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Return address:

Gayla Wicks Germain
Sidley Austin Brown & Wood
Bank One Plaza
10 South Dearborn Street
Chicago, Illinois 60603

THIS SPACE RESERVED FOR RECORDING DATA

mtc 53208

Document: Line of Credit Instrument
Line of Credit Deed of Trust, Security Agreement, Financing Statement, Fixture Filing and Assignment of Rents and Leases

Grantor: U.S. Timberlands Yakima, LLC, a Delaware Limited Liability Company, with an address of 700 East Mountain View, Suite 507, Ellensburg, Washington 98926

Beneficiary: BNY Midwest Trust Company, an Illinois corporation acting as trustee for (i) MBIA Insurance Corporation, a New York Stock Insurance Company, with an address of 113 King Street, Armonk, New York 10504 and (ii) all persons registered as holders of the Notes secured hereby.

Trustee: Chicago Title Insurance Company, with an address of 701 Fifth Avenue, Suite 1800, Seattle, Washington for 98104

The maturity date of the initial series of the Notes secured by this Deed of Trust, exclusive of any option to renew or extend such maturity date, is September 17, 2015.

The maximum principal amount to be advanced pursuant to the Indenture and Notes secured by this Deed of Trust is \$95,000,000.00 which amount may be exceeded by advances, pursuant to ORS 86.155(2)(c).

THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH ORS 79.4020(6).

Tax account number(s) of Property: See Exhibit A

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46921

**LINE OF CREDIT DEED OF TRUST,
SECURITY AGREEMENT, FINANCING STATEMENT, FIXTURE FILING
AND ASSIGNMENT OF RENTS AND LEASES**

THIS DEED OF TRUST, SECURITY AGREEMENT, FINANCING STATEMENT, FIXTURE FILING AND ASSIGNMENT OF RENTS AND LEASES ("Deed of Trust") is granted as of the 14th day of September, 2001 from U. S. TIMBERLANDS YAKIMA, LLC, a Delaware limited liability company, having its principal place of business at 700 East Mountain View, Suite 507, Ellensburg, Washington 98926 ("Grantor") to Chicago Title Insurance Company, whose address is 10001 S.E. Sunnyside Road, Clackamas, Oregon 97015, as Trustee ("Trustee"), in trust for the benefit of BNY Midwest Trust Company, an Illinois corporation, having an address at 2 North LaSalle Street, Suite 1020, Chicago, Illinois 60602 ("Beneficiary") acting as trustee (i) for any and all persons registered as holder of one or more of the Notes defined below ("Noteholders") and (ii) for MBIA Insurance Corporation, a New York stock insurance company, having an address at 113 King Street, Armonk, New York 10504 ("Insurer"). The Noteholders, Insurer and Beneficiary are sometimes collectively referred to as the "Secured Parties" or sometimes referred to singularly as a "Secured Party."

WITNESSETH:

WHEREAS, Grantor will issue certain notes in one or more series, the initial series having an aggregate face value not to exceed NINETY FIVE MILLION AND NO/100THS DOLLARS (\$95,000,000.00) and maturing in no event later than September 14, 2015 (the notes of the initial series and all subsequent series hereinafter referred to as the "Notes"), pursuant to that certain U. S. Timberlands Yakima Indenture, dated of even date herewith by and among Grantor, Insurer and Beneficiary, and the applicable Supplement dated of even date herewith or such other later date (the "Indenture").

WHEREAS, Insurer will guarantee payment of the outstanding principal and interest amounts related to the Notes pursuant to that certain Trust Insurance Policy issued by Insurer and dated of even date herewith (the "Trust Insurance Policy").

WHEREAS, pursuant to the Indenture and that certain Insurance and Reimbursement Agreement, dated of even date herewith by and between Grantor, Insurer and Beneficiary (the "Insurance Agreement"), Grantor has agreed to repay and reimburse Insurer for all such payments (the "Payments") made by Insurer under the Trust Insurance Policy.

WHEREAS, in order to secure the payment and performance by Grantor of the Secured Obligations (defined below), Grantor hereby desires to grant and Trustee, on behalf of the Secured Parties, desires to accept a lien upon, security interest in, and an assignment of certain Mortgaged Property owned by Grantor.

WHEREAS, this Deed of Trust, the Notes, the Indenture, the Trust Insurance Policy and the Insurance Agreement shall sometimes be referred to collectively as the "Transaction Documents".

ARTICLE I

GRANT IN TRUST AND SECURITY INTEREST

GRANT. For the purposes of and upon the terms and conditions of this Deed of Trust, Grantor hereby irrevocably GRANTS, TRANSFERS, CONVEYS and ASSIGNS to Trustee, IN TRUST, for the benefit of the Secured Parties, WITH POWER OF SALE and right of entry and possession, all estate, right, title and interest which Grantor now has or may hereafter acquire in, to, under or derive from any or all of the following:

- 1.1. **TIMBER PROPERTY.** All right, title and interest of Grantor, now owned or hereafter acquired, with respect to that real property located in the Counties of Klamath and Lake, in the State of Oregon, and more particularly described on Exhibit A attached hereto and made a part hereof, subject only to the Permitted Encumbrances (as defined in Exhibit B attached hereto and made a part hereof), and including all appurtenances described in 1.1.1 – 1.1.3 below (the “Timber Property”);
 - 1.1.1. Together with (i) all right, title and interest of the Grantor, now owned or hereafter acquired, in and to all buildings, structures and other improvements now standing, or at any time hereafter constructed or placed, upon such land, including, without limitation, all right in and to all equipment and fixtures of every kind and nature on such land or in any such buildings, structures or other improvements and all materials intended for construction, reconstruction, alteration and repairs of the buildings and improvements now or hereafter erected on the Timber Property, all of which materials shall be deemed to be included within the premises immediately upon the delivery thereof to the Timber Property (such buildings, structures, other improvements, equipment and fixtures being herein collectively called the “Improvements”), (ii) all right, title and interest of Grantor, now owned or hereafter acquired, in and to all and singular the estates, tenements, hereditaments, easements, licenses, rights of way, rights, privileges and appurtenances in and to any portion of the Timber Property belonging or in any way appertaining thereto, including, without limitation, all right, title and interest of the Grantor in, to and under any streets, ways, alleys, vaults, gores or strips of land adjoining such land, (iii) all right, title and interest of Grantor, now owned or hereafter acquired, in and to all development rights or credits, air rights, water, water rights, and water stock related to the Timber Property, and all timber, logs, minerals, oil and gas, and other hydrocarbon substances in, on or under the Timber Property, and all appurtenances, easements, rights and rights of way appurtenant thereto, and (iv) all claims or demands of the Grantor, in law or in equity, in possession or expectancy of, in and to such land together with all franchises, royalties, rents, income, revenues, issues and profits from and in respect of the Timber Property and the present and continuing right to make claim for, collect, receive and receipt for the same as hereinafter provided;
 - 1.1.2. Together with, all right, title and interest of Grantor, now owned or hereafter acquired, in and to (i) all extensions, improvements, betterments, renewals, substitutes and replacements of and on the Timber Property and (ii) all additions

and appurtenances thereto not presently leased to or owned by Grantor and hereafter leased to, acquired by or released to the Grantor or, constructed, assembled or placed upon the Timber Property immediately upon such leasing, acquisition, release, construction, assembling or placement, and without any further grant or other act by Grantor;

- 1.1.3. Together with all the estate, right, title and interest of Grantor, now owned or hereafter acquired, in and to all contract rights, actions and rights in action, relating to the Timber Property, including, without limitation, all rights to insurance proceeds and unearned premiums arising from or relating to damage to such property and all judgments, awards of damages, settlements and other compensation heretofore or hereafter made resulting from condemnation proceedings or the taking of the Timber Property 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 the Timber Property or any part thereof or the improvements thereon or any part thereof, or to any rights appurtenant thereto, including severance, punitive and consequential damage;
- 1.2. **Timber.** All right, title and interest of Grantor, now owned or hereafter acquired (subject to Permitted Encumbrances), with respect to the trees and timber, including without limitation standing timber (including timber to be cut), now located on or hereafter planted or growing in the soil of, or otherwise attributable to, any Timber Property, or any part or parcel thereof, and all additions, substitutions and replacements thereof, all standing trees (both merchantable and pre-merchantable) and all downed trees, in either case now or hereafter growing, grown or located on the Timber Property, including all trees and timber which have been severed, cut or harvested from the Timber Property, or any parcel thereof, and with respect to which title or cutting rights has not yet passed to a third party purchaser (which third party Purchaser may be an Affiliate of Grantor), and any rights, whether now existing or hereafter created, with respect to the harvesting, cutting or severance of any timber on the Timber Property, 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, whether payable or accruing, issuing therefrom, including all proceeds from and reversionary interests pursuant to timber contracts or deeds where title to the Timber has passed to a third party purchaser (the "Timber");
- 1.3. **Timber Harvesting Plans.** All right, title and interest of Grantor, now existing or hereafter created, in respect of any documents of any kind filed with any governmental authority with respect to the harvesting, cutting or severance of Timber, including without limitation all Timber Harvesting Plans and Habitat Conservation Plans, as such terms are defined in the Indenture (the "Timber Harvesting Plans");

- 1.4. **Records.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all documents, books, credit files, records, and other information (including, without limitation, computer programs, tapes, discs, punch cards, data processing software and related security and rights) with respect to any of the property secured by this Deed of Trust and in respect of the GIS (as defined in the Indenture), including any Data Processing Equipment and/or Data Processing Information which is a part of such system, and any plans, maps, surveys, engineering reports and information to be used in connection with the Timber Property (the "Records");
- 1.5. **Trust Accounts.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all Trust Accounts and all other bank and similar accounts established, in whole or in part, for the benefit of any of the Grantor, the Beneficiary, the Noteholders and/or the Insurer pursuant to the terms of the Indenture or this Deed of Trust, all funds held therein, all investments from time to time on deposit, or made with proceeds from, in any such accounts, and all income from such funds or investments (the "Trust Accounts");
- 1.6. **Lockboxes.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all lock boxes, lock-box accounts, deposit accounts and all other bank and similar accounts into which Collections are or are to be deposited, and all funds held therein (the "Lockboxes");
- 1.7. **Certificates and Instruments.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all certificates and instruments, if any, from time to time representing or evidencing any of the foregoing property described in Sections 1.1 through 1.6 above (the "Certificates");
- 1.8. **Servicing Agreement.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all rights of the Grantor under the Servicing Agreement (as defined in the Indenture) or any other management or servicing agreements affecting the Timber Property (the "Servicing Agreements");
- 1.9. **Equity Interest.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of all stock, and all interests in any limited partnership, limited liability company or other entity, including without limitation, the Klamath Holdings Interests (the "Equity Interest");
- 1.10. **Intangible Assets.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of any accounts, inventory, general intangibles, letters of credit, letter of credit rights, supporting obligations, payment intangibles, interest rate commodity or currency exchange agreements, all rights to payment under any interest rate cap, chattel paper, contract rights, investment property, financial assets, instruments and documents, to the extent not described in any of Sections 1.1 through 1.9 above (the "Intangible Assets");
- 1.11. **Proceeds.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of any and all proceeds of the foregoing property described in Sections 1.1

through 1.10 above, and all interest, dividends, cash, instruments, financial assets, investment property and other property from time to time received, receivable or otherwise distributed in respect of, or in exchange for or on account of the sale or other disposition of any or all of the then existing Mortgaged Property, and including all payments under any mortgagee title insurance policies relating to the foregoing property (whether or not the Beneficiary is the loss payee thereof) or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the Mortgaged Property (the "Proceeds"); and

- 1.12. **Other.** All right, title and interest of Grantor, now owned or hereafter acquired, in respect of any and all other monies or property of the Grantor coming into the actual possession, custody or control of the Beneficiary (whether for safekeeping, deposit, custody, pledge, transmission, collection or otherwise).

