

'02 SEP 10 PM3:05

Vol M02 Page 51350

mtc 57168

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:
William R. Wyatt, Esq.
Sheppard, Mullin, Richter & Hampton, LLP
Seventeenth Floor
Four Embarcadero Center
San Francisco, California 94111

State of Oregon, County of Klamath
Recorded 09/10/2002 3:05 p. m.
Vol M02, Pg 51350-51415
Linda Smith, County Clerk
Fee \$ 346⁰⁰ # of Pgs 66

[SPACE ABOVE THE LINE IS FOR RECORDER'S USE]

Loan Nos. 426840200 and 7608967

LINE OF CREDIT INSTRUMENT

Maximum Principal Amount to be Advanced: \$45,000,000

Maturity Date: September 1, 2017

**DEED OF TRUST,
ASSIGNMENT OF RENTS AND LEASES
and
SECURITY AGREEMENT**

**This Document Constitutes a Fixture Filing
in Accordance with ORS § 79.4020(6)**

among:

**Trustor: COLLINS TIMBER COMPANY LLC,
an Oregon limited liability company**

and:

Trustee: AMERITITLE, INC.

and:

**Beneficiary:
THE PRUDENTIAL INSURANCE COMPANY OF AMERICA,
a New Jersey corporation,**

and

**AMERICAN AGCREDIT, FLCA,
an Agricultural Credit Association
chartered pursuant to the Farm Credit Act of 1971, as amended**

Dated: September 7, 2002

**DEED OF TRUST, ASSIGNMENT OF RENTS AND LEASES,
AND SECURITY AGREEMENT**

CONTENTS

	<u>Page</u>
ARTICLE 1 Definitions.....	3
ARTICLE 2 Representations and Warranties.....	9
2.1 Title, Authorization and Organization.	9
2.2 Validity of Loan Documents.	10
2.3 Other Information.	10
2.4 Litigation.	10
2.5 Additional Representations and Warranties.	10
2.6 Compliance with Laws.	11
2.7 Bankruptcy.....	11
2.8 FIRPTA Certification.	11
2.9 Timber Sales Agreements and Cutting Rights Agreements.	12
ARTICLE 3 Affirmative Covenants	12
3.1 Obligations of Trustor.	12
3.2 Insurance.....	12
3.3 Maintenance, Waste and Repair.	13
3.4 Impositions; Impounds.	14
3.5 Compliance with Law.	14
3.6 Further Assurances.....	14
3.7 Indemnity and Attorneys' Fees.	15
3.8 Inspection of Property.	15
3.9 Contest.....	16
3.10 Tax Receipts.	16
3.11 Additional Information.....	16
3.12 Prepayment.	16
3.13 FIRPTA Affidavit.	16
3.14 Tax Compliance Certificate.....	17
3.15 Property Description.	17
3.16 Additions to the Land.....	17
3.17 Easements Outside the Land.....	17
3.18 Mechanics' and Other Liens.	17
ARTICLE 4 Negative Covenants.....	18
4.1 Restrictive Uses.	18

4.2	Due on Sale or Encumbrance.	18
4.3	Replacement of Fixtures and Personalty.....	18
4.4	Authorizations.....	19
4.5	Waste, Cutting Rights and Severance.....	19
4.6	Leasing.....	19
ARTICLE 5	Casualties and Condemnation.....	20
5.1	Damage or Destruction.....	20
5.2	Condemnation.....	21
ARTICLE 6	Events of Default and Remedies of BENEFICIARY	21
6.1	Events of Default.	21
6.2	Power of Sale.....	25
6.3	Proof of Default.	26
6.4	Receiver.....	27
6.5	Remedies Cumulative.	27
6.6	Curing of Defaults.....	27
6.7	Notices by Servicing Agent.....	28
ARTICLE 7	Security Agreement and Fixture Filing	28
7.1	Grant of Security Interest.	28
7.2	Remedies.	28
7.3	Expenses.....	28
7.4	Fixture Filing.	29
ARTICLE 8	Assignment of Rents and Proceeds and Agreements.....	29
8.1	Assignment of Rents.....	29
8.2	Collection of Rents.....	30
ARTICLE 9	Miscellaneous.....	30
9.1	Successor Trustee.....	30
9.2	Change of Law.....	30
9.3	No Waiver.....	30
9.4	Abandonment.....	31
9.5	Notices.....	31
9.6	Severability.....	32
9.7	Joinder of Foreclosure.....	32
9.8	Governing Law.....	32
9.9	Subordination.....	33
9.10	Further Advances.....	33
9.11	Waivers and Releases.....	33
9.12	Foreclosure Subject to Leases.....	35
9.13	Amendments.....	35

9.14	Multiple Counterparts.	35
9.15	Entire Agreement.	35
9.16	References to Foreclosure.	35
9.17	Rights of Beneficiary and Trustee.	35
9.18	Copies.	36
9.19	No Merger.	36
9.20	Right of Entry.	36
9.21	Personalty Security Instruments.	36
9.22	Suits to Protect Property.	37
9.23	Junior Liens.	37
9.24	Charges for Statements.	37
9.25	Usury.	37
9.26	Publicity.	38
9.27	Defense and Indemnity Rights.	38
9.28	Destruction of Note.	38
9.29	Trustor, Beneficiary and Trustee Defined.	39
9.30	Successors and Assigns.	39
9.31	Rules of Construction.	39
9.32	Information to Third Persons.	40
9.33	Commingling of Funds.	40
9.34	Standards of Discretion.	40
9.35	Certain Standards on Efforts of Trustor.	40
9.36	Certain Obligations Unsecured.	40
9.37	ORS Chapter 93 Warning.	41
9.38	General Notice.	41

LINE OF CREDIT INSTRUMENT

**DEED OF TRUST,
ASSIGNMENT OF RENTS AND LEASES,
AND SECURITY AGREEMENT**

THIS DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING WITH ASSIGNMENT OF RENTS (this "Deed of Trust") is made as of September 7, 2002, by COLLINS TIMBER COMPANY LLC, an Oregon limited liability company, having offices at 1618 SW First Avenue, Suite 500, Portland, OR 97201 ("Trustor"), to AMERITITLE, INC., having offices at 222 South 6th Street, Klamath Falls, OR 97601 ("Trustee"), for the benefit of THE PRUDENTIAL INSURANCE COMPANY OF AMERICA, a New Jersey corporation, having offices at 2998 Douglas Blvd., Suite 260, Roseville, California 95661 ("Prudential"), and AMERICAN AGCREDIT, FLCA, an Agricultural Credit Association chartered pursuant to the Farm Credit Act of 1971, as amended, having offices at 5560 South Broadway, Eureka, CA 95503 ("AgCredit"). Prudential and AgCredit together are the beneficiaries under this Deed of Trust (collectively, "Beneficiary").

