

'01 JUL 3 PM 2:21 AFTER RECORDING, RETURN TO:

Vol MQ1 Page 32377

Modoc Lumber Co.  
Post Office Box 257  
Klamath Falls OR 97601

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## TRUST DEED

THIS TRUST DEED (this "Trust Deed") is made as of the 1<sup>st</sup> day of July, 2001 by PINE CONE, LLC., an Oregon Limited Liability Company, 404 S. 4<sup>th</sup> Street, Klamath Falls, Oregon 97601 ("Grantor"), to WILLIAM M. GANONG, Attorney at Law, 514 Walnut Avenue, Klamath Falls, Oregon 97601 ("Trustee"), for the benefit of MODOC LUMBER CO., an Oregon Corporation, Post Office Box 257, Klamath Falls, Oregon 97601 ("Beneficiary").

For good and valuable consideration, receipt of which is hereby acknowledged, for the purpose of securing payment and performance of the obligations described below, Grantor irrevocably grants, bargains, sells, and conveys unto Trustee, in Trust, for the benefit and security of the beneficiary, with power of sale, all of Grantor's interest in and to the real property located in Klamath County, Oregon described as follows, to-wit:

Lots 6, 7, and 8 of Block 85 of Klamath Addition to the City of Klamath Falls, and Lots 1, 2, 3, 8, 9, and 10 of Block 91, Klamath Addition to the City of Klamath Falls, together with that portion of vacated Oak Street and that portion of the vacated alley that inures thereto, ("the Property").

TOGETHER WITH all interests, estates, and rights that Grantor now has or may acquire in (1) the Property; (2) any and all options, agreements, and contracts for the purchase or sale of all or any part or parts of the Property or interests in the Property; (3) all easements, rights-of-way, and rights used in connection with the Property or as a means of access to the Property; and (4) all tenements, hereditaments, and appurtenances in any manner belonging, relating, or appertaining to the Property; and

TOGETHER WITH all interests, estates, and rights of Grantor, now owned or hereafter acquired, in and to any land lying within any streets, sidewalks, alleys, strips, and gores adjacent to or used in connection therewith; and

TOGETHER WITH all rights, titles, and interests of Grantor, now owned or hereafter acquired, in and to any and all buildings and other 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 buildings and other improvements, and all appurtenances and additions to and substitutions and replacements

of the Property (all of the foregoing being collectively referred to below as the "Improvements"); and

TOGETHER WITH any and all mineral, oil and gas rights, air rights, development rights, water rights, water stock, and water service contracts, drainage rights, zoning rights, and other similar rights or interests that benefit or are appurtenant to the Property or the Improvements or both, and any of their proceeds; and

TOGETHER WITH all present and future rights in and to the trade name by which all or any portion of the Property and the Improvements are known; all books and records relating to the use and operation of all or any portion of the Property and Improvements; all right, title, and interest of Grantor in, to, and under all present and future plans, specifications, and contracts relating to the design, construction, management, or inspection of any Improvements; all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, 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 to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law; and all other general intangibles relating to the Property, the Improvements, or their use and operation; and

TOGETHER WITH all rights of Grantor in and to any escrow or withhold agreements, title insurance, surety bonds, warranties, management contracts, leasing and sales agreements, and service contracts that are in any way relevant to the ownership, development, improvement, management, sale, or use of all or any portion of the Property or any of the Improvements; and

TOGETHER WITH Grantor's rights under any payment, performance, or other bond in connection with construction of any Improvements, and all construction materials, supplies, and equipment delivered to the Property or intended to be used in connection with the construction of any Improvements; and

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

All of the above is sometimes referred to below as the "Trust Property."

TO HAVE AND TO HOLD the Trust Property to Trustee and its successors and assigns

for the benefit of Beneficiary and its successors and assigns, forever.

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

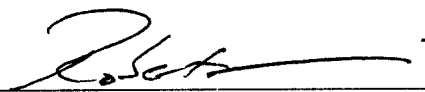
**Obligations Secured.** This Trust Deed secures the following, collectively referred to as the "Obligations":

(1) The payment of all indebtedness including, but not limited to, principal and interest, and the performance of all covenants and obligations of Grantor, under that certain Secured Promissory Note in the face amount of \$450,000 dated July 1, 2001, and made by Grantor in favor of Beneficiary, whether such payment and performance is now due or becomes due in the future; and

(2) The payment and performance of all covenants and obligations in this Trust Deed.

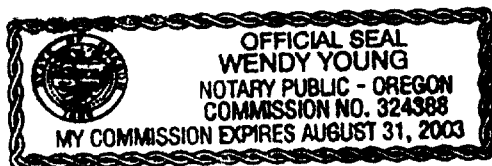
**Incorporation of Master Form Terms.** All of the provisions of the MASTER FORM recorded July 28, 2000 in Volume M00 at Page 27587 of the records of the Clerk of Klamath County, Oregon, are incorporated herein by this reference.

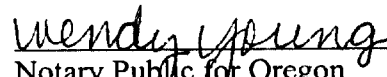
PINE CONE, LLC.,  
An Oregon Limited Liability Company

By:   
Its Operating Manager

STATE OF OREGON, County of Klamath) ss.

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of June 2001, by Robert J. Shaw, Operating Manager of Pine Cone, LLC., on behalf of said company.



  
Notary Public for Oregon  
My Commission Expires: 8-31-2003

TRUST DEED

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State of Oregon, County of Klamath  
Recorded 07/03/01 at 2:21 p. m.  
In Vol. M01 Page 32377  
Linda Smith.  
County Clerk Fee \$ 31<sup>00</sup>