It is agreed, intended and declared by the parties hereto that all of the property described above in this Article I, whether now owned or hereafter acquired by the Grantor, whether or not affixed, attached or annexed to the Timber Property, shall, so far as permitted by law, be deemed to form a part and parcel of the Timber Property and for the purpose of this Deed of Trust to be real estate and covered by this Deed of Trust (the "Mortgaged Property"); 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 (as amended or recodified from time to time, the "UCC") for the purpose of creating hereby a security interest in said property (including, without limitation, all timber located thereon or severed therefrom and including the items described in Article III below, the "Collateral"). As to the Collateral which is or which hereafter becomes a "fixture" under applicable law, this Deed of Trust constitutes a fixture filing under the UCC. Any listing of specific rights or property herein shall not be interpreted as a limitation of general terms.

ARTICLE II

OBLIGATIONS SECURED

- 2.1. **OBLIGATIONS SECURED.** Grantor makes the foregoing grant and assignment for the purpose of securing the following obligations (individually, a "Secured Obligation"; collectively, the "Secured Obligations"):
- 2.1.1. Full and punctual payment when due of the aggregate unpaid principal of and premium, if any, on, and accrued but unpaid interest on, the Notes, regardless of whether such obligations and liabilities are absolute or contingent, liquidated or unliquidated and whether or not for the payment of money or the performance or nonperformance of any act ("Note Obligations");
 - 2.1.2. Full and punctual payment when due of the sum of the aggregate unpaid balance of, and accrued but unpaid interest on, (a) all reimbursement or repayment obligations (and all interest accrued thereon) then owing to the Insurer under each Insurance Agreement in respect of (i) any payments made by the Insurer under the Trust Insurance Policy or any Interest Rate Insurance Policy in accordance with

the terms thereof, or (ii) any payment or advance made by the Insurer in lieu of a payment under the Trust Insurance Policy or under any Interest Rate Insurance Policy in accordance with the applicable terms of the applicable Insurance Agreement, (b) the maximum amount then available for drawing under the Trust Insurance Policy, (c) the aggregate maximum amounts then available for drawing under each Interest Rate Insurance Policy, (d) all premiums accrued under each Insurance Agreement and any related premium or fee letters to which the Insurer and the Grantor are parties, and (e) all other accrued fees, costs, expenses and indemnities owing by the Grantor to the Insurer pursuant to the terms of each Insurance Agreement and any other document, instrument or agreement relating thereto, in each case regardless of whether such obligations and liabilities are absolute or contingent, liquidated or unliquidated and whether or not for the payment of money or the performance or nonperformance of any act ("Insurance Obligations");

- 2.1.3. Full and punctual payment when due of the fees, costs, expenses and indemnification obligations of the Grantor to the Beneficiary provided for under Section 5.02 of the Indenture, regardless of whether such fees, costs, expenses, or indemnification obligations are absolute or contingent, liquidated or unliquidated and whether or not for the payment of money or the performance or nonperformance of any act ("Beneficiary Obligations");
- 2.1.4. Full and punctual payment when due of all obligations for fees, expenses, indemnities, and other amounts owed to the Noteholders pursuant to any Supplement and other Transaction Documents entered into with respect to the Notes;
- 2.1.5. Payment and performance of all covenants and obligations of Grantor under this Deed of Trust including, without limitation, indemnification obligations and advances made to protect the Mortgaged Property;
- 2.1.6. Payment and performance of all additional covenants and obligations of Grantor under the Transaction Documents;
- 2.1.7. Payment and performance of all future advances and other obligations that the then record owner of all or part of the Mortgaged Property may agree to pay and/or perform (whether as principal, surety or guarantor) for the benefit of the Secured Parties, when the obligation is evidenced by a writing which recites that it is secured by this Deed of Trust;
- 2.1.8. Payment of all interest and charges on all obligations secured hereby including, without limitation, prepayment charges, late charges and loan fees; and
- 2.1.9. Payment and performance of all modifications, extensions and renewals of any of the obligations secured hereby, however evidenced, including, without limitation: (i) modifications of the required principal payment dates or interest payment dates or both, as the case may be, deferring or accelerating payment dates wholly or

partly; and (ii) modifications, extensions or renewals at a different rate of interest whether or not any such modification, extension or renewal is evidenced by a new or additional promissory note or notes.

- 2.2. **OBLIGATIONS.** The term “obligations” is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges, late charges and loan fees at any time accruing or assessed on any of the Secured Obligations.
- 2.3. **INCORPORATION.** All terms and conditions of the documents which evidence any of the Secured Obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Mortgaged Property shall be deemed to have notice of the terms of the Secured Obligations and to have notice that the rate of interest on one or more Secured Obligation may vary from time to time.

ARTICLE III

SECURITY AGREEMENT AND FIXTURE FILING

- 3.1. **SECURITY INTEREST.** Grantor grants and assigns to Beneficiary, in trust, for the benefit of the Secured Parties a security interest to secure payment and performance of all of the Secured Obligations, in all of the following described personal property in which Grantor now or at any time hereafter has any interest (“Collateral”):

All goods, building and other materials, supplies, work in process, equipment, machinery, fixtures, furniture, furnishings, signs and other personal property, wherever situated, which are or are to be incorporated into, used in connection with or appropriated for use on the Timber Property; all Timber to be cut; rents, issues, deposits and profits of the Timber Property (to the extent, if any, they are not subject to the Absolute Assignment of Rents and Leases); all inventory, accounts, cash receipts, deposit accounts, impounds, accounts receivable, contract rights, general intangibles, chattel paper, instruments, documents, notes, drafts, letters of credit, insurance policies, insurance and condemnation awards and proceeds, any other rights to the payment of money, trade names, trademarks and service marks arising from or related to the Timber Property or any business now or hereafter conducted thereon by Grantor; all permits, consents, approvals, licenses, authorizations and other rights granted by, given by or obtained from, any governmental entity with respect to the Timber Property; all deposits or other security now or hereafter made with or given to utility companies by Grantor with respect to the Timber Property; all advance payments of insurance premiums made by Grantor with respect to the Timber Property; all plans, drawings and specifications relating to the Timber Property; all note proceeds held by the Beneficiary, whether or not disbursed; all funds deposited with the Beneficiary pursuant to any of the Transaction Documents, all reserves, deferred payments, deposits, accounts, refunds, cost savings and payments of any kind related to the Timber Property or any portion thereof; together with all replacements and proceeds of, and additions and accessions to, any of the foregoing, all books,

records and files relating to any of the foregoing; and any item described in Article I above which is, has, or may be deemed not to constitute a part of the Mortgaged Property.

As to all of the above described personal property which is or which hereafter becomes a "fixture" under applicable law, this Deed of Trust constitutes a fixture filing under the UCC.

- 3.2. **RIGHTS OF BENEFICIARY.** In addition to Beneficiary's rights as a "secured party" under the UCC, Beneficiary may, but shall not be obligated to, at any time without notice and at the expense of Grantor: (a) give notice to any person of Beneficiary's rights hereunder and enforce such rights at law or in equity; (b) insure, protect, defend and preserve the Collateral or any rights or interests of Beneficiary therein; and (c) inspect the Collateral. Notwithstanding the above, in no event shall Beneficiary be deemed to have accepted any Collateral other than cash in satisfaction of any obligation of Grantor to Beneficiary unless Beneficiary shall make an express written election of said remedy under the UCC or other applicable law.
- 3.3. **POWER OF ATTORNEY.** Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact (such agency being coupled with an interest), and as such attorney-in-fact, Beneficiary may, without the obligation to do so, in Beneficiary's name or in the name of Grantor, prepare, execute, file and record financing statements, continuation statements, applications for registration and like papers necessary to create, perfect or preserve any of Beneficiary's security interests and rights in or to any of the Collateral, and upon a Default hereunder, take any other action required of Grantor (including without limitation, exercising Grantor's rights to obtain any government approval necessary to harvest timber); provided, however, that Beneficiary as such attorney-in-fact shall be accountable only for such funds as are actually received by Beneficiary.

ARTICLE IV

ABSOLUTE ASSIGNMENT OF RENTS AND LEASES

- 4.1. **ASSIGNMENT.** Grantor irrevocably assigns to Beneficiary for the benefit of the Secured Parties all of Grantor's right, title and interest in, to and under: (a) all present and future leases of the Mortgaged Property or any portion thereof, all licenses and agreements relating to the management, leasing or operation of the Mortgaged Property or any portion thereof, and all other agreements of any kind relating to the use or occupancy of the Mortgaged Property or any portion thereof, whether such leases, licenses and agreements are now existing or entered into after the date hereof ("Leases"); and (b) the rents, issues, deposits and profits of the Mortgaged Property, including, without limitation, all amounts payable and all rights and benefits accruing to Grantor under the Leases ("Rents"). The term "Leases" shall also include all guarantees of and security for the tenants' performance thereunder, and all amendments, extensions, renewals or modifications thereto which are permitted hereunder. This is a present and absolute assignment, not an assignment for security purposes only, and Beneficiary's

right to the Leases and Rents is not contingent upon, and may be exercised without possession of, the Mortgaged Property.

- 4.2. **GRANT OF LICENSE.** Beneficiary confers upon Grantor a revocable license ("License") to collect and retain the Rents as they become due and payable, until the occurrence of a Default. Upon a Default, the License shall be automatically revoked and Beneficiary may collect and apply the Payments pursuant to the terms hereof without notice and without taking possession of the Mortgaged Property. Upon Grantor's cure of the Default, Beneficiary shall reconfer upon Grantor a revocable license to collect and retain the Rents as they become due and payable, until the occurrence of a Default. All Rents thereafter collected by Grantor shall be held by Grantor as trustee under a constructive trust for the benefit of Beneficiary. Grantor hereby irrevocably authorizes and directs the tenants under the Leases to rely upon and comply with any notice or demand by Beneficiary for the payment to Beneficiary of any rental or other sums which may at any time become due under the Leases, or for the performance of any of the tenants' undertakings under the Leases, and the tenants shall have no right or duty to inquire as to whether any Default has actually occurred or is then existing. Grantor hereby relieves the tenants from any liability to Grantor by reason of relying upon and complying with any such notice or demand by Beneficiary. Beneficiary shall apply, any Rents collected by Beneficiary in accordance with Section 4.03(d) of the Indenture. Collection of any Rents by Beneficiary shall not cure or waive any Default or notice of Default or invalidate any acts done pursuant to such notice.

- 4.3. **EFFECT OF ASSIGNMENT.** The foregoing irrevocable assignment shall not cause Beneficiary to be: (a) a mortgagee in possession; (b) an "owner" or "operator" of the mortgaged property within the meaning of CERCLA or other computable law; (c) responsible or liable for the control, care, management or repair of the Mortgaged Property or for performing any of the terms, agreements, undertakings, obligations, representations, warranties, covenants and conditions of the Leases; (d) responsible or liable for any waste committed on the Mortgaged Property by the tenants under any of the Leases or by any other parties; for any dangerous or defective condition of the Mortgaged Property; or for any negligence in the management, upkeep, repair or control of the Mortgaged Property resulting in loss or injury or death to any tenant, licensee, employee, invitee or other person; or (e) responsible for or impose upon Beneficiary any duty to produce rents or profits. Beneficiary shall not directly or indirectly be liable to Grantor or any other person as a consequence of: (i) the exercise or failure to exercise any of the rights, remedies or powers granted to Beneficiary hereunder; or (ii) the failure or refusal of Beneficiary to perform or discharge any obligation, duty or liability of Grantor arising under the Leases.