RECITALS:

WHEREAS, as of even date herewith, Trustor has executed and delivered to Beneficiary two (2) promissory notes, in the aggregate principal amount of Ten Million and no/100 Dollars (\$10,000,000.00), each payable to Prudential or AgCredit or its order, evidencing Trustor's obligation to pay the indebtedness under a loan being extended by Beneficiary to Trustor (the "Loan"); and

WHEREAS, as a condition to extending the Loan, Beneficiary has required that Trustor grant a deed of trust of and security interest in certain of its real and personal property, each and all of which real and personal property is to serve as security for Trustor's obligations under the Loan; and

WHEREAS, Trustor and Beneficiary have, as of even date herewith, entered into a Loan Administration Agreement, of which the covenants and agreements of Beneficiary reflected therein regarding the Loan are of direct benefit to Trustor.

WITNESSETH:

NOW, THEREFORE, for valuable consideration, the receipt and adequacy of which Trustor hereby acknowledges, Trustor is granting this Deed of Trust for the benefit of Beneficiary.

Trustor **HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE, IN TRUST, WITH POWER OF SALE** all of Trustor's right, title and interest now owned or hereafter acquired in and to the following property, together with

the Personalty (as hereinafter defined, all of which is hereinafter collectively defined as the "Property"):

- A. Certain real property located in the Counties of Klamath and Lake, State of Oregon, and more particularly described in Exhibit A attached hereto (the "Land");
- B. All Improvements (as hereinafter defined) and all appurtenances, easements, rights and privileges thereof, including all thermal energy and other geothermal resources, all Minerals (as that term is hereinafter defined) in, on, under or pertaining to the Land, and any and all surface access and mining or drilling rights and any and all royalty, leasehold and other contractual rights of Trustor pertaining to any of the foregoing, and all air rights, water rights and development rights;
- C. All crops and all trees of every kind and species, whether now located in or on or hereafter planted or growing in or on the Land, and all timber of every kind and species (whether or not merchantable), whether severed or unsevered, including standing and downed timber, and stumps and cut timber lying, being or remaining on the Land or removed from the Land (until scaled at the sawmill, at which time such property shall cease to constitute "Timber" hereunder), and all Forest Products (as that term is hereinafter defined) arising out of, generated by or from, the Land (until the Timber giving rise to such Forest Products is scaled at the sawmill, at which time such Forest Products shall cease to constitute "Timber" hereunder), and any and all products or proceeds of any of the foregoing and wherever located (collectively the "Timber");
- D. All Cutting Rights Agreements and Timber Sales Agreements (as such terms are hereinafter defined), whether now existing or hereinafter entered into by Trustor or any predecessor or successor in interest;
- E. All Fixtures (as hereinafter defined), whether now or hereafter installed, being hereby declared to be for all purposes of this Deed of Trust a part of the Land;
- F. The rents, issues and profits (including royalties, revenues and other income) of or from the Land, the Timber, the Minerals, the Improvements and the Fixtures (the "Rents"), subject, however, to the terms and provisions of the Assignment of Leases and Contracts (as that term is hereinafter defined); and
- G. All proceeds of the foregoing, including, without limitation, all judgments, awards of damages and settlements hereafter made resulting from condemnation or the taking of the Property or any portion thereof under the power of eminent domain, any proceeds of any policies of insurance maintained with respect to the Property, or the proceeds of any sale, option or contract to sell the Property or any portion thereof.

FOR THE PURPOSE OF SECURING, in such order of priority as Beneficiary may determine: (i) payment of the Indebtedness (as such term is hereinafter defined, including, without limitation, amounts that may be hereafter advanced or disbursed by

Beneficiary to Trustor under the Notes); (ii) payment (with interest as provided) and performance by Trustor of its obligations under the Loan Documents (as such term is hereinafter defined); and (iii) payment of all indebtedness and performance of all obligations of Trustor under the Nonrecourse Guaranty (as such term is hereinafter defined). Notwithstanding the foregoing, or any other term contained herein or in any of the Loan Documents, none of Trustor's obligations under or pursuant to that certain Hazardous Substances Remediation and Indemnification Agreement of even date herewith executed by Trustor, Collins Pine and Collins Holding, in favor of Beneficiary ("Hazardous Substances Agreement") shall be secured by the lien of this Deed of Trust.

The final payment of the obligations secured hereby is due September 1, 2017.

ARTICLE 1 **DEFINITIONS**

Certain Defined Terms: The following terms have the following meanings in this Deed of Trust:

AgCredit: American AgCredit, FLCA, an Agricultural Credit Association chartered pursuant to the Farm Credit Act of 1971, as amended.

Assignment of Leases and Contracts: The Assignment of Rents, Leases, Contracts and Authorizations of even date herewith, executed by Trustor in favor of Beneficiary.

Authorizations: Any and all permits, entitlements, licenses, orders, approvals, exemptions, authorizations, certifications, franchises, Notifications, environmental approvals (including any environmental impact statement or report required under applicable law for Trustor's acquisition or disposition of the Land or harvesting of the Timber or for any other operations of Trustor with respect to the Land or the Timber), water appropriative rights and permits, zoning and land use entitlements and other authorizations, whether now existing or hereafter issued to or obtained by or on behalf of Trustor, relating to the development, occupancy, ownership, management and use of, and/or the Timber harvesting, cutting and sales operations conducted on or from, the Property.

Casualty: Any damage, destruction, or loss to or of any of the Land resulting from fire or any other cause except a Condemnation.

Collateral: As defined in Section 7.1 hereof.

Collins Holding: Collins Holding Company, a Delaware corporation.

Collins Pine: Collins Pine Company, an Oregon corporation.

Condemnation: Any condemnation or taking of any of the Land or the use thereof by any Governmental Authority or other Person pursuant to the power of eminent domain or condemnation, and any conveyance of any of the Land in lieu of condemnation.

Condemnation Award: Any and all awards, damages and other sums of money at any time owed or becoming payable, or paid, with respect to any Condemnation, including any payments for any conveyance in lieu of Condemnation, and awards for changes of grade of any streets.

Cutting Rights Agreements: Any and all agreements, contracts, arrangements or other contractual obligations, whereby Trustor or its predecessors in interest have granted, grant or will grant to another Person the right to cut, harvest or otherwise remove Timber from any of the Land for the use and benefit of Persons other than Trustor.

Debt: (i) All indebtedness evidenced by or arising under the Notes, the Loan Agreement, the Loan Documents or the Nonrecourse Guaranty, including principal, interest, additional interest if any, late charges, and interest after default, (ii) any and all extensions, renewals, refinancings or refundings thereof in whole or in part, whether or not now provided for in the Loan Documents or the Nonrecourse Guaranty, (iii) all costs and expenses incurred by Beneficiary in the collection of any of such indebtedness, including attorneys' fees and legal expenses, (iv) all future advances made by Beneficiary for the protection or preservation of any of the Property, (v) all other amounts coming due to Beneficiary under any provision of any of the Loan Documents or the Nonrecourse Guaranty.

Event of Default: As defined in Section 6.1.A hereof.

Fixtures: All fixtures located upon or within the Improvements or now or hereafter installed in, or used in connection with any of the Improvements, whether or not permanently affixed to the Land or the Improvements, and all additions, substitutions and replacements thereof.

