mentioned events or any appeals related to such events, including but not limited to costs incurred in searching records, the cost of title reports and the cost of surveyors' reports. Such amounts shall be secured by this Trust Deed and, if not paid upon demand, shall bear interest at the default rate specified in the Financing Agreement.

7.8 Applicable Law. This Trust Deed and the validity, interpretation, performance and enforcement hereof, shall be governed by the internal laws of the state of Oregon, without reference to conflict of law principles.

7.9 Captions. The captions to the sections and paragraphs of this Trust Deed are included only for the convenience of the parties and shall not have the effect of defining, diminishing or enlarging the rights of the parties or affecting the construction or interpretation of any portion of this Trust Deed.

7.10 "Person" Defined. As used in this Trust Deed, the word "person" shall mean any natural person, partnership, limited liability company, trust, corporation or other legal entity of any nature.

7.11 Severability. If any provision of this Trust Deed shall be held to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect any other provisions of this Trust Deed, and such other provisions shall be construed as if the invalid, illegal or unenforceable provision had never been contained herein.

7.12 Entire Agreement. This Trust Deed contains the entire agreement of the parties with respect to the Trust Property. No prior agreement, statement or promise made by any party to this Trust Deed which is not contained herein shall be binding or valid.

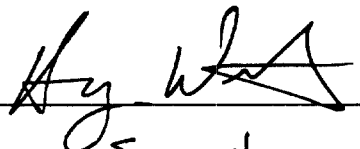
7.13 Beneficiary's Remedies Against Multiple Parcels. If more than one property, lot or parcel is covered by this Trust Deed, and if this Trust Deed is foreclosed upon, or judgment is entered upon any Obligations secured hereby, or if Trustee exercises its power of sale, execution may be made upon or Trustee may exercise its power of sale against any one or more of the properties, lots or parcels and not upon the others, or upon all of such properties or parcels, either together or separately, and at different times or at the same time, and execution sales or sales by advertisement may likewise be conducted separately or concurrently, in each case at Beneficiary's election.

7.14 Liability. Nothing contained in this Trust Deed shall be construed as imposing on Beneficiary or Trustee any of Grantor's obligations regarding the Trust Property and no liability shall be asserted or enforced against Trustee of Beneficiary with regard to the Trust Property.

7.15 Commercial Property. Grantor covenants and warrants that the Property and Improvements are used by Grantor exclusively for business and commercial purposes.

GRANTOR:

DOUGLAS COUNTY, INC.

By:   
 Title: Secretary

STATE OF OREGON           )  
  ) ss.  
County of Douglas       )

On this 15<sup>th</sup> day of May, 2001, before me personally appeared  
④ Henry Westbrook Jr., who being duly sworn, stated that he is the Secretary of  
Douglas County, Inc., an Oregon corporation, and acknowledged the foregoing instrument to be  
the voluntary act and deed of the corporation, executed by authority of its board of directors.



Raina Fullerton  
Notary Public for Oregon  
My commission expires: 1/18/2005

**EXHIBIT A**Property Description

All of the following property located in Klamath County, Oregon:

PARCEL 1:

Township 30 South, Range 7 East, Willamette Meridian, Klamath County, Oregon;  
That portion of Sections 13, 24 and 25 lying Easterly of Highway 97.

PARCEL 2:

Township 31 South, Range 7 East, Willamette Meridian, Klamath County, Oregon;  
Section 36.

PARCEL 3:

Township 32 South, Range 7 East, Willamette Meridian, Klamath County, Oregon;  
The N1/2 and the SW1/4 of Section 1; the W1/2 SW1/4 of Section 25, and all of  
Section 36

PARCEL 4:

Township 33 South, Range 7 East, Willamette Meridian, Klamath County, Oregon;  
  
The W1/2 NW1/4 and the SW1/4 of Section 1; E1/2 NE1/4 and the SE1/4 of Section 11;  
the W1/2 of Section 12; and the E1/2 of Section 14.

PARCEL 5:

Township 30 South, Range 8 East, Willamette Meridian, Klamath County, Oregon;  
The S1/2 of Section 7 and all of Sections 18, 19, and 20.

EXCEPTING THEREFROM Parcels 1 through 5 that portion thereof, if any, lying within the  
boundaries of U.S. Highway 97.

394208 V3

State of Oregon, County of Klamath  
Recorded 06/08/01, at 11:31 a.m.  
In Vol. M01 Page 26978  
*Linda Smith,*  
County Clerk Fee \$ 131<sup>00</sup>