4.4. **COVENANTS**

- (a) Grantor shall, at Grantor's sole cost and expense:
- (i) perform all obligations of the landlord under the Leases and use reasonable efforts to enforce performance by the tenants of all obligations of the tenants under the Leases;

- (ii) use reasonable efforts to keep any portion of the Property leased to tenants which Grantor reasonably and in good faith believes are creditworthy and at rents not less than the fair market rental value (including, but not limited to, free or discounted rents to the extent the market so requires);
 - (iii) promptly upon Beneficiary's request, deliver to Beneficiary a copy of each requested Lease and all amendments thereto and waivers thereof; and
 - (iv) promptly upon Beneficiary's request, execute and record any additional assignments of landlord's interest under any Lease to Beneficiary and specific subordinations of any Lease to this Deed of Trust, in form and substance satisfactory to Beneficiary.
- (b) Unless consented to in writing by Beneficiary or otherwise permitted under any other provision of the Transaction Documents, Grantor shall not:
- (i) enter into any future lease without (i) first obtaining the written consent of Beneficiary and (ii) requiring the tenant to deliver an estoppel statement in a form reasonably acceptable to Beneficiary and to any landlord, prospective purchaser or mortgagee upon request;
 - (ii) grant any tenant under any Lease any option, right of first refusal or other right to purchase all or any portion of the Timber Property under any circumstances;
 - (iii) grant any tenant under any Lease any right to prepay rent more than one month in advance;
 - (iv) except upon Beneficiary's request, execute any assignment of landlord's interest in any Lease; or
 - (v) collect rent or other sums due under any Lease in advance, other than to collect rent 1 month in advance of the time when it becomes due.
- (c) Any such attempted action in violation of the provisions of this Section shall be null and void.

4.5. **ESTOPPEL CERTIFICATES.** Within 30 days after request by Beneficiary, Grantor shall deliver to Beneficiary and to any party designated by Beneficiary, estoppel certificates relating to the Leases executed by Grantor and by each of the tenants, in form and substance acceptable to Beneficiary; provided, however, if any tenant shall fail or refuse to so execute and deliver any such estoppel certificate upon request, Grantor shall use reasonable efforts to cause such tenant to execute and deliver such estoppel certificate but such tenant's failure or refusal to do so, despite Grantor's reasonable efforts, shall not constitute a default by Grantor under this Section.

4.6. **RIGHT OF SUBORDINATION.** Beneficiary may at any time and from time to time by specific written instrument intended for the purpose unilaterally subordinate the lien of

this Deed of Trust to any Lease, without joinder or consent of, or notice to, Grantor, any tenant or any other person. Notice is hereby given to each tenant under a Lease of such right to subordinate. No subordination referred to in this Section shall constitute a subordination to any lien or other encumbrance, whenever arising, or improve the right of any junior lienholder. Nothing herein shall be construed as subordinating this Deed of Trust to any Lease.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

- 5.1. **REPRESENTATIONS AND WARRANTIES.** Grantor reiterates and restates the representations and warranties of Section 3.01 of the Indenture and further represents and warrants to the Secured Parties that, to Grantor's actual knowledge, the following statements are true and correct as of the date hereof, on each date a Note is issued, on each date an advance is made under any Note, and, with respect to any Series, as of the date of any Supplement and the related Closing Date, unless otherwise stated in such Supplement:
- 5.1.1. **Enforceability and Priority.** This Deed of Trust creates within Trustee for the benefit of the Beneficiary a legal, valid and enforceable lien upon all the Mortgaged Property. The security interest granted herein creates within the Beneficiary a first priority perfected security interest in the Collateral. This Deed of Trust and the other Transaction Documents are not subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury, nor would the operation of any of the terms of the Notes, this Deed of Trust or any of the other Transaction Documents, or the exercise of any right thereunder, render this Deed of Trust unenforceable, in whole or in part, or subject to any right of rescission, set-off, counterclaim or defense, including the defense of usury.
- 5.1.2. **Subordination.** There is no agreement or instrument to which Grantor is a party or by which Grantor is bound that would require the subordination in right of payment of any of Grantor's obligations under the Transaction Documents to an obligation owed to another party.
- 5.1.3. **Title.** Grantor lawfully holds and possesses fee simple title to the Mortgaged Property (now owned or hereafter acquired), without limitation on the right to encumber same. In addition, Grantor lawfully holds and possesses all rights to the Timber upon the Mortgaged Property except for Permitted Encumbrances. This Deed of Trust is a first lien on the Mortgaged Property prior and superior to all other liens and encumbrances on the Mortgaged Property except: (i) liens for real estate taxes and assessments not yet due and payable and (ii) Permitted Encumbrances.
- 5.1.4. **Mechanics' Liens.** There are no mechanics' or similar liens or claims which have been filed for work, labor or material (and no rights are outstanding that under law could give rise to any such liens) affecting the Mortgaged Property or

the Collateral which are or may be prior to or equal to the lien of this Deed of Trust.

- 5.1.5. **Leases**. The Mortgaged Property is not subject to any Leases other than the Leases referenced at Exhibit C attached hereto and made a part hereof (the "Leases"). Subject to the Permitted Encumbrances, no person has any possessory interest in the Mortgaged Property or right to occupy the same except under and pursuant to the provisions of the Leases. The Leases are in full force and effect and are enforceable in accordance with their respective terms. No material breach or default by any party, or event which would constitute a material breach or default by any party after notice or the passage of time, or both, exists under any existing Lease. None of the landlord's interests under any of the Leases, including, but not limited to, rents, additional rents, charges, issues or profits, has been transferred or assigned. No rent or other payment under any existing Lease has been paid by any tenant for more than 1 month in advance.
- 5.1.6. **Commercial Transaction**. Grantor warrants that this Deed of Trust is not and will at all times continue not to be a residential trust deed (as that term is defined in ORS 86.705(3)).
- 5.1.7. **Condition of Mortgaged Property**. Except as shown in the appraisals, property condition reports or other engineering reports, if any, previously delivered to or obtained by Beneficiary and Insurer, the Mortgaged Property is in good condition and repair and is free from any damage that would materially and adversely affect the value of the Mortgaged Property as security for the Indenture or the intended use of the Mortgaged Property.
- 5.1.8. **Non-Agricultural Use**. Neither the Mortgaged Property nor the Collateral is used principally or primarily for agricultural or farming purposes.
- 5.1.9. **Condemnation**. There is no proceeding pending or threatened for the total or partial condemnation of the Mortgaged Property.
- 5.1.10. **Homestead**. There is no homestead or other exemption available to Grantor which would materially interfere with the right to sell the Mortgaged Property at a trustee's sale or the right to foreclose this Deed of Trust.
- 5.1.11. **Separate Tax Parcel(s)**. That portion of Timber Property which is comprised of land and vested to Grantor in fee simple is assessed for real estate tax purposes as one or more wholly independent tax parcels, separate from any other real property, and no other real property is assessed and taxed together with the Timber Property or any portion thereof.
- 5.1.12. **Timber Deeds**. As of the date hereof, any deeds or other instruments conveying to third parties any rights to cut, harvest, or otherwise remove any of the Timber standing, growing, lying or being on the Mortgaged Property are subject to reverter clauses whereby Grantor will revert to the unencumbered interest in the timber rights at certain dates, none of which dates extends beyond December 31,

2004, and such certain dates of reverter as stated in each such deed or instrument have not, as of the date hereof, been extended as a result of fire, weather conditions, or other forces beyond any such third party's control pursuant to the terms of each such deed or instrument.

5.1.13. **Forest Use Land.** The Timber Property is subject to the Oregon Forest Practices Act (ORS 527.610 *et seq.*) (the "Forest Practices Laws"). Grantor has complied and shall comply with all Forest Practices Laws with respect to the Timber Property. Grantor shall not convert any portion of the Mortgaged Property without receipt of Beneficiary's prior written consent.

5.1.14. **Protected Species.** Except as otherwise disclosed to Insurer or Beneficiary and to the best of Grantor's knowledge, no restrictions have been placed on the use of the Mortgaged Property for timber harvesting or forest practices due to the presence of endangered or threatened species or the designation of critical habitat on the Mortgaged Property under the Federal Endangered Species Act or state or local laws and regulations relating to endangered or threatened species or habitat preservation that would result in a Material Adverse Effect on the Mortgaged Property or the operations conducted upon the Mortgaged Property.

ARTICLE VI

RIGHTS AND DUTIES OF THE PARTIES

6.1. **PAYMENT OF OBLIGATIONS.** Grantor shall promptly pay all obligations secured hereby when the same become due.

6.2. **MAINTENANCE AND PRESERVATION OF THE MORTGAGED PROPERTY.** Grantor shall: (a) keep the Mortgaged Property in good condition and repair; (b) complete or restore promptly and in workmanlike manner the Mortgaged Property or any part thereof which may be damaged or destroyed; (c) comply with and cause the Mortgaged Property to comply with (i) all laws, ordinances, regulations and standards, (ii) all covenants, conditions, restrictions and equitable servitudes, whether public or private, of every kind and character and (iii) all requirements of insurance companies and any bureau or agency which establishes standards of insurability, which laws, covenants or requirements affect the Mortgaged Property and pertain to acts committed or conditions existing thereon, including, without limitation, any work of alteration, improvement or demolition as such laws, covenants or requirements mandate; (d) operate and manage the Mortgaged Property at all times in a professional manner and do all other acts which from the character or use of the Mortgaged Property may be reasonably necessary to maintain and preserve its value; (e) execute and acknowledge all further documents, instruments and other papers as Beneficiary deems necessary or appropriate to preserve, continue, perfect and enjoy the benefits of this Deed of Trust and perform Grantor's obligations, including, without limitation, statements of the amount secured hereby then owing and statements of no offset. Grantor shall not: (a) remove or demolish all or any material part of the Mortgaged Property except in the ordinary course of business (such as to harvest timber); (b) initiate or acquiesce in any change in any

zoning or other land classification which materially adversely affects the Mortgaged Property; (c) materially alter the type of occupancy or use of all or any part of the Mortgaged Property; or (d) commit or permit waste of the Mortgaged Property.

6.3. **HAZARDOUS MATERIALS.** Without limiting any other provision of this Deed of Trust, Grantor agrees as follows:

6.3.1. **Prohibited Activities.** Grantor shall not cause or permit the Mortgaged Property to be used as a site for the use, generation, manufacture, storage, treatment, release, discharge, disposal, transportation or presence of any Hazardous Materials except for Hazardous Materials used in connection with timber harvesting and then only in compliance with all Environmental Laws.

6.3.2. **Notices.** Grantor shall promptly notify Beneficiary in writing when Grantor becomes aware of: (i) the discovery of any Hazardous Materials on, under or about the Mortgaged Property; (ii) any knowledge by Grantor that the Mortgaged Property does not comply with any Environmental Laws; (iii) any claims or actions ("Hazardous Materials Claims") pending or threatened against Grantor or the Mortgaged Property by any governmental entity or agency or any other person or entity relating to Hazardous Materials or pursuant to the Environmental Laws; and (iv) the discovery of any occurrence or condition on any real property adjoining the Mortgaged Property that could cause the Mortgaged Property or any part thereof to become contaminated with Hazardous Materials.

6.3.3. **Remedial Action.** In response to claims relating to the presence of any Hazardous Materials on, under or about the Mortgaged Property, not previously disclosed by Grantor to Beneficiary or Insurer, Grantor shall promptly take, at Grantor's sole expense, all remedial action required by any governmental authority with appropriate jurisdiction pursuant to Environmental Laws or any judgment, consent decree, settlement or compromise in respect to any Hazardous Materials Claims.

6.3.4. **Inspection By Beneficiary.** Upon reasonable prior notice to Grantor, Beneficiary, or its respective employees and agents, may from time to time (whether before or after the commencement of a nonjudicial or judicial foreclosure proceeding), enter and inspect the Mortgaged Property for the purpose of determining the existence, location, nature and magnitude of any past or present release or threatened release of any Hazardous Materials into, onto, beneath or from the Mortgaged Property.

6.4. **Intentionally Omitted.**

6.5. **LIENS, ENCUMBRANCES AND CHARGES.** Grantor shall immediately discharge by bonding or otherwise any lien, charge or other encumbrance which attaches to the Mortgaged Property in violation of Section 6.13. Subject to Grantor's right to contest such matters under Section 8.4 of this Deed of Trust or as expressly permitted in the Transaction Documents, Grantor shall pay when due all obligations secured by or

reducible to liens and encumbrances which shall now or hereafter encumber or appear to encumber all or any part of the Mortgaged Property or any interest therein, whether senior or subordinate hereto, including, without limitation, all claims for work or labor performed, or materials or supplies furnished, in connection with any work of demolition, alteration, repair, improvement or construction of or upon the Mortgaged Property.