Forest Products: Any and all logs, timber, lumber, finished or milled lumber, bark, sawdust, logging and milling waste, hog fuel, wood chips, all timber and lumber subject to any manufacturing process and other timber products, now or hereafter owned or acquired by Trustor or in which Trustor has an interest, which are produced from the Land or the Timber.

Governmental Authority: The United States of America, Oregon, or any political subdivision of either of them, together with any court, agency, department, commission, board, bureau, officer or instrumentality of any of them.

Grace Period: As defined in Section 6.1.A(4) hereof.

Guarantors: Collectively, Collins Pine and Collins Holding, and Guarantor means either of them individually.

Guaranty Agreements: Collectively, that certain Guaranty executed by Collins Holding and that certain Nonrecourse Guaranty executed by Collins Pine, each of even date herewith, in favor of Beneficiary, pursuant to which the Guarantor party thereto has guaranteed the Loan.

Hazardous Substances Agreement: As defined in the Granting Paragraph of this Deed of Trust.

Impositions: All real estate and personal property and other taxes and assessments, water and sewer rates and charges levied or assessed upon or with respect to the Property, all severance, forest products, harvesting, ad-valorem and any other additional or special taxes and assessments imposed or levied upon the Timber and/or Trustor's Timber sales, severance and harvesting operations, and all other governmental charges and any interest or costs or penalties with respect thereto, ground rent and charges for any easement or agreement maintained for the benefit of the Property, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind and nature whatsoever that at any time prior to or after the execution of the Loan Documents may be assessed, levied, imposed, or become a lien upon the Property or the rent or income received therefrom, or any use or occupancy thereof.

Impound Account: The account that Trustor may be required to maintain pursuant to Section 3.4 hereof for the deposit of amounts required to pay Impositions and insurance premiums.

Improvements: All buildings, structures and other improvements and appurtenances, including any sawmill(s) or related facilities, located on the Land, and all improvements, additions, substitutions and replacements thereof, and other buildings and improvements, at any time hereafter constructed or placed upon the Land.

Indebtedness: The principal of and all other amounts, payments and premiums due under the Notes, and any additional advances thereunder or extensions or renewals thereof (including advances, extensions or renewals at a different rate of interest, whether or not evidenced by a new or additional promissory note or notes), and all other indebtedness of Trustor to Beneficiary and additional advances under, evidenced by and/or secured by the Loan Documents and the Nonrecourse Guaranty, and/or by any other instrument executed by Trustor that expressly provides that it is secured by this Deed of Trust, plus, in each case, accruing interest payable on all such amounts.

Land: As defined in the Granting Paragraph of this Deed of Trust.

Laws and Restrictions: All federal, state, regional, county, local and other laws, regulations, orders, codes, ordinances, rules, statutes and policies, restrictive covenants and other title encumbrances, and Authorizations.

Leases: Any and all present or future leasehold interests, including subleases and tenancies following attornment, and other agreements providing for the use or occupancy of any portion of the Land (other than Cutting Rights Agreements) and/or the Improvements, or for access to, through or across the Land, together with any amendments, modifications, renewals and extensions thereof, and all guaranties of the obligations of the party or parties thereof (other than Trustor).

Lien: Any mortgage, deed of trust, security agreement, financing statement, security interest, judgment lien, mechanic's or materialman's lien, any other lien, encumbrance, charge, retention or reservation of title as security, pledge, hypothecation or assignment as security, of any of, or upon, the Land, whether now existing or hereafter created, suffered or incurred (including any lease or title retention agreement, or any financing lease having substantially the same economic effect as any of the foregoing).

Loan: The loan from Beneficiary to Trustor evidenced by the Notes.

Loan Administration Agreement: The Loan Administration Agreement of even date herewith entered into by and between Trustor and Beneficiary with respect to the Loan.

Loan Documents: The Notes, this Deed of Trust, the Assignment of Leases and Contracts, the Guaranty Agreements, the Loan Administration Agreement and all other documents whether executed now or in the future by Trustor, with the exception of the Hazardous Substances Agreement, evidencing, securing or relating to the Loan, the payment of the Indebtedness or the performance of the Obligations.

Material: With respect to any Person, material in relation to the business, operations, affairs, financial condition, assets, properties or prospects of such Person and its Subsidiaries (or, in the case of Trustor, its Restricted Subsidiaries) taken as a whole.

Material Adverse Effect: Any material adverse effect on (a) the business, operations, affairs, financial condition, assets, properties or prospects of Trustor and its Restricted Subsidiaries taken as a whole, (b) the condition, use or operation of the Property, (c) the ability of Trustor to perform its obligations under this Deed of Trust, the other Loan Documents or the Hazardous Substances Agreement, or (d) the validity or enforceability of this Deed of Trust, the other Loan Documents or the Hazardous Substances Agreement.

Minerals: All oil, gas, hydrocarbons, gravel, phosphate, limerock, coal and other mineral resources and subterranean substances in, on or under the Land.

Net Condemnation Award: A Condemnation Award, less the costs and expenses, including reasonable attorney's fees, incurred by Beneficiary or Trustor in connection with such Condemnation Award and the Condemnation to which it relates.

Net Insurance Proceeds: All of the proceeds and sums of money owed or becoming due or paid under any policy of insurance upon any of the Land, including any sums paid in settlement of any claim under any such insurance policy, less the costs and expenses, including reasonable attorney's fees, incurred by Beneficiary or Trustor in connection with such insurance proceeds and any Casualty to which they relate.

Nonrecourse Guaranty: That certain Nonrecourse Guaranty of even date herewith executed by Trustor in favor of Beneficiary pursuant to which Trustor is guaranteeing certain indebtedness of Collins Pine owed to Beneficiary.

Note: Means, individually, and "Notes", mean, collectively, any one of Note A and Note B.

Note A: The Promissory Note (Note A) of even date herewith, Loan No. 7608967, executed by Trustor in the original principal amount of Four Million and no/100 Dollars (\$4,000,000.00), payable to Prudential or its order, and all modifications, renewals or extensions thereof.

Note B: The Promissory Note (Note B) of even date herewith, Loan No. 426840200 executed by Trustor in the original principal amount of Six Million and no/100 Dollars (\$6,000,000.00), payable to AgCredit or its order, and all modifications, renewals or extensions thereof.

Notifications: Any and all notifications, timber harvesting plans and/or long term sustained yield management plans submitted to and approved by the State Forester in accordance with the Oregon Forest Practices Act and the rules and regulations promulgated by the State Board of Forestry, and any and all other notifications, plans, approvals, reports and other certifications and documents that Trustor may be required to submit to any existing or successor federal, state or local governmental authority under any existing or successor legislation, rule or regulation in connection with its Timber harvesting, management, severance, cutting and existing or successor sales operations relating to the Land.

Obligations: Any and all of the covenants, promises and other obligations (including payment of the Indebtedness) made or owing by Trustor to or due to Beneficiary under and/or as set forth in any of the Loan Documents and the Hazardous Substances Agreement.

Permitted Exceptions: Those exceptions to title with respect to the Property, as shown in the title insurance policy delivered to and accepted by Beneficiary insuring the

priority and validity of this Deed of Trust, together with such other liens, encumbrances and other charges as are specifically approved by Beneficiary.