- 6.6. **TAXES AND OTHER LIABILITIES.** Grantor shall pay and discharge before delinquent any and all indebtedness, obligations, assessments (including fire patrol assessments) and taxes, both real and personal and including federal and state income taxes and state and local property taxes and assessments now or hereafter levied assessed or charged against or with respect to the Mortgaged Property, Collateral or this Deed of Trust.
- 6.7. **PAYMENT OF TAXES ON DEED OF TRUST.** Grantor agrees that if any tax, assessment or imposition upon this Deed of Trust or the indebtedness hereby secured or the interest of Trustee or Beneficiary in the Mortgaged Property or upon Trustee or Beneficiary 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 or Beneficiary, as the case may be, as they become due and payable (which Grantor agrees to do upon demand of Trustee or Beneficiary to the extent permitted by law), or Trustee or Beneficiary 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 or Beneficiary upon request, official receipts showing payment of all taxes and charges which Grantor is required to pay hereunder.
- 6.8. **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 Property, 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.
- 6.9. **INSURANCE COVERAGE.** Grantor shall, at its expense, insure the Mortgaged Property against loss or damage by such hazards or risks as are customarily insured against by owners of like property, in amounts 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 thereof. Grantor shall also carry public liability insurance and such other insurance as Beneficiary may require, including, without limitation, business interruption insurance, workmen's compensation insurance with such coverages and in amounts as are customarily carried by owners of like property. Such policies shall contain a standard mortgage clause naming Beneficiary and its respective successors in interest as a loss payee for the benefit of the Secured Parties and requiring at least 30 days prior written notice to Beneficiary in the event of termination or cancellation 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 Property for purposes more hazardous than are permitted by such policy. Grantor shall, at Grantor's expense maintain all required insurance throughout the term of the Notes and while any liabilities of Grantor to Beneficiary under any of the Transaction Documents remain outstanding, and in substance and form satisfactory 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 Property 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. Beneficiary shall not, by reason of accepting, rejecting, approving or obtaining insurance, incur any liability for: (c) the existence, nonexistence, form or legal sufficiency of any insurance; (d) the solvency of any Insurer; or (e) the payment of claims.

WARNING. UNLESS GRANTOR PROVIDES BENEFICIARY WITH EVIDENCE SATISFACTORY TO BENEFICIARY OF THE INSURANCE COVERAGE AS REQUIRED UNDER THE TRANSACTION DOCUMENTS, BENEFICIARY MAY, BUT SHALL NOT BE OBLIGATED TO, 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 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 IT HAS OBTAINED PROPERTY COVERAGE AS REQUIRED UNDER THE TRANSACTION DOCUMENTS.

GRANTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE PURCHASED BY THE BENEFICIARY. THE COST OF THIS INSURANCE MAY BE RECOUPED BY THE TRUSTEE PURSUANT TO THE TERMS OF THE

INDENTURE. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE THE 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.

6.10. **INSURANCE AND CONDEMNATION PROCEEDS.**

6.10.1. **Assignment of Claims.** Grantor absolutely and irrevocably assigns to Beneficiary all of the following rights, claims and amounts (collectively, "Claims"), all of which shall be paid to Beneficiary: (i) all awards of damages and all other compensation payable directly or indirectly by reason of a condemnation or proposed condemnation for public or private use affecting all or any part of, or any interest in, the Mortgaged Property; (ii) all other claims and awards for damages to or decrease in value of all or any part of, or any interest in, the Mortgaged Property; (iii) all proceeds of any insurance policies payable by reason of loss sustained to all or any part of the Mortgaged Property; (iv) all judgments or awards ensuing from the resolution of litigation or other disputes (including Native American aboriginal, tribal codes or treaty claims) whether by court order, arbitration, or settlement; and (v) all interest which may accrue on any of the foregoing. Grantor shall give Beneficiary prompt written notice of the occurrence of any casualty affecting, or the institution of any proceedings for eminent domain or for the condemnation of, the Mortgaged Property or any portion thereof. So long as no Default has occurred and is continuing at the time, Grantor shall have the right to adjust, compromise and settle any Claim of \$1,000,000.00 or less without the consent of Beneficiary, provided, however, all awards, proceeds and other sums described herein shall continue to be payable to Beneficiary. Beneficiary may commence, appear in, defend or prosecute any Claim exceeding \$1,000,000.00, and may adjust, compromise and settle all Claims (except for Claims which Grantor may settle as provided herein), but shall not be responsible for any failure to commence, appear in, defend, prosecute or collect any such Claim regardless of the cause of the failure. All awards, proceeds and other sums described herein shall be payable to Beneficiary.

6.10.2. **Application of Proceeds; No Default.** So long as no Default has occurred and is continuing at the time of Beneficiary's receipt of the proceeds of the Claims ("Proceeds") and no Default occurs thereafter, Beneficiary shall apply the Proceeds in the following order of priority: First, to Beneficiary's expenses in settling, prosecuting or defending the Claims; Second, to the repair or restoration of the Mortgaged Property; and Third, to Grantor if the repair or restoration of the Mortgaged Property has been completed, but to the Secured Obligations in any order without suspending, extending or reducing any obligation of Grantor to make installment payments if the repair or restoration of the Mortgaged Property

has not been completed. Notwithstanding the foregoing, Beneficiary shall have no obligation to make any Proceeds available for the repair or restoration of the Mortgaged Property unless and until all of the following conditions have been satisfied: (i) delivery to Beneficiary of the Proceeds plus any additional amount which is needed to pay all costs of the repair or restoration (including, without limitation, taxes, financing charges, insurance and rent during the repair period); (ii) establishment by Grantor of an arrangement for lien releases and disbursement of funds acceptable to Beneficiary; (iii) delivery by Grantor to Beneficiary in form and content acceptable to Beneficiary of all of the following: (aa) plans and specifications for the work; (bb) a contract for the work, signed by a contractor acceptable to Beneficiary; (cc) a cost breakdown for the work; (dd) if required by Beneficiary, a payment and performance bond for the work; (ee) evidence of the continuation of all Leases unless consented to in writing by Beneficiary; (ff) evidence that, upon completion of the work, the size, capacity, value, and income coverage ratios for the Mortgaged Property will be at least as great as those which existed immediately before the damage or condemnation occurred; and (gg) evidence of the satisfaction of any additional conditions that Beneficiary may reasonably establish to protect Beneficiary's security. Grantor acknowledges that the specific conditions described above are reasonable.

6.10.3. **Application of Proceeds; Default.** If a Default has occurred and is continuing at the time of Beneficiary's receipt of the Proceeds or if a Default occurs at any time thereafter, Beneficiary shall apply all or any of the Proceeds to Beneficiary's expenses in settling, prosecuting or defending the Claims and then apply the balance without suspending, extending or reducing any obligation of Grantor to make installment payments in accordance with Section 4.03(d) of the Indenture.

6.11. **DEFENSE AND NOTICE OF LOSSES, CLAIMS AND ACTIONS.** Grantor shall protect, preserve and defend the Mortgaged Property and title to and right of possession of the Mortgaged Property, the security of this Deed of Trust and the rights and powers of Trustee and Beneficiary hereunder at Grantor's sole expense against all adverse claims, whether the claim: (a) is against a possessory or non-possessory interest; (b) arose prior or subsequent to the Effective Date; or (c) is senior or junior to Grantor's, Beneficiary's or Trustee's rights. Grantor shall give Beneficiary prompt notice in writing of the assertion of any claim, of the filing of any action or proceeding, of the occurrence of any damage to the Mortgaged Property and of any condemnation offer or action.

6.12. **RIGHT OF INSPECTION.** Subject to the terms of the Indenture, Beneficiary and its independent contractors, agents and employees may enter the Mortgaged Property from time to time at any reasonable time for the purpose of inspecting the Mortgaged Property and ascertaining Grantor's compliance with the terms of this Deed of Trust. Beneficiary shall use reasonable efforts to assure that its entry upon and inspection of the Mortgaged Property shall not materially and unreasonably interfere with the business or operations of Grantor or Grantor's tenants on the Mortgaged Property.

6.13. **PROHIBITION OF TRANSFER OF MORTGAGED PROPERTY OR INTERESTS IN GRANTOR.** Grantor acknowledges that Beneficiary has relied upon

the principals of Grantor for its experience in owning and operating properties similar to the Mortgaged Property in connection with the closing of the transaction contemplated by the Transaction Documents. Accordingly, except with the prior written consent of Beneficiary or as otherwise expressly permitted in the Transaction Documents, Grantor shall not cause or permit any sale, exchange, mortgage, pledge, hypothecation, assignment, encumbrance or other transfer, conveyance or disposition, whether voluntarily, involuntarily or by operation of law ("Transfer") of all or any part of, or all or any direct or indirect interest in, the Mortgaged Property or the Collateral (except for equipment and inventory in the ordinary course of its business), or cause or permit a Transfer of any direct or indirect interest (whether general partnership interest, stock, non-managing member limited liability company interest, trust, or otherwise) in Grantor. In the event of any Transfer that is not permitted in the Transaction Documents, and is without the prior written consent of Beneficiary, Beneficiary shall have the absolute right at its option, but not the obligation, without prior demand or notice, to declare all of the Secured Obligations immediately due and payable, subject to the Indenture and except to the extent prohibited by law, and to pursue its rights and remedies under Section 7.3 herein. Consent to one such Transfer shall not be deemed to be a waiver of the right to require the consent to future or successive Transfers.

- 6.14. **ACCEPTANCE OF TRUST; POWERS AND DUTIES OF TRUSTEE.** Trustee accepts this trust when this Deed of Trust is recorded. From time to time upon written request of Trustee and presentation of this Deed of Trust, or a certified copy thereof, for endorsement, and without affecting the personal liability of any person for payment of any indebtedness or performance of any Secured Obligation, Trustee may, without liability therefor and without notice: (a) reconvey all or any part of the Mortgaged Property; (b) consent to the making of any map or plat of the Mortgaged Property; (c) join in granting any easement on the Mortgaged Property; (d) join in any declaration of covenants and restrictions; or (e) join in any extension agreement or any agreement subordinating the lien or charge of this Deed of Trust. Nothing contained in the immediately preceding sentence shall be construed to limit, impair or otherwise affect the rights of Grantor in any respect.
- 6.15. **EXCULPATION.** Beneficiary shall not directly or indirectly be liable to Grantor or any other person as a consequence of: (a) the exercise of or the failure to exercise the rights, remedies or powers granted to Beneficiary in this Deed of Trust, subject, however, to Beneficiary's obligations under the Indenture; (b) the failure or refusal of Beneficiary to perform or discharge any obligation or liability of Grantor under any agreement related to the Mortgaged Property or under this Deed of Trust; or (c) any loss sustained by Grantor or any third party resulting from Beneficiary's failure to lease the Mortgaged Property after a Default (hereafter defined) or from any other act or omission of Beneficiary in managing the Mortgaged Property after a Default unless the loss is caused by the willful misconduct, bad faith or gross negligence of Beneficiary and no such liability shall be asserted or enforced against Beneficiary, all such liability being expressly waived and released by Grantor.
- 6.16. **INDEMNITY.** Without in any way limiting any other indemnity contained in this Deed of Trust, Grantor agrees to defend, indemnify and hold harmless the Secured Parties and

their officers, directors, employees, representatives and agents from and against and reimburse them for any and all claims, losses, damages, costs, expenses (including reasonable attorney's and agent's fees and expenses), obligations, injuries (to persons, property, or natural resources) penalties, stamp or other similar taxes, actions, suits, judgments, or liabilities directly or indirectly arising out of: (a) the making of the Notes, except for violations of banking laws or regulations by the Secured Parties; (b) this Deed of Trust; (c) the execution of this trust or the performance of any act required or permitted hereunder or by law; (d) any failure of Grantor to perform Grantor's obligations under this Deed of Trust or the other Transaction Documents; (e) any alleged obligation or undertaking on the Secured Parties' part to perform or discharge any of the representations, warranties, conditions, covenants or other obligations contained in any other document related to the Mortgaged Property; (f) any act or omission by Grantor or any contractor, agent, employee or representative of Grantor with respect to the Mortgaged Property; or (g) any claim, loss, damage, cost, expense or liability directly or indirectly arising out of: (i) the use, generation, manufacture, storage, treatment, release, threatened release, discharge, disposal, transportation or presence of any Hazardous Materials which are found in, on, under or about the Mortgaged Property (including, without limitation, underground contamination); or (ii) the breach of any covenant, representation or warranty of Grantor under Section 6.3 above. The foregoing to the contrary notwithstanding, this indemnity shall not include any claim, loss, damage, cost, expense or liability directly or indirectly arising out of the gross negligence or willful misconduct of any member of the Secured Parties and their officers, directors, employees, representatives, and agents, or any claim, loss, damage, cost, expense or liability directly or indirectly arising out of the affirmative act of any member of the Secured Parties and their officers, directors, employees, representatives, and agents which causes the introduction and initial release of a Hazardous Material at the Mortgaged Property, or any claim, loss, damage, cost, expense or liability directly or indirectly arising out of any act or incident on the Mortgaged Property occurring after the full reconveyance and release of the lien of this Deed of Trust on the Mortgaged Property, or with respect to the matters set forth in clause (g) above, any claim, loss, damage, cost, expense or liability incurred by the Secured Parties resulting from the introduction and initial release of Hazardous Materials on the Mortgaged Property occurring after the transfer of title to the Mortgaged Property at a foreclosure sale under this Deed of Trust, either pursuant to judicial decree or the power of sale, or by deed in lieu of such foreclosure. This indemnity shall include, without limitation: (aa) all consequential damages (including, without limitation, any third party tort claims or governmental claims, fines or penalties against the Secured Parties); (bb) all court costs and reasonable attorneys' fees (including, without limitation, expert witness fees) paid or incurred by the Secured Parties; and (cc) the costs, whether foreseeable or unforeseeable, of any investigation, repair, cleanup or detoxification of the Mortgaged Property which is required by any governmental entity or is otherwise necessary to render the Mortgaged Property in compliance with all laws and regulations pertaining to Hazardous Materials. Grantor shall pay immediately upon demand of any of the Secured Parties any amounts owing under this indemnity together with interest from the date the indebtedness arises until paid at the rate of interest applicable to the principal balance of the Notes as specified therein. Grantor agrees to use legal counsel reasonably acceptable to the

Secured Parties in any action or proceeding arising under this indemnity. Notwithstanding anything contained herein to the contrary this Deed of Trust does not secure any guaranty or indemnification of Grantor or any third party to the extent the instrument evidencing the same states that such obligations are not so secured. The obligations of Grantor under this Section shall be mutually exclusive of any obligations or liabilities arising after a nonjudicial foreclosure of this Deed of Trust or the delivery and acceptance of a deed in lieu of such nonjudicial foreclosure which are evidenced by the Environmental and Hazardous Substance Indemnification Agreement.

- 6.17. **SUBSTITUTION OF TRUSTEE.** From time to time, by a writing signed and acknowledged by Beneficiary and recorded in the Office of the Recorder of the County in which the Mortgaged Property is situated, Beneficiary may appoint another trustee to act in the place and stead of Trustee or any successor. Such writing shall set forth any information required by law. The recordation of such instrument of substitution shall discharge Trustee herein named and shall appoint the new trustee as the trustee hereunder with the same effect as if originally named trustee herein. A writing recorded pursuant to the provisions of this Section shall be conclusive proof of the proper substitution of such new trustee.
- 6.18. **RELEASES, EXTENSIONS, MODIFICATIONS AND ADDITIONAL SECURITY.** Without notice to or the consent, approval or agreement of any persons or entities having any interest at any time in the Mortgaged Property or in any manner obligated under the Secured Obligations ("Interested Parties"), Beneficiary may, from time to time: (a) fully or partially release any person or entity from liability for the payment or performance of any Secured Obligation; (b) extend the maturity of any Secured Obligation; (c) make any agreement with Grantor increasing the amount or otherwise altering the terms of any Secured Obligation; (d) accept additional security for any Secured Obligation; or (e) release all or any portion of the Mortgaged Property, Collateral and other security for any Secured Obligation. None of the foregoing actions shall release or reduce the liability of any of said Interested Parties, or release or impair the priority of the lien of this Deed of Trust upon the Mortgaged Property.
- 6.19. **RECONVEYANCE.** Upon written request of Beneficiary, and upon surrender of this Deed of Trust or certified copy thereof and any note, instrument or instruments setting forth all obligations secured hereby to Trustee for cancellation, Trustee shall reconvey, without warranty, the Mortgaged Property or that portion thereof then held hereunder. The recitals of any matters or facts in any reconveyance executed hereunder shall be conclusive proof of the truthfulness thereof. To the extent permitted by law, the reconveyance may describe the grantee as "the person or persons legally entitled thereto". Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyance. When the Mortgaged Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all future rents, issues and profits of the Mortgaged Property to the person or persons legally entitled thereto.

- 6.20. **SUBROGATION**. Beneficiary shall be subrogated to the lien of all encumbrances, whether released of record or not, paid in whole or in part by Beneficiary pursuant to this Deed of Trust or by the proceeds of any loan secured by this Deed of Trust.

ARTICLE VII

DEFAULT

- 7.1. **DEFAULT**. For all purposes hereof, "Default" shall mean an Event of Default as defined in the Indenture.
- 7.2. **ACCELERATION**. Upon the occurrence of a Default, all sums owing to Beneficiary under the Notes and the other Transaction Documents shall automatically become immediately due and payable subject to the terms and agreements of the Indenture.
- 7.3. **RIGHTS AND REMEDIES**. In addition to the rights and remedies in Section 7.2 above, at any time after a Default, Beneficiary shall have all of the following rights and remedies:
- 7.3.1. **Entry on Mortgaged Property**. With or without notice, and without releasing Grantor from any Secured Obligation, and without becoming a mortgagee in possession, to enter upon the Mortgaged Property from time to time and to do such acts and things as Beneficiary shall deem necessary or desirable in order to inspect, investigate, assess and protect the security hereof or to cure any Default, including, without limitation: (i) to take and possess all documents, books, records, papers and accounts of Grantor or the then owner of the Mortgaged Property which relate to the Mortgaged Property; (ii) to make, terminate, enforce or modify leases of the Mortgaged Property upon such terms and conditions as Beneficiary deems proper; (iii) to make repairs, alterations and improvements to the Mortgaged Property necessary, in Beneficiary's sole judgment, to protect or enhance the security hereof; (iv) to appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary hereunder; (v) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the sole judgment of Beneficiary, is or may be senior in priority hereto, the judgment of Beneficiary being conclusive as between the parties hereto; (vi) to obtain insurance; (vii) to pay any premiums or charges with respect to insurance required to be carried hereunder; (viii) to obtain a court order to enforce Beneficiary's right to enter and inspect the Mortgaged Property for Hazardous Materials, in which regard the decision of Beneficiary as to whether there exists a release or threatened release of Hazardous Materials onto the Mortgaged Property shall be deemed reasonable and conclusive as between the parties hereto; (ix) to have a receiver appointed pursuant to applicable law to enforce Beneficiary's right to enter and inspect the Mortgaged Property for Hazardous Materials; and/or (x) to employ legal counsel, accountants, engineers, consultants, contractors and other appropriate persons to assist them.

- 7.3.2. **Appointment of Receiver.** With or without notice or hearing, to apply to a court of competent jurisdiction for and to obtain appointment of a receiver, trustee, liquidator or conservator of the Mortgaged Property, for any purpose, including, without limitation, to enforce Beneficiary's rights to collect Payments and to enter on and inspect the Mortgaged Property for Hazardous Materials, as a matter of strict right and without regard to: (i) the adequacy of the security for the repayment of the Secured Obligations; (ii) the existence of a declaration that the Secured Obligations are immediately due and payable; (iii) the filing of a notice of default; or (iv) the solvency of Grantor or any other guarantor or other person or entity in any manner obligated to Beneficiary under the Transaction Documents.
- 7.3.3. **Judicial Foreclosure; Injunction.** To commence and maintain an action or actions in any court of competent jurisdiction to foreclose this instrument as a mortgage or to obtain specific enforcement of the covenants of Grantor hereunder, and Grantor agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought under this subparagraph, Grantor waives the defense of laches and any applicable statute of limitations.
- 7.3.4. **Nonjudicial Foreclosure and Application of Proceeds.** To declare all indebtedness hereby secured immediately due and payable and to pursue nonjudicial foreclosure pursuant to applicable law. In such event and upon the written request of Beneficiary, Trustee shall sell the Mortgaged Property in accordance with the Deed of Trust Act of the State of Oregon (ORS 86.705 *et seq.*) at public auction to the highest bidder. Any person except Trustee may bid at such Trustee's sale. Trustee shall deliver to the purchaser at the sale its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of execution of this Deed of Trust or may have acquired thereafter. The Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value. The proceeds of such foreclosure sale shall be applied by the Trustee first to the expenses of sale, second to the obligations secured by the Deed of Trust, and otherwise in the manner provided for in ORS 86.765.
- 7.3.5. **Multiple Foreclosures.** To resort to and realize upon the security hereunder and any other security now or later held by or for the benefit of Beneficiary concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken nonjudicial proceedings, or both, and to apply the proceeds received first to the expenses of sale, second to the obligations secured by the Deed of Trust, and otherwise in the manner provided for in ORS 86.765.

- 7.3.6. **Taking Possession, Collecting Rents, Etc.** Beneficiary or a receiver as required by law may enter and take possession of the Mortgaged Property or any part thereof and manage, operate, insure, repair and improve the same and take any action which, in Beneficiary's judgement, is necessary or proper to conserve the value of the Mortgaged Property, including, but not limited to, the harvest and sale of timber from the Mortgaged Property. Beneficiary may also take possession of, and for these purposes use, any and all personal property contained in the Mortgaged Property and used in the operation, rental or leasing thereof or any part thereof. Beneficiary or the receiver shall be entitled to collect and receive all earnings, revenues, rents, issues and profits of the Mortgaged Property 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 Property (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 Property 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 afforded by law, and may be exercised concurrently therewith or independently thereof. Beneficiary, at Beneficiary's sole discretion without notice thereof to Grantor, and without taking possession of the Mortgaged Property, may notify any or all of the obligors of the leases and subleases of the Mortgaged Property that such leases and subleases have been assigned to Beneficiary, and Beneficiary, in the name of Beneficiary or in both names, may direct such obligors thereafter to make all payments due from them under such leases and subleases directly to Beneficiary. Grantor, immediately upon demand by Beneficiary, shall irrevocably 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 Beneficiary. The costs and expenses (including any receiver's fees and expenses, attorneys' fees and expenses and agent's compensations) 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 (as defined in the applicable Supplement). 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 Beneficiary. Without taking possession of the Mortgaged Property, Beneficiary may, in the event the Mortgaged Property is abandoned, take such steps as it deems appropriate to protect and secure the Mortgaged Property 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.
- 7.3.7. **Rights to Collateral.** To exercise all rights Beneficiary may have as a "secured party" with respect to the Collateral under this Deed of Trust, the UCC or otherwise at law. In addition, the Beneficiary may exercise the following rights:

- 7.3.7.1 **Sale of Collateral.** Beneficiary may: (i) upon written notice, require Grantor to assemble any or all of the Collateral and make it available to Beneficiary at a place designated by Beneficiary; (ii) without prior notice, enter upon the Mortgaged Property or other place where any of the Collateral may be located and take possession of, collect, sell and dispose of any or all of the Collateral, and store the same at locations acceptable to Beneficiary at Grantor's expense; or (iii) sell, assign and deliver at any place or in any lawful manner all or any part of the Collateral and bid and become purchaser at any such sales; and
- 7.3.7.2 **Other Disposition of Collateral.** Beneficiary may, for the account of Grantor and at Grantor's expense: (i) operate, use, consume, sell or dispose of the Collateral as Beneficiary deems appropriate for the purpose of performing any or all of the Secured Obligations; (ii) enter into any agreement, compromise or settlement including insurance claims, which Beneficiary may deem desirable or proper with respect to any of the Collateral; and (iii) endorse and deliver evidences of title for, and receive, enforce and collect by legal action or otherwise, all indebtedness and obligations now or hereafter owing to Grantor in connection with or on account of any or all of the Collateral.
- 7.3.7.3 **Grantor's Acknowledgement.** Grantor acknowledges and agrees that a disposition of the Collateral in accordance with Beneficiary's rights and remedies as heretofore provided is a disposition thereof in a commercially reasonable manner and that five (5) days prior notice of such disposition is commercially reasonable notice. Grantor further agrees that any sale or other disposition of all or any portion of the Collateral may be applied by Beneficiary first to the reasonable expenses in connection therewith, including reasonable attorneys' fees and disbursements, and then to the payment of the Secured Obligations in accordance with Section 4.03(d) of the Indenture.
- 7.3.8. **Other Rights.** To exercise such other rights as Trustee or Beneficiary may have at law or in equity or pursuant to the terms and conditions of this Deed of Trust.
- 7.4. **ELECTION OF MORTGAGED PROPERTY OR COLLATERAL.** In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Mortgaged Property, Timber, or property that can be severed from the Mortgaged Property (including, without limitation, any improvements forming a part thereof) without causing structural damage thereto as if the same were personal property or a fixture, as the case may be, and dispose of the same in accordance with applicable law, separate and apart from the sale of the Mortgaged Property. Any sale of Collateral hereunder shall be conducted in any manner permitted by the UCC.
- 7.5. **GRANTOR'S WAIVER.** 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 Property marshalled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Property 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 Property 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 Payments 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 Property 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.

- 7.6. **NO CURE OR WAIVER.** Neither Beneficiary's nor any receiver's entry upon and taking possession of all or any part of the Mortgaged Property, nor any collection of rents, issues, profits, insurance proceeds, condemnation proceeds or damages, other security or proceeds of other security, or other sums, nor the application of any collected sum to any Secured Obligation, nor the exercise of any other right or remedy by Beneficiary or any receiver shall cure or waive any Default or notice of default under this Deed of Trust, or nullify the effect of any Default, notice of default or sale (unless all Secured Obligations then due have been paid or performed and Grantor has cured all other Defaults hereunder), or impair the status of the security, or prejudice Beneficiary in the exercise of any right or remedy, or be construed as an affirmation by Beneficiary of any tenancy, lease or option or a subordination of the lien of this Deed of Trust.
- 7.7. **PAYMENT OF COSTS, EXPENSES AND ATTORNEYS' FEES.** Grantor agrees to pay to Beneficiary promptly and upon demand all reasonable costs and expenses incurred by Beneficiary in the enforcement of the terms and conditions of this Deed of Trust (including, without limitation, the costs of appraisals and inspections as reasonably required by Beneficiary or as required by law, statutory trustee's fees, court costs and agents' and attorneys' fees, and all costs incurred by Beneficiary under this Article VII (except to the extent such costs have been otherwise recovered), whether any of the foregoing are incurred in litigation or not) with interest from the date of expenditure until said sums have been paid at the rate of interest applicable to the principal balance of the Notes as specified therein.
- 7.8. **POWER TO FILE NOTICES AND CURE DEFAULTS.** Grantor hereby irrevocably appoints Beneficiary and its successors and assigns, as its attorney-in-fact, which agency is coupled with an interest, to perform any obligation of Grantor hereunder upon the occurrence of an event, act or omission which, with notice or passage of time or both,

would constitute a Default, provided, however, that: (a) Beneficiary as such attorney-in-fact shall only be accountable for such funds as are actually received by Beneficiary; and (b) Beneficiary shall not be liable to Grantor or any other person or entity for any failure to act under this Section.

- 7.9. **DEFICIENCY DECREE.** If at any foreclosure proceeding the Mortgaged Property shall be sold for a sum less than the total amount of indebtedness for which judgement is therein given, the judgement 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 Property and the property of the Grantor and of the rents, issues and profits thereof after such sale and until such deficiency decree is satisfied in full.
- 7.10. **REMEDIES CUMULATIVE.** All rights and remedies of Beneficiary and Trustee provided hereunder are cumulative and are in addition to all rights and remedies provided by applicable law (including specifically that of foreclosure of this instrument as though it were a mortgage) or in any other agreements between Grantor and Beneficiary. Trustee or Beneficiary may enforce any one or more remedies or rights hereunder successively or concurrently.
- 7.11. **RIGHTS OF SECURED PARTIES.** The Secured Parties shall be afforded the same rights, protections, immunities and indemnities provided to the Secured Parties in the Indenture as if set forth herein.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

- 8.1. **ADDITIONAL PROVISIONS.** This Deed of Trust contains or incorporates by reference the entire agreement of the parties with respect to matters contemplated herein and supersede all prior negotiations. The Transaction Documents grant further rights to Beneficiary and contain further agreements and affirmative and negative covenants by Grantor which apply to this Deed of Trust and to the Mortgaged Property and such further rights and agreements are incorporated herein by this reference.
- 8.2. **NON-WAIVER.** By accepting payment of any amount secured hereby after its due date or late performance of any other Secured Obligation, Beneficiary shall not waive its right against any person obligated directly or indirectly hereunder or on any Secured Obligation, either to require prompt payment or performance when due of all other sums and obligations so secured or to declare default for failure to make such prompt payment or performance. No exercise of any right or remedy by Trustee or Beneficiary hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law. No failure by Trustee or Beneficiary to exercise any right or remedy hereunder arising upon any Default shall be construed to prejudice Trustee's or Beneficiary's rights or remedies upon the occurrence of any other or subsequent Default. No delay by Trustee or Beneficiary in exercising any such right or remedy shall be construed to preclude Trustee or Beneficiary from the exercise thereof at any time while that Default

is continuing. No notice or demand on Grantor shall of itself entitle Grantor to any other or further notice or demand in similar or other circumstances.

- 8.3. **CONSENTS AND APPROVALS.** Wherever Beneficiary's consent, approval, acceptance or satisfaction is required under any provision of this Deed of Trust such consent, approval, acceptance or satisfaction shall not be unreasonably withheld, conditioned or delayed by Beneficiary; except however, this provision shall not apply to any provision where such consent, approval, acceptance or satisfaction shall be exercised within the sole discretion of Beneficiary.
- 8.4. **PERMITTED CONTESTS.** After prior written notice to Beneficiary, Grantor may contest, by appropriate legal or other proceedings conducted in good faith and with due diligence, the amount, validity or application, in whole or in part, of any lien, levy, tax or assessment, or any lien of any laborer, mechanic, materialman, supplier or vendor, or the application to Grantor or the Mortgaged Property of any law or the validity thereof, the assertion or imposition of which, or the failure to pay when due, would constitute a Default; provided that (a) Grantor pursues the contest diligently, in a manner which Beneficiary determines is not prejudicial to Beneficiary, and does not impair the lien of this Deed of Trust; (b) the Mortgaged Property, or any part hereof or estate or interest therein, shall not be in any danger of being sold, forfeited or lost by reason of such proceedings; (c) in the case of the contest of any law or other legal requirement, Beneficiary shall not be in any danger of any civil or criminal liability; and (d) if required by Beneficiary, Grantor deposits with Beneficiary (or such court or tribunal overseeing such proceedings) any funds or other forms of assurance (including a bond or letter of credit) satisfactory to Beneficiary to protect Beneficiary from the consequences of the contest being unsuccessful. Grantor's right to contest pursuant to the terms of this provision shall in no way relieve Grantor of its obligations under the Transaction Documents or to make payments to Beneficiary as and when due.
- 8.5. **FURTHER ASSURANCES.** Grantor shall, upon demand by Beneficiary, execute, acknowledge (if appropriate) and deliver any and all documents and instruments and do or cause to be done all further acts reasonably necessary or appropriate to effectuate the provisions hereof.
- 8.6. **ATTORNEYS' FEES.** If any legal action, suit or proceeding is commenced between Grantor and Beneficiary regarding their respective rights and obligations under this Deed of Trust or any of the other transaction Documents, the prevailing party shall be entitled to recover, in addition to damages or other relief, reasonable costs and expenses, reasonable attorneys' fees and court costs (including, without limitation, expert witness fees) both at trial and on any appeals therefrom. As used herein the term "prevailing party" shall mean the party which obtains the principal relief it has sought, whether by compromise settlement or judgment. If the party which commenced or instituted the action, suit or proceeding shall dismiss or discontinue it without the concurrence of the other party, such other party shall be deemed the prevailing party. If Trustee or Beneficiary shall be made a party to or shall intervene in any action or proceeding affecting the Mortgaged Property or the title thereto or the interest of Trustee and Beneficiary under this Deed of Trust (including probate and bankruptcy proceedings), or,

after the occurrence of a Default, if Trustee or 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, whether or not any such foreclosure shall be actually commenced, then in any such case, Grantor agrees to promptly pay to Trustee and Beneficiary all reasonable costs, charges, expenses and attorney's fees and court costs (including, without limitation, expert witness fees) both at trial and on any appeals therefrom 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.

- 8.7. **GRANTOR AND BENEFICIARY DEFINED.** The term "Grantor" includes both the original Grantor and any subsequent owner or owners of any of the Mortgaged Property, and the term "Beneficiary" includes the original Beneficiary and any future owner or holder, including assignees, pledges and participants, of this Deed of Trust for benefit of the Secured Parties.

8.8. **DISCLAIMERS.**

8.8.1. **Relationship.** The relationship of Grantor and Beneficiary under this Deed of Trust is, and shall at all times remain, solely that of borrower and lender for benefit of the Secured Parties; and Beneficiary neither undertakes nor assumes any responsibility or duty to Grantor or to any third party with respect to the Mortgaged Property. Notwithstanding any other provisions of this Deed of Trust and the other Transaction Documents: (i) Beneficiary is not, and shall not be construed to be, a partner, joint venturer, member, alter ego, manager, controlling person or other business associate or participant of any kind of Grantor, and Beneficiary does not intend to ever assume such status; (ii) Beneficiary's activities in connection with this Deed of Trust and the other Transaction Documents shall not be outside the scope of activities of a lender of money and Beneficiary does not intend to ever assume any responsibility to any person for the quality, suitability, safety or condition of the Mortgaged Property; and (iii) Beneficiary shall not be deemed responsible for or a participant in any acts, omissions or decisions of Grantor.

8.8.2. **No Liability.** Beneficiary shall not be directly or indirectly liable or responsible for any loss, claim, cause of action, liability, indebtedness, damage or injury of any kind or character to any person or Mortgaged Property including those arising from any construction on, or occupancy or use of, the Mortgaged Property, whether caused by or arising from: (i) any defect in any building, structure, grading, fill, landscaping or other improvements thereon or in any on-site or off-site improvement or other facility therein or thereon; (ii) any act or omission of Grantor or any of Grantor's agents, employees, independent contractors, licensees or invitees; (iii) any accident in or on the Mortgaged Property or any fire, flood or other casualty or hazard thereon; (iv) the failure of Grantor or any of Grantor's licensees, employees, invitees, agents, independent contractors or other

representatives to maintain the Mortgaged Property in a safe condition; or (v) any nuisance made or suffered on any part of the Mortgaged Property.