Person: Any individual, company, corporation, limited liability company, association, trust, unincorporated organization, or government, or any department, agency or political subdivision thereof.

Personalty: As defined in Exhibit B attached hereto and incorporated herein by this reference.

Property: As defined in the Granting Paragraph of this Deed of Trust.

Prudential: The Prudential Insurance Company of America, a New Jersey corporation.

Receiver: Any trustee, receiver, custodian, fiscal agent, liquidator or similar officer.

Rents: As defined in the Granting Paragraph of this Deed of Trust.

Responsible Officer: The chief executive officer, chief operating officer, chief financial officer, principal accounting officer, treasurer or controller of Trustor or any applicable Restricted Subsidiary, as appropriate in the context in which such term is used.

Restoration: The restoration, repair, rebuilding, alteration, replanting and/or replacement of any of the Land made necessary by any Casualty or Condemnation, to a condition as nearly as possible to its condition prior to such Casualty or Condemnation (but with such changes as Trustor may make as permitted or required under the Loan Administration Agreement), and includes demolition, temporary repairs and the protection of the Land pending the completion of Restoration. With respect to Timber that is dead, diseased, fallen or otherwise damaged by Casualty, "Restoration" shall mean the prompt salvage or other recovery of such Timber and, thereafter, replanting or reforestation, all in accordance with good forest management practices.

Restricted Subsidiary: As defined in the Loan Administration Agreement.

Secondary Interest Rate: At any time, the greatest of the "Secondary Interest Rate" as defined in the Loan Administration Agreement.

Servicer: AgCredit, pursuant to a Servicing Agreement of even date herewith between Prudential and AgCredit.

Sever: Any of the following: to sever, cut, remove or transport; and "Severance" has the noun equivalent of the foregoing.

Subsidiary: As defined in the Loan Administration Agreement.

Timber: As defined in the Granting Paragraph of this Deed of Trust.

Timber Sales Agreements: All agreements and contracted obligations whereby Trustor, as seller, is or may become obligated to Sever, cut, harvest or otherwise remove Timber from the Land and to sell, exchange or deliver such Timber to any Person other than the Trustor or its Restricted Subsidiaries, or to grant cutting rights with respect to the Timber.

Trademarks: All trademarks, service marks, designs, logos, indicia, tradenames, trade styles owned by Trustor and used in connection with the Property and/or other source and/or identifiers and applications pertaining thereto; including without limitation all of the trademarks that are presently or in the future may be owned and used by Trustor in conducting its business on the Property and including all federal, state and foreign registrations therefor, heretofore or hereafter granted, all proceeds thereof (such as, by way of example and not by way of limitation, license royalties and proceeds of infringement suits), the right (but not the obligation) to register claim under the state, federal or foreign trademark law or regulation and to renew and extend trademarks and registrations, the right (but not the obligation) to sue or bring opposition or cancellation proceedings in the name of Trustor or in the name of Beneficiary for past, present and future infringements of the trademarks or the registrations and all rights (but not obligations) corresponding thereto throughout the world and the associated goodwill; provided that the rights and interests described in this definition shall include, without limitation, rights and interests pursuant to licensing or other contracts in favor of Trustor pertaining to trademarks or registrations presently or in the future owned or used by third parties but only to the extent permitted by such licensing or other contracts and, if not so permitted, only with the consent of such third parties.

Unrestricted Subsidiary: As defined in the Loan Administration Agreement.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

Trustor hereby represents and warrants to Beneficiary and Trustee that as of the date of this Deed of Trust and as of the date of any subsequent disbursement pursuant to the Loan Documents:

2.1 Title, Authorization and Organization.

Trustor (i) is the lawful owner of the Property and holds good and marketable title to the Property free and clear of all defects, liens, encumbrances, easements, exceptions and assessments, except the Permitted Exceptions; (ii) has good, right and lawful authority to grant the Property as provided in and by this Deed of Trust; (iii) has the requisite power and authority to own and operate the Property as the Property is currently operated; and (iv) is duly organized and validly existing under the laws of the

state of its organization and is duly qualified to do business in the state in which the Land is located.

2.2 Validity of Loan Documents.

The execution, delivery and performance by Trustor of the Loan Documents, the Hazardous Substances Agreement and the borrowings evidenced by the Notes (i) are within the power of Trustor, (ii) have been authorized by all requisite limited liability company authority and (iii) will not violate any Laws and Restrictions or any agreement or other instrument binding upon Trustor or to which the Property is subject. Each of the Loan Documents and the Hazardous Substances Agreement, when executed and delivered to Beneficiary, will constitute a legal, valid and binding obligation of Trustor and, subject to bankruptcy, insolvency, reorganization or other similar laws affecting creditors' rights generally, or general rules of equity, enforceable in accordance with its terms.

2.3 Other Information.

All reports, papers, data and information given to Beneficiary with respect to Trustor and the Property are accurate, correct and complete, and Trustor has no knowledge or reason to believe that any of the information or statements set forth therein is untrue or omits to state any Material facts necessary in order to make the information or statements contained therein not misleading.

2.4 Litigation.

There is not now pending against or affecting Trustor or the Property, nor to the best of Trustor's knowledge is there threatened, any action, suit or proceeding at law or in equity or by or before any administrative agency that, if adversely determined, would have a Material Adverse Effect.

2.5 Additional Representations and Warranties.

(i) The Land is not used principally or primarily for agricultural or grazing purposes; (ii) Trustor has filed all federal, state, county and municipal income tax returns required to have been filed by it and has paid all taxes that have become due pursuant to such returns or pursuant to any assessments received by it; (iii) no right granted by Trustor to any person to use any portion of the Land impairs or materially and adversely affects the ability of Trustor to conduct Timber harvesting, management, severance, cutting and sales operations on the Land in the ordinary course of its business; (iv) Trustor is not aware of any assessment for public improvements that is pending and that could become a lien upon the Land; (v) no event has occurred that with the giving of notice or the passage of time, or both, would constitute an Event of Default under any of the Loan Documents; (vi) Trustor is not a party to any agreement or instrument materially and adversely affecting its present business conducted on the Property or the Property

itself, financial or otherwise; (vii) Trustor is not in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions set forth in any agreement or instrument to which it is a party to the extent that the same would have a material and adverse effect on the Property or Trustor's ability to timely perform any of the Obligations; (viii) Trustor has not executed any financing statement or security agreement covering the Collateral, or any portion thereof which remains effective, and the costs of all Fixtures or Personalty due as of the date hereof have been paid; and (ix) neither the Property, nor any part thereof, has sustained, incurred or suffered any material damage or destruction since January 1, 2002. Trustor covenants that at no time will this Deed of Trust be a residential trust deed as defined in ORS § 86.705(3). This Deed of Trust secures an obligation incurred exclusively for commercial, business or investment purposes. Trustor warrants to Beneficiary that the Loan proceeds shall be used exclusively for commercial, business or investment purposes.