- 8.9. **SEVERABILITY.** If any term of this Deed of Trust, or the application thereof to any person or circumstances, shall, to any extent, be invalid or unenforceable, the remainder of this Deed of Trust, or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Deed of Trust shall be valid and enforceable to the fullest extent permitted by law.
- 8.10. **RELATIONSHIP OF ARTICLES.** The rights, remedies and interests of Beneficiary under the deed of trust established in Article I and the security agreement established by Article III are independent and cumulative, and there shall be no merger of any lien created by the deed of trust with any security interest created by the security agreement. Beneficiary may elect to exercise or enforce any of its rights, remedies or interests under either or both the deed of trust or the security agreement as Beneficiary may from time to time deem appropriate. The absolute assignment of rents and leases established by Article IV is similarly independent of and separate from the deed of trust and the security agreement.
- 8.11. **MERGER.** No merger shall occur as a result of Beneficiary's acquiring any other estate in, or any other lien on, the Mortgaged Property unless Beneficiary consents to a merger in writing.
- 8.12. **OBLIGATIONS OF GRANTOR, JOINT AND SEVERAL.** If more than one person has executed this Deed of Trust as "Grantor", the obligations of all such persons hereunder shall be joint and several.
- 8.13. **INTEGRATION; INTERPRETATION.** The Transaction Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Transaction Documents shall not be modified except by written instrument executed by all parties. Any reference in any of the Transaction Documents to the Mortgaged Property or Collateral shall include all or any part of the Mortgaged Property or Collateral. Any reference to the Transaction Documents includes any amendments, renewals or extensions now or hereafter approved by Beneficiary in writing. When the identity of the parties or other circumstances make it appropriate, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.
- 8.14. **CAPITALIZED TERMS.** Capitalized terms not otherwise defined herein shall have the meanings set forth in the Indenture.
- 8.15. **SUCCESSORS IN INTEREST.** The terms, covenants, and conditions herein contained shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties hereto. The foregoing sentence shall not be construed to permit Grantor to assign the Notes except as otherwise permitted under the Notes or the other Transaction Documents.

- 8.16. **GOVERNING LAW.** This Deed of Trust was accepted by Trustee for benefit of the Secured Parties in the state of Oregon and the proceeds of the Notes secured hereby were disbursed from the state of Oregon, which state the parties agree has a substantial relationship to the parties and to the underlying transaction embodied hereby. Accordingly, in all respects, including, without limiting the generality of the foregoing, matters of construction, validity, enforceability and performance of this Deed of Trust and the obligations arising hereunder shall be governed by, and construed in accordance with, the laws of the State of Oregon applicable to contracts made and performed in such state and any applicable law of the United States of America, and at all times the provisions for enforcement of Trustee's STATUTORY POWER OF SALE granted hereunder and the creation, perfection and enforcement of the security interests created pursuant hereto shall be governed by and construed according to the law of the state where the Mortgaged Property is located. Except as provided in the immediately preceding sentence, Grantor hereby unconditionally and irrevocably waives, to the fullest extent permitted by law, any claim to assert that the law of any jurisdiction other than Oregon governs this Deed of Trust.
- 8.17. **CONSENT TO JURISDICTION.** Grantor irrevocably submits to the jurisdiction of: (a) any state or federal court sitting in the State of Oregon over any suit, action, or proceeding, brought by Grantor against Trustee or Beneficiary, arising out of or relating to this Deed of Trust; (b) any state or federal court sitting in the state where the Mortgaged Property is located or the state in which Grantor's principal place of business is located with respect to any suit, action or proceeding, brought by Trustee or Beneficiary against Grantor, arising out of or relating to this Deed of Trust; and (c) any state court sitting in the county of the state where the Mortgaged Property is located over any suit, action, or proceeding, brought by Trustee to exercise its STATUTORY POWER OF SALE under this Deed of Trust or any action brought by Beneficiary to enforce its rights with respect to the Mortgaged Property or the Collateral. Grantor irrevocably waives, to the fullest extent permitted by law, any objection that Grantor may now or hereafter have to the laying of venue of any such suit, action, or proceeding brought in any such court and any claim that any such suit, action, or proceeding brought in any such court has been brought in an inconvenient forum.
- 8.18. **EXHIBITS.** Exhibits A, B and C are incorporated into this Deed of Trust by this reference.
- 8.19. **ADDRESSES; REQUEST FOR NOTICE.** Unless otherwise provided by law, all notices and other communications that are required or permitted to be given to a party under this Deed of Trust shall be in writing and shall be sent to such party, either by personal delivery, by overnight delivery service, by certified first class mail, return receipt requested, or by confirmed facsimile transmission to the addressee and facsimile number below (except, however, the facsimile and confirmation provisions of this paragraph shall not apply to the Trustee). All such notices and communications shall be effective upon receipt of personal, overnight, or certified delivery as evidenced by the internal records of the carrier or, in the case of facsimile, delivery shall be effective upon telephone confirmation of such delivery. The addresses of the parties are set forth below and any party may change or amend its address for notice hereunder to any other location

within the continental United States upon delivery of written notice thereof to the other parties in accordance with the terms hereof. Failure to deliver reasonable advance notice of a change of address shall constitute a designation of Grantor's last known address as the address for such notice.

Trustee:

Chicago Title Insurance Company
701 Fifth Avenue
Suite 1800
Seattle, Washington 98104

Beneficiary:

BNY Midwest Trust Company
2 North LaSalle Street
Suite 1020
Chicago, Illinois 60602
Attn: Structured Finance Group
Facsimile: (312) 827-8562
Confirm: (312) 827-8500

Grantor:

U. S. Timberlands Yakima, LLC
700 East Mountain View
Suite 507
Ellensburg, Washington 98926
Attn: Timberlands Operations Mgr.
Facsimile: (509) 925-4651
Confirm: (509) 925-4650

with copy to:

U. S. Timberlands, L.P.
625 Madison Avenue
Suite 10-B
New York, New York 10022
Attn: Chief Financial Officer
Facsimile: (212) 758-4009
Confirm: (212) 755-1100

- 8.20. **WAIVER OF JURY TRIAL.** BENEFICIARY AND GRANTOR HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS DEED OF TRUST OR ANY OTHER LOAN DOCUMENT, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTIONS OF BENEFICIARY OR GRANTOR. THIS PROVISION IS A MATERIAL INDUCEMENT FOR TRUSTEE TO ENTER INTO THIS DEED OF TRUST FOR BENEFIT OF THE SECURED PARTIES.
- 8.21. **STATUTES OF FRAUDS.** UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BENEFICIARY AFTER

46953

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.

[Signature page follows]

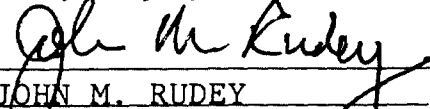
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46954

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the day and year set forth above.

GRANTOR

U.S. TIMBERLANDS YAKIMA, LLC, a Delaware
limited liability company

By: 
Name: JOHN M. RUDEY
Its: PRESIDENT

Unofficial
Copy

STATE OF New York)
COUNTY OF New York) ss.

On this 5th day of September, 2001, before me, the undersigned, a Notary Public in and for the State of New York, duly commissioned and sworn, personally appeared John M. Rudey, to me known to be the person who signed as John M. Rudey of U.S. TIMBERLANDS YAKIMA, LLC, the limited liability company that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated that he/she was duly elected, qualified and acting as said officer of the limited liability company and that he/she was authorized to execute said instrument.

IN WITNESS WHEREOF I have hereunto set my hand and official seal the day and year first above written.

Deana L. Daniel
(Signature of Notary)

DEANA L. DANIEL
Notary Public, State of New York
No. 01DA6038188
Qualified in New York County
Commission Expires March 6, 2002

DEANA L. DANIEL
(Print or stamp name of Notary)

NOTARY PUBLIC in and for the State of,
New York, residing at 5021 Netherland
Riverdale, NY

My appointment expires: March 6, 2002

EXHIBIT A

46956

Description of Timber Property

Description of Timber Property. The Timber Property referred to in this Deed of Trust is situated in the County of Klamath, State of Oregon and is described as follows:

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.

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

(continued)

PARCEL 3 (continued):

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.

PARCEL 6

Section 1 - Government Lots 1, 2, 6 and 8, S1/2 NE1/4, SE1/4, SE1/4 SW1/4
 Section 2 - Government Lot 9
 Section 11 - Government Lots 1, 2, 3, 4, 5 and 6, SE1/4 NE1/4, E1/2 SE1/4, SW1/4 SE1/4
 Section 12 - All
 Section 13 - NE1/4, NE1/4 NW1/4, S1/2 NW1/4, S1/2
 Section 14 - N1/2 NE1/4, SW1/4 NE1/4, NW1/4, N1/2 SW1/4, SE1/4 SW1/4, SE1/4
 Section 23 - E1/2 NW1/4, N1/2 NE1/4
 Section 24 - NW1/4, E1/2 NE1/4, N1/2 SE1/4, E1/2 SW1/4

All being in Township 37 South, Range 13 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 7

- Section 5 - W1/2 SE1/4, Government Lot 4, SW1/4 NW1/4, W1/2 SW1/4
 Section 6 - Government Lots 3, 4, 5, 6 and 7, SE1/4 NW1/4, SW1/4 NE1/4, SE1/4, E1/2 SW1/4
 Section 7 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
 Section 8 - NW1/4 NE1/4, N1/2 NW1/4, SW1/4, W1/2 SE1/4, SE1/4 SE1/4
 Section 9 - W1/2 SW1/4, SE1/4 SW1/4
 Section 14 - A strip of land 100 feet in width, being 50 feet on each side of the following described center line, to wit:

Beginning at a point on the Section line between Sections 14 and 23, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, which is 1,006 feet East of the corner common to Sections 14, 15, 22 and 23, aforesaid Township and Range; thence Northerly along a 7 degree curve to the right 300 feet; thence North 23 degrees 30' East 700 feet; thence along a 5 degree curve to the right 400 feet; thence North 43 degrees 30' East 500 feet; thence along a 5 degree curve to the left 850 feet; thence North 1 degree East 750 feet; thence along a 5 degree curve to the right 200 feet; thence North 11 degrees East 667 feet to a point on the South line of the NE1/4 of the NW1/4 of said Section 14, aforesaid Township and Range.

That portion of the SE1/4 of the NW1/4 and the NE1/4 of the SW1/4 of Section 14, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, more particularly described as follows: Beginning at a point on the Easterly line of the right of way of the Pelican Bay Lumber Company's logging railroad North of the road across the Pole Creek field and opposite Engineer's Station 0.00 in the NE1/4 of the SW1/4 of Section 14, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon; thence Northerly along the Easterly line of the right of way of the said logging railroad, 625.8 feet; thence Easterly at right angles to the center line of the said logging railroad 208.6 feet; thence Southerly parallel with the right of way of said logging railroad 625.8 feet; thence Westerly at right angles to the center line of said logging railroad 208.6 feet to the point of beginning.