2.6 Compliance with Laws.

Each of Trustor and the Property (including the present use of the Property) substantially complies with all Laws and Restrictions applicable to it; and the Laws and Restrictions contain no unsatisfied conditions necessary for the actual use of the Property as it is currently used. Trustor has received no notice of any material violation of any Laws and Restrictions with respect to the Property which remain uncured. Trustor covenants that no violation of Laws and Restrictions shall materially and adversely affect Trustor's ability to perform its obligations under the Loan Documents

2.7 Bankruptcy.

No petition in bankruptcy, petition or answer seeking assignment for the benefit of creditors or appointment of a Receiver with respect to Trustor has occurred or is contemplated by Trustor, and no reorganization, arrangement, liquidation, dissolution or similar relief under the Federal Bankruptcy laws or any state laws have been instituted by or against Trustor, and none is contemplated by Trustor.

2.8 FIRPTA Certification.

Trustor declares and certifies, under penalty of perjury, that: (a) Trustor's U.S. Taxpayer I.D. Number is 93-0477750; (b) The business address of Trustor is Collins Timber Company LLC, 1618 SW First Avenue, Suite 500, Portland, OR 97201; (c) Trustor is not a "foreign person" within the meaning of Sections 1445 and 7701 of the Internal Revenue Code of 1986, as amended (the "Code") (i.e., Trustor is not a nonresident alien, foreign corporation, foreign partnership, foreign trust or foreign estate as those terms are defined in the Code and regulations promulgated thereunder); (d) Trustor understands that the information and certification contained in this Section 2.8 may be disclosed to the Internal Revenue Service and that any false

statement contained herein could be punished by fine, imprisonment or both; (e) Trustor agrees to indemnify and hold Beneficiary and Beneficiary's agents harmless of, from and against any and all actual loss, liability, costs, damages, claims or causes of action that may arise or be incurred by Beneficiary or Beneficiary's agents by reason of any failure of any representation or warranty made by Trustor in this Section 2.8 to be true and correct when made, including any liability for failure to withhold any amount required under Code Section 1445 in the event of foreclosure or other transfer of the Property; and (f) Trustor agrees to provide Beneficiary with a new Affidavit containing the provisions of Sections 2.8(a)-(e) above promptly after any change in the information contained in this Section 2.8.

2.9 Timber Sales Agreements and Cutting Rights Agreements.

Except as otherwise disclosed in writing to Beneficiary prior to and in connection with the closing of the Loan, Trustor is not a party to, nor is all or any portion of the Property subject to, any Timber Sales Agreement or Cutting Rights Agreement, whether written or oral.

ARTICLE 3 AFFIRMATIVE COVENANTS

Trustor covenants and agrees as follows:

3.1 Obligations of Trustor.

Trustor will (i) timely perform, or cause to be timely performed, all of the Obligations; (ii) maintain and preserve the lien of this Deed of Trust; and (iii) forever warrant and defend its grant made herein against any and all claims and demands whatsoever.

3.2 Insurance.

A. Trustor, at its sole cost and expense, will keep and maintain for the mutual benefit of Trustor and Beneficiary, insurance as required under the Loan Administration Agreement:

B. NOTICE UNDER ORS 746.201. WARNING:

UNLESS TRUSTOR PROVIDES BENEFICIARY WITH EVIDENCE OF INSURANCE COVERAGE AS REQUIRED BY THIS TRUST DEED, BENEFICIARY MAY PURCHASE INSURANCE AT TRUSTOR'S EXPENSE TO PROTECT BENEFICIARY'S INTEREST. IF THE PROPERTY IS DAMAGED, THE COVERAGE PURCHASED BY BENEFICIARY MAY NOT PAY ANY CLAIM MADE BY TRUSTOR OR ANY CLAIM MADE AGAINST TRUSTOR. TRUSTOR MAY LATER CANCEL THE COVERAGE OBTAINED BY BENEFICIARY BY PROVIDING EVIDENCE

THAT IT HAS PROVIDED THE INSURANCE COVERAGE REQUIRED BY THIS TRUST DEED.

TRUSTOR IS RESPONSIBLE FOR THE COST OF ANY INSURANCE OBTAINED BY BENEFICIARY PURSUANT TO THIS SECTION 3.2. THE COST OF THAT INSURANCE MAY BE ADDED TO THE OBLIGATIONS SECURED BY THIS TRUST DEED. IF THE COST IS ADDED THE SECONDARY RATE WILL APPLY TO THE ADDED AMOUNT. THE EFFECTIVE DATE OF COVERAGE MAY BE THE DATE TRUSTOR'S PRIOR COVERAGE LAPSED OR THE DATE TRUSTOR FAILED TO PROVIDE PROOF OF COVERAGE.

THE COVERAGE PURCHASED BY BENEFICIARY MAY BE CONSIDERABLY MORE EXPENSIVE THAN INSURANCE TRUSTOR MAY BE ABLE TO OBTAIN ON ITS OWN AND MAY NOT SATISFY THE NEED FOR PROPERTY DAMAGE COVERAGE OR ANY MANDATORY LIABILITY INSURANCE REQUIREMENTS IMPOSED BY APPLICABLE LAW.

3.3 Maintenance, Waste and Repair.

Trustor (i) shall plant, cultivate, harvest and manage the Land in accordance with good forest management practices and the Loan Administration Agreement and shall operate and keep the Improvements, including all necessary roads, culverts and reservoirs, in good condition and repair; (ii) shall not remove, demolish, abandon, diminish or materially alter any of the Improvements or any part thereof, other than in the ordinary course of operating the Property, except upon the prior written consent of Beneficiary; (iii) shall promptly undertake Restoration of the Improvements that may be damaged or destroyed from any cause whatsoever (whether or not insured against or insurable or affected by the exercise of the power of eminent domain) to (as reasonably as practicable) the same condition such portion was in immediately prior to such damage or destruction, except where such failure to restore, replace or rebuild is made in the ordinary course of Trustor's business and would not have a Material Adverse Effect, and pay when due all claims for labor performed and materials furnished therefor; (iv) shall comply with the provisions of all Notifications; (v) shall maintain memberships in forest protective associations where any of the Property falls within a forest protective district under the jurisdiction of any such associations; (vi) shall pay as due any forest patrol or similar fire control assessments of the State Forester or a forest protective association described in clause (v) above; (vii) shall within 30 days from any determination that an operation on the Property or any part thereof has resulted in an additional hazard, obtain a release of such additional hazard from the State Forester by performing all necessary burning or other work to reduce the hazard or by paying a fee designated by the State Forester for such release; and (viii) shall not permit any of portion of the Land to be used as a land fill or dump.

3.4 Impositions; Impounds.

A. Trustor will pay when due all Impositions (or currently payable installments thereof) before the same become delinquent. Upon an Event of Default, Trustor will pay monthly to Beneficiary an amount equal to one-twelfth (1/12th) of the annual cost of any real property taxes and assessments, and any severance, forest products, harvesting, ad-valorem and any additional or special taxes and assessments imposed or levied upon the Timber and/or Trustor's Timber sales, severance and harvesting operations, in each case constituting a lien on the Property, together with an amount equal to the estimated next premiums for hazard and other required insurance. These funds will be held by Beneficiary (and may be commingled with other funds of Beneficiary) without interest and will be released to Trustor for payment of Impositions and insurance premiums, or directly applied to such costs by Beneficiary, as Beneficiary may elect.

B. If Beneficiary so requests, within thirty (30) days after the date when any Impositions which are or could become a Lien on any part of the Land would become delinquent, Trustor will furnish to Beneficiary evidence reasonably satisfactory to Beneficiary evidencing the payment thereof. The certificate, advice or bill of the appropriate official designated by law to receive payment of any Imposition indicating non-payment of such Imposition shall be conclusive evidence (as between Beneficiary and Trustor) that such Imposition is due and unpaid, and Beneficiary may rely thereon.

3.5 Compliance with Law.

Trustor will promptly and faithfully comply in all material respects with all present and future Laws and Restrictions relating to the Land, and Trustor's business operations thereon, and shall not commit, suffer or permit any act to be done in or upon the Property or any part thereof or interest therein in substantial violation of any Laws and Restrictions. Trustor covenants that no violation of Laws and Restrictions shall materially and adversely affect Grantor's ability to perform its obligations under the Loan Documents.

3.6 Further Assurances.

Trustor, at any time upon the reasonable request of Beneficiary, will at Trustor's expense execute, acknowledge and deliver all such additional papers and instruments (including, without limitation, a declaration of no setoff) and all such further acts and things as may be reasonably necessary to carry out the purposes of the Loan Documents and to subject to the liens thereof any property intended by the terms thereof to be covered thereby and any renewals, additions, substitutions or replacements thereto.

3.7 Indemnity and Attorneys' Fees.

Trustor will indemnify, defend, protect and hold Beneficiary harmless from any and all liability, loss, claim, damage, cost or expense (including reasonable attorneys' fees) that Beneficiary may or might incur hereunder, or in connection with the making or administering of the Loan, the enforcement of any of Beneficiary's rights or remedies hereunder or under the other Loan Documents, any action taken by Beneficiary hereunder or thereunder, whether or not suit is filed, or by reason or in defense of any and all claims and demands whatsoever that may be asserted against Beneficiary arising out of the Property, or any part thereof or interest therein, or as to which it becomes necessary to defend or uphold the lien of this Deed of Trust or other Loan Documents, except to the extent any such liability, loss, claim, damage, cost or expense results from the gross negligence or willful misconduct of Beneficiary. Should Beneficiary incur any such indemnifiable liability, loss, claim, damage, cost or expense, the amount thereof with interest thereon at the Secondary Interest Rate shall be payable by Trustor immediately without demand, shall be secured by this Deed of Trust, and shall be part of the Indebtedness.

3.8 Inspection of Property.

Trustor hereby grants to Beneficiary, its agents, employees, consultants and contractors, the right to enter upon the Property for the purpose of making any and all inspections, reports, tests (including soils borings, ground water testing, wells and/or soils analysis), inquiries and reviews as Beneficiary (in its sole and absolute discretion) may reasonably deem necessary to assess the then current condition of the Property; provided, however, any inspections or testing for the presence, use or release of Hazardous Materials (as that term is defined in the Hazardous Substances Agreement), and the respective obligations of Trustor and/or Beneficiary to pay for such inspections or testing, shall be subject to the limitations provided in the Hazardous Substances Agreement. Beneficiary shall provide Trustor with one (1) business day's notice of such entry; provided, however, that Trustor's consent shall not be required for such entry or for the performance of such tests. Notwithstanding anything in the foregoing to be contrary, other than when an Event of Default has occurred and is continuing, Beneficiary shall exercise commercially reasonable business practices in coordinating inspections with Trustor's corporate office in a manner that does not unduly interfere with the conduct of Trustor's ordinary business operations. All reasonable costs, fees and expenses (including those of Lender's legal counsel and consultants) incurred by Beneficiary with respect to such inspections, reports, tests, inquiries and reviews shall be paid for by Trustor in the event that such inspections, testing or other review (i) is requested or undertaken after an Event of Default has occurred that remains uncured, or (ii) was performed in connection with Beneficiary's reasonable belief that Hazardous Materials may be or may have been present, used or released on the Property in violation of any provision of any Loan Document or the Hazardous Substances

Agreement. Such costs, if payable by Trustor, (a) shall accrue interest at the Secondary Interest Rate until paid, and (b) shall be secured by this Deed of Trust.

3.9 Contest.

Notwithstanding the provisions of Sections 3.3 and 3.4, Trustor may, at its expense, contest the validity or application of any Impositions or Laws and Restrictions by appropriate legal proceedings promptly initiated and conducted in good faith and with due diligence, provided that (i) Beneficiary is reasonably satisfied that neither the Property nor any part thereof or interest therein will be in danger of being sold, forfeited, or lost as a result of such contest, and (ii) Trustor shall have posted a bond or furnished such other security as may be reasonably required from time to time by Beneficiary.

3.10 Tax Receipts.

Trustor will deliver to Beneficiary, within seven (7) days after demand made therefor, bills showing the payment before delinquency of all taxes, assessments (including those payable in periodic installments), any Imposition that may have become a lien upon the Property or any part thereof (subject to Trustor's right to contest the same under Section 3.9 above).

3.11 Additional Information.

Trustor will furnish to Beneficiary, within seven (7) days after written request therefor, any and all information that Beneficiary may reasonably request concerning the Property or the performance by Trustor of the Obligations.

3.12 Prepayment.

Trustor may prepay the Loan only on the terms and conditions set forth in the Loan Administration Agreement, and Trustor shall pay Beneficiary the Prepayment Premium (as defined in the Loan Administration Agreement), if any, required under the Loan Administration Agreement in respect of such prepayment, whether voluntary or involuntary, as required by and on the terms and conditions set forth therein.

3.13 FIRPTA Affidavit.

In the event of any transfer by Trustor of its rights hereunder or of any interest in the Property otherwise permitted under this Deed of Trust, such transferee shall, as an additional condition to such transfer, under penalty of perjury, execute and deliver to Beneficiary an affidavit concerning the non-foreign status of Trustor substantially in the form of Section 2.8 hereof. Nothing in this Section shall be deemed a modification or waiver of any other provision of any of the Loan Documents limiting, prohibiting or otherwise relating to any transfer of any interest in the Property or Trustor.

3.14 Tax Compliance Certificate.

On or before May 15 of each calendar year Trustor shall provide to Beneficiary, or to Beneficiary's designee, a certificate, in form and substance satisfactory to Beneficiary, certifying that all real estate taxes for the current tax year affecting the Land have been paid in full, accompanied by such supporting documentation as may reasonably be required by Beneficiary. Upon the occurrence of an Event of Default, Beneficiary may, at Trustor's sole expense, retain the services of a firm to monitor the payment of real estate taxes and assessments.

3.15 Property Description.

Trustor agrees not to initiate or consent to any change in the boundary lines or the legal description of the Property, as the same are constituted as of the date hereof, without the prior written consent of Beneficiary, unless permitted under the Loan Administration Agreement.