- Section 17 - All
 Section 18 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, W1/2 E1/2, SE1/4 NE1/4, E1/2 SE1/4
 Section 19 - Government Lots 1, 2, 3 and 4, E1/2 W1/2, E1/2
 Section 20 - N1/2, SW1/4, W1/2 SE1/4
 Section 21 - W1/2 NW1/4
 Section 29 - NW1/4, W1/2 NE1/4
 Section 30 - Government Lot 1, E1/2 NW1/4, N1/2 NE1/4, SE1/4 NE1/4

All being in Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 8

A strip of land 66 feet in width upon, over, and across the SW1/4 of NW1/4 and the W1/2 of SW1/4 of Section 2, the SE1/4 of SE1/4 of Section 3, and the NE1/4 of NE1/4 of Section 10, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, extending from a line bearing North 56 degrees 20' East and passing through a point which is 2,871.74 feet distant North 19 degrees 47' East from the Southwest corner of said Section 2 to the West line of said NE1/4 of NE1/4, and being 33 feet on each side of the following described center line;

Beginning at said point which is 2,871.74 feet distant North 19 degrees 47' East from the Southwest corner of said Section 2, said point being designated as Engineer's Station B.C. 26+68.60; thence from a back tangent bearing South 33 degrees 40' East along the arc of a 5 degree curve to the right through a central angle of 31 degrees 18' for a distance of 626.00 feet; thence South 2 degrees 22' East for a distance of 134.95 feet; thence along the arc of a 16 degree curve to the right through a central angle of 5 degrees 53' 05" for a distance of 36.78 feet to Engineer's Station P.O.C. 34+66.33 Back 0+00.00 Ahead; thence continuing along the arc of said 16 degree curve to the right through a central angle of 64 degrees 53' 55" for a distance of 405.62 feet; thence South 68 degrees 25' West for a distance of 881.49 feet; thence along the arc of a 6 degree curve to the left through a central angle of 25 degrees 41' (crossing the West line of said Section 2 at Engineer's Station P.O.C. 13+86.70 from which the Southwest corner of said Section 2 bears South 0 degrees 02' East a distance of 1,243.54 feet) for a distance of 428.06 feet; thence South 42 degrees 44' West (crossing the South line of said Section 3 at Engineer's Station P.O.T. 31+73.62 from which the Southeast corner of said Section 3 bears South 89 degrees 54' East a distance of 1,251.22 feet) for a distance of 1,634.83 feet to Engineer's Station P.O.T. 33+50 which is a point 1,385.74 feet distant South 85 degrees 09' West from the Northeast corner of said Section 10.

PARCEL 9

A strip of land 100 feet in width and extending from the Southerly line of the right of way of the Klamath Falls-Lakeview Highway in the NE1/4 NE1/4 (Government Lot 1), Section 3, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, in a Southeasterly direction through said NE1/4 NE1/4 (Government Lot 1) of Section 3, said Township and Range above mentioned, and in a Southeasterly and Southerly direction through the Government Lot 4 and the NW1/4 SW1/4 of Section 2, said Township and Range above mentioned, being a portion of the strip of land described in Warranty Deed dated November 12, 1948, recorded in Volume 227, page 60, Deed Records of Klamath County, Oregon, LESS AND EXCEPT that portion in said NW1/4 SW1/4, Section 2, said Township and Range above mentioned, described in Quitclaim Deed dated May 25, 1960, recorded in Volume M71, page 9647, Microfilm Records of Klamath County, Oregon.

PARCEL 10

A strip of land 100 feet in width in the N1/2 of Government Lots 2 and 3 of Section 1, Township 37 South, Range 14 East of the Willamette Meridian, Klamath County, Oregon, extending from the West line of said Government Lot 3 to the South line of said N1/2 of Government Lot 2 and being 50 feet on each side of a center line as now staked on the ground and more particularly last herein described, and a strip of land 66 feet in width in Government Lot 1 and the S1/2 Government Lot 2 and in the SE1/4 of the NE1/4 of said Section 1 and being 33 feet on each side of a center line as now staked on the ground and more particularly described as follows:

(continued)

PARCEL 10 (continued)

Beginning at Engineer's Station 0+00, being a point on the West line of said Section 1 which is 112.0 feet distant South of the Northwest corner of said Section; thence South 88 degrees 07' East (crossing the West line of Government Lot 3 of said Section 1 at Engineer's Station 13+27.51 P.O.T.) being a point which is 149.5 feet distant South of the Northwest corner of said Government Lot 3, for a distance of 1,397.54 feet; thence along a 5 degree curve to the right through a central angle of 13 degrees 14' for an arc distance of 264.67 feet; thence South 74 degrees 53' East for a distance of 1,190.88 feet; thence along a 4 degree curve to the right through a central angle of 11 degrees 27' for an arc distance of 286.25 feet; thence South 63 degrees 26' East (crossing the South line of the N1/2 of Government Lot 2 of said Section 1 at Engineer's Station 33+28.0 P.O.T., being a point 590.0 feet distant East of the Southwest corner of said N1/2 of Government Lot 2) for a distance of 984.31 feet; thence along a 2 degree curve to the left through a central angle of 8 degrees 16' for an arc distance of 413.33 feet; thence South 71 degrees 42' East for a distance of 552.27 feet to Engineer's Station 50+89.25 Back = Engineer's Station 0+00 B.C. Ahead; thence along a 10 degree curve to the left through a central angle of 65 degrees 37' (crossing the East line of said Section 1 at Engineer's Station 4+20.0 P.O.C., being a point which is 1,333.0 feet distant South 0 degrees 41' West from the Northeast corner of said Section 1) for an arc distance of 656.17 feet to Engineer's Station 6+56.17 E.C.; thence North 42 degrees 41' East (crossing the North line of said Section 6 at Engineer's Station 22+85.96 P.O.T., which is 1,376.34 feet distant North 89 degrees 47' West of the North quarter corner of said Section 6) for a distance of 2,227.48 feet; thence along a 10 degree curve to the right through a central angle of 31 degrees 15' for an arc distance of 312.40 feet; thence North 73 degrees 56' East (crossing the North line of the SE1/4 of SE1/4 of said Section 31 at Engineer's Station 57+45.0 P.O.T.) for a distance of 3,484.95 feet to Engineer's Station 66+81.0 P.O.T., being a point on the East line of said Section 31 which is 1,587.0 feet distant North from the Southeast corner of said Section 31.

PARCEL 11:

Section 1 - Government Lots 1, 2, 3 and 4; the S1/2 of the N1/2; the S1/2
 Section 2 - Government Lots 1, 2, 3 and 4; the S1/2 of the N1/2; the S1/2
 Section 3 - Government Lots 1, 2, 3 and 4; the S1/2 of the N1/2; the S1/2
 Section 4 - Government Lots 1, 2, 3 and 4; the S1/2 of the N1/2; the S1/2
 Section 9 - All
 Section 10 - All
 Section 11 - All
 Section 12 - All
 Section 13 - N1/2 N1/2

All being in Township 33 South, Range 15 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 12:

That certain timber and other forest products now standing, growing, lying or being within the timber stands listed by stand number on Exhibit B attached to Timber Deed (Sprague River) recorded on May 31, 2001 in Klamath County, Oregon in Volume M01, Page 24992, and further identified on the maps marked as Exhibit C attached to said deed, all of which timber and other forest products are located on the following described property:

ALL LOCATED IN TOWNSHIP 35 SOUTH, RANGE 15 EAST, WILLAMETTE MERIDIAN, KLAMATH COUNTY, OREGON:

Section 11: The South half of the South half.

Section 13: The Southwest quarter of the Northwest quarter.

Section 14: All,

Section 15: The East half of the Northeast quarter; the South half,

Section 21: The Southeast quarter,

Section 22: All,

Section 23: The Northwest quarter of the Northeast quarter; the West half,

Section 26: The Northwest quarter of the Northeast quarter; the West half; the West half of the Southeast quarter,

Section 27: All,

Section 28: All,

Section 29: The Southeast quarter of the Northeast quarter; the South half of the Northeast quarter of the Southwest quarter; the South half of the Southwest quarter; the Southeast quarter,

Section 32: Government Lots 1, 2, 3 and 4; the North half of the South half; the North half,

Section 33: Government Lots 1, 2, 3 and 4; the North half of the South half; the North half,

Section 34: Government Lots 1, 2, 3 and 4; the North half of the South half; the North half,

Section 35: Government Lots 3 and 4; the Northwest quarter of the Southwest quarter; the Northwest quarter

Tax Parcel Number

2810-00000-00100-000	2911-00000-00600-000	3714-00000-01400-000
2810-00000-00201-000	3315-00000-00100-000	3714-00000-01500-000
2810-00000-00202-000	3315-00000-00300-000	3714-00000-01700-000
2810-00000-00100-000	3315-00000-00401-000	3714-00000-01800-000
2711-00000-00101-000	3315-00000-00402-000	3714-00000-01900-000
2711-00000-00200-000	3515-00000-00200-000	3714-00000-02000-000
2711-00000-00900-000	3713-00000-00100-000	3714-00000-02500-000
2711-00000-01000-000	3714-00000-00400-000	3714-00000-02600-000
2711-00000-01200-000	3714-00000-00600-000	3714-00000-02800-000
2811-00000-00100-000	3714-00000-02400-000	3714-00000-02900-000
2811-00000-00200-000	3714-00100-00200-000	3714-00000-03000-000
2811-00000-00401-000	3714-00100-00400-000	3714-00000-03100-000
2811-00000-00402-000	3714-00200-01000-000	3714-00000-04500-000
2811-00000-00500-000	3714-00200-01300-000	3714-00000-04600-000
2811-00000-00800-000	3714-00200-01900-000	
2811-00000-01200-000	3714-00300-01000-000	
2911-00000-00100-000	3714-00300-01000-000	
2911-00000-00300-000	3714-003AA-01300-000	
2911-00000-00401-000	3714-00000-01100-000	
2911-00000-00402-000	3714-00000-01200-000	
2911-00000-00403-000	3714-00000-01300-000	
2911-00000-00500-000		

EXHIBIT B**Permitted Encumbrances**

"Permitted Encumbrances" means:

- a) the specific matters, if any, to which the Mortgaged Property in Klamath County, Oregon, is expressly made subject as set forth in the Commitment of Title Insurance issued by Chicago Title Insurance Company as File No. 53208, effective as of July 26, 2001 and the specific matters, if any, to which the Mortgaged Property in Lake County, Oregon, is expressly made subject as set forth in the Commitment of Title Insurance issued by Chicago Title Insurance Company as File No. LA 05523, effective as of July 20, 2001;
- b) discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey would disclose, none of which, singly or in the aggregate, materially adversely affects the operation or value of the Mortgaged Property or materially adversely impairs the Grantor's or the Beneficiary's right to receive and retain the proceeds of cutting, harvesting or severing of Timber attributable to the Mortgaged Property;
- c) liens for certain taxes not yet due and payable or that are being diligently contested by the Grantor in good faith by appropriate proceedings and against which adequate reserves are being maintained in accordance with GAAP by the Grantor, provided that the enforcement or foreclosure of any such lien shall have been stayed pending the resolution of such proceedings;
- d) operators' liens or mechanics' or materialmen's liens arising in the ordinary course of business and incidental to the incurrence of reasonable expenses permitted by this Deed of Trust and the other Transaction Documents with respect to the Mortgaged Property for amounts not yet due and payable or that are being diligently contested by the Grantor in good faith by appropriate proceedings and against which adequate reserves are being maintained by the Grantor, provided that the enforcement or foreclosure of any such lien shall have been stayed pending the resolution of such proceedings;
- e) easements, rights-of-way, servitudes, restrictive covenants, permits, licenses, use agreements, surface leases, grazing rights, subsurface leases or other similar encumbrances on, over or in respect of the Timber Property, none of which, singly or in the aggregate, materially adversely affects the operation or value of the Timber Property or materially adversely impairs the Grantor's or the Beneficiary's right to receive and retain the proceeds of cutting, harvesting or severing Timber attributable to the Timber Property;
- f) such sales contracts and other similar agreements as are customarily found in connection with operating properties comparable to the Mortgaged Property (including, but not

limited to, bulk, lump sum, pay-as-cut and stumpage sales agreements), none of which, singly or in the aggregate, materially adversely affects the operation or value of the Mortgaged Property or materially adversely impairs the Grantor's or the Beneficiary's right to receive and retain the proceeds of cutting, harvesting or severing Timber attributable to the Mortgaged Property;

- g) any lease, contract or other agreement or encumbrance granted or created by the Grantor after the date of this Deed of Trust, that is specifically permitted and authorized under the terms of the Transaction Documents;
- h) timber deeds and all harvesting, cutting, severing, timber regeneration or planting agreements and other similar encumbrances as are customarily found in connection with operating properties comparable to the Mortgaged Property; and
- i) third party reversionary interests in Timber pursuant to timber deeds granted to the Grantor.

EXHIBIT C

Leases

State of Oregon, County of Klamath
Recorded 09/14/01 at 11:34 a. m.
In Vol. M01 Page 46920
Linda Smith,
County Clerk Fee \$ 266⁰⁰