3.16 Additions to the Land.

All right, title and interest of Trustor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of, and all additions and appurtenances to, the Land hereafter acquired by, or released to, Trustor, or constructed, assembled, planted or placed by Trustor on the Land, immediately upon such acquisition, release, construction, assembling, planting or placement, and in each such case, without any further act by Trustor, shall become subject to the lien and security interest of this Deed of Trust as though they were now owned by Trustor and specifically described in the granting clauses hereof.

3.17 Easements Outside the Land.

In the event any easements or rights in common or otherwise (other than revocable rights) in any lands other than the Land are granted as an appurtenance to the use and operation of the Land or any of the Property, then this Deed of Trust shall attach to and be a lien on such easements and rights in such other lands, and the lien hereof spread to cover such easements and rights with the same force and effect as though specifically described in the granting clauses hereof.

3.18 Mechanics' and Other Liens.

Trustor will pay, from time to time when the same shall become due, all claims and demands of contractors, subcontractors, architects, mechanics, materialmen, laborers, loggers, lumbermen and others which, if unpaid, might result in, or permit the creation of, a Lien on any of the Property; provided however that Trustor may contest any such claim or demand in good faith and in appropriate proceedings if Trustor has established adequate reserves for such claim and has assured that there is no risk of foreclosure of

the Property by bonding or otherwise. Except for Liens permitted under the Loan Administration Agreement, Trustor will not create or permit to accrue or suffer to exist any Lien upon any of the Property, including without limitation the Leases and Rents, and shall promptly cause any other Lien whatsoever to be paid and discharged. Subject to the right to contest in this Section 3.18 and in Section 3.9 above, Trustor shall pay all Liens in accordance with their terms, when and as the same become due.

ARTICLE 4 NEGATIVE COVENANTS

Trustor covenants and agrees as follows:

4.1 Restrictive Uses.

Except as permitted under the Loan Administration Agreement, Trustor will not initiate, join in, or consent to any change in the current use of the Property or in any zoning ordinance, private restrictive covenant, assessment proceedings or other public or private restriction limiting or restricting the uses that may be made of the Property or any part thereof or any Timber harvesting operations thereon without the prior written consent of Beneficiary.

4.2 Due on Sale or Encumbrance.

In the event that Trustor, without the prior written consent of Beneficiary (which consent may be withheld for any reason or for no reason, or given upon such terms and conditions as Beneficiary deems necessary or appropriate, all within Beneficiary's absolute discretion), shall, except as otherwise expressly permitted pursuant to Article 5 or Article 8 of the Loan Administration Agreement, sell, convey, assign, transfer, alienate or otherwise dispose of or be divested of its title to, or shall mortgage, convey security title to, or otherwise encumber or cause to be encumbered, the Land or the Minerals (other than oil and gas or geothermal interests whose transfer is not prohibited by the Loan Administration Agreement) or any part thereof or any interest therein, in any manner or way, whether voluntary or involuntary, then the entire balance of the Indebtedness, plus the Prepayment Premium (as defined in the Loan Administration Agreement), shall become immediately due and payable at the option of Beneficiary, all as more specifically provided in the Loan Administration Agreement.

4.3 Replacement of Fixtures and Personality.

Trustor will not permit any of the Improvements or Fixtures used in Trustor's business operations to be removed at any time from the Property without the prior written consent of Beneficiary unless actually replaced by articles of equal suitability and value owned by Trustor free and clear of any lien or security interest.

4.4 Authorizations.

Trustor hereby agrees not to amend, supplement, cancel, surrender, allow to expire (except pursuant to the express terms of the Authorization), terminate, release or waive any Authorization, or any provision thereof, issued to it that is material to and is required for the use, occupancy, operation, management, repair or maintenance of Property or for the management, cutting, harvesting or other disposition of the Timber, or permit any of the foregoing without the prior written consent of Beneficiary, other than non-material amendments and supplements of such Authorizations effected in the ordinary course of Trustor's business. Consent to one amendment, supplement, cancellation, surrender, expiration, termination, release or waiver shall not be deemed to be a waiver of the right to require consent to other, further or successive amendments, supplements, cancellations, surrenders, expirations, terminations, releases or waivers. Any such prohibited amendment, supplement, cancellation, surrender, expiration, termination, release or waiver, whether oral or in writing, made without the prior written consent of Beneficiary shall, to the extent permitted by law, not be valid or effective against Beneficiary. Trustor shall not take any action or omit to take any action that would adversely affect, or permit the suspension, termination, non-renewal or revocation, of any material Authorizations. Trustor agrees promptly to notify Beneficiary in writing with respect to any default or alleged default by Trustor under any such Authorization or the commencement of any investigations, hearings or proceedings that specifically involve any such Authorization and could lead to modification, suspension, termination, nonrenewal or revocation of any such Authorization. Trustor shall also promptly deliver to Beneficiary copies of all notices, demands, complaints or other communications received or given by it with respect to any such default or alleged default or such investigation, hearing or proceeding.

4.5 Waste, Cutting Rights and Severance.

Trustor shall not commit or suffer any waste or deterioration of the Land, or any part thereof or interest therein, and shall not cut, sever or remove or permit to be cut, severed or removed from the Land and any Timber thereon except as permitted by the terms of the Loan Administration Agreement and, if required by the Loan Administration Agreement, pursuant to a Timber Sales Agreement or Cutting Rights Agreement approved by Beneficiary and assigned to Beneficiary.

4.6 Leasing.

Trustor shall not, without the prior written consent of Beneficiary enter into any Leases of or relating to all or any part of the Property or renew or extend any such agreements, in each case, for a term in excess of one year, other than Permitted Encumbrances (as defined in the Loan Administration Agreement). Trustor shall not (i) terminate, amend, modify or alter in any manner any Leases, or waive, excuse, condone, discount, set off, compromise, or in any manner release or discharge the other party from any

obligations, covenants, conditions and agreements by such parties to be kept under the Leases, or accept or consent to any surrender of the Leases; (ii) except for road use fees and maintenance fees receive or collect rents more than thirty (30) days in advance of their due date (whether in cash, by promissory note, or otherwise); (iii) further assign the Leases or pledge, transfer, mortgage or otherwise encumber or assign future payments of Rents; or (iv) commence an action of ejectment or summary proceedings for dispossession of any party under any Leases; if, in any case, such conduct or action would reduce, or impair Trustor's ability to collect, income from any Leases which Beneficiary has consented to. This Section 4.6 shall not prohibit transactions undertaken in the ordinary course of Trustor's business which do not, individually or in the aggregate, have a Material Adverse Effect on the Property or on the financial condition or operations of Trustor, including, without limitation, Trustor's ability to harvest Timber at and from the Land (e.g., ingress/egress licenses; easement agreements; and short term grazing leases, house leases and cabin leases).

ARTICLE 5 CASUALTIES AND CONDEMNATION

5.1 Damage or Destruction.

A. If any Casualty occurs, Trustor shall promptly give written notice thereof to Beneficiary, describing the damage and the Casualty. Regardless of the damage resulting from any Casualty, and whether or not any Net Insurance Proceeds shall be sufficient or made available for the purpose, Trustor shall promptly commence the Restoration, and prosecute it with diligence and continuity to completion.

B. All insurance proceeds shall be paid to Beneficiary and applied by Beneficiary first to payment of the actual costs, fees and expenses, if any, incurred by Beneficiary in connection with proof of and adjustment of the loss and settlement with the insurance company. Any Net Insurance Proceeds shall be applied by Beneficiary (a) to the payment of the Debt and/or performance of the Obligations; or (b) at Beneficiary's sole option, to pay the cost of the Restoration.

C. If Net Insurance Proceeds are to be applied to the Restoration, Beneficiary shall hold such Net Insurance Proceeds, together with any amounts and security deposited with Beneficiary pursuant to Section 5.1.A. and Section 5.2.B. hereof, and advance the same for costs of the Restoration from time to time as the Restoration progresses. Such funds will be advanced upon written request of Trustor, and upon Trustor's compliance with such requirements as to the disbursement thereof as Beneficiary shall impose, such requirements to be substantially similar to those imposed by responsible

mortgagees or holders of deeds of trust in the State for advances of proceeds of commercial construction loans.

D. Beneficiary shall have, and Trustor hereby grants to and creates in favor of Beneficiary, a first lien on and security interest in and right of set-off against any sums of money or other security deposited with Beneficiary pursuant to Section 5.1.A. and Section 5.2.B. and the proceeds thereof as security for the payment of the Debt and performance of the Obligations.

5.2 Condemnation.

A. Trustor shall give Beneficiary immediate notice of any actual or threatened Condemnation. In the event that any of the Land shall be taken in Condemnation proceedings, Beneficiary may participate in such Condemnation proceedings. Trustor shall not adjust, contest, accept, reject or compromise any proposed Condemnation Award without approval of Beneficiary. Beneficiary may collect the Condemnation Award and endorse any drafts therefor. All Condemnation Awards shall be deposited with Beneficiary. Trustor will execute any and all further documents that may be required in order to facilitate collection of any Condemnation Award and the payment of any Condemnation Award to Beneficiary.

B. If a Condemnation shall occur, the Net Condemnation Award received by Beneficiary shall, at the option of Beneficiary, (a) be applied to the payment of the Debt and/or performance of the Obligations, or (b) be held by Beneficiary and applied and paid over toward the cost of Restoration, substantially in the same manner and subject to the same conditions as those provided in Section 5.1 hereof with respect to Net Insurance Proceeds and other monies.

C. Beneficiary shall be entitled as a first priority to reimbursement out of any Condemnation Award for all costs and fees of, expenses incurred by and reimbursements to Beneficiary with respect to the determination and collection of any Condemnation Award.

D. Neither Trustor nor any Person controlled by or under common control with Trustor will obtain or exercise any power of Condemnation or eminent domain with respect to any of the Land, directly or indirectly, or enter into any agreement with any Person or Governmental Authority with respect to the Condemnation of any of the Land, without the prior written consent of Beneficiary.

ARTICLE 6
EVENTS OF DEFAULT AND REMEDIES OF BENEFICIARY

6.1 Events of Default.

A. If one or more of the following events shall have occurred and be continuing:

- (1) Trustor shall fail to make any payment of principal or any Prepayment Premium under the Loan Administration Agreement on the date when due;
- (2) Trustor shall fail to pay any part of the Indebtedness (other than payments specified in Section 6.1A(1) above) on the date when due, and such failure is not cured within five (5) Business Days of such date;
- (3) An Event of Default as defined in the Loan Administration Agreement shall have occurred under the Loan Administration Agreement;
- (4) Trustor shall fail to timely observe, perform or discharge any obligation contained in any of the Loan Documents or any other loan documents with respect to the Property on its part to be performed or observed, other than as described in Sections 6.1.A(1), (2), (3), (5), (6), (7), (8) and (9), and any such failure shall remain unremedied for thirty (30) days or such lesser period as may be otherwise specified in the applicable Loan Document or agreement (the "Grace Period") after notice to Trustor of the occurrence of such failure or for the Grace Period after a Responsible Officer of Trustor became aware or should have become aware thereof; provided, however, that the Grace Period may be extended to ninety (90) days if: (a) Beneficiary determines in good faith that (i) such default cannot be cured within the Grace Period but can be cured within ninety (90) days, (ii) no lien or security interest created by the Loan Documents shall be impaired prior to the completion of such cure, and (iii) Beneficiary's immediate exercise of any remedies provided hereunder or by law is not necessary for the protection or preservation of the Property or Beneficiary's security interest therein, and (b) Trustor shall promptly commence and diligently pursue the cure of such default;

- (5) Trustor, shall assign the Rents of the Property or any part thereof (other than to Beneficiary) without first obtaining the written consent of Beneficiary;
- (6) Any claim or lien shall be filed against the Property or any part thereof (other than Impositions not delinquent), whether or not such lien shall be prior to this Deed of Trust, which shall be maintained for a period of thirty (30) days without discharge, satisfaction or contest in accordance with the terms of Section 3.9 of this Deed of Trust;
- (7) The failure by Trustor to timely observe, perform or discharge any provision of Section 4.2 hereof, or the occurrence of a disposition or encumbrance prohibited by Section 4.2 hereof without the prior written consent of Beneficiary (except as permitted under the Loan Administration Agreement or a sale of a non-material part of the Property as the result of a condemnation thereof as set forth in Section 5.2 above);
- (8) Any of the Loan Documents or the Hazardous Substances Agreement, at any time after their respective execution and delivery and for any reason, other than an act or omission of Beneficiary, shall cease to be in full force and effect or be declared null and void, or shall cease to constitute valid and subsisting liens and/or valid and perfected security interests in and to the Property (excluding changes of law after the date of this Agreement which may have a non-material effect on Beneficiary's ability to exercise certain of its remedies under the Loan Documents, but which do not, individually or in the aggregate, deprive Beneficiary of the practical realization of the benefit of its liens under the Loan documents), or Trustor shall contest or deny in writing that it has any further liability or obligation under any of the Loan Documents.
- (9) Default by Trustor or any other party after the expiration of all applicable grace or cure periods, if any, under the Hazardous Substances Agreement.

THEN and in any such event Beneficiary may, by written notice delivered to Trustor, declare Trustor to be in default. Upon the occurrence of such event and the giving of such notice, the same shall constitute an event of default (an "Event of Default").

B. Upon the occurrence of any Event of Default, Beneficiary may at any time declare all of the Indebtedness to be due and payable and the same shall thereupon become immediately due and payable, together with any prepayment fee due in accordance with the respective terms of the Notes, without any further presentment, demand, protest or notice of any kind. Beneficiary may, in its sole discretion, also do any of the following:

- (1) in person, by agent, or by a Receiver, and without regard to the adequacy of security, the solvency of Trustor or the condition of the Property, enter upon and take possession of the Property, or any part thereof, in its own name or in the name of Trustee and do any acts that Beneficiary deems necessary to preserve the value, marketability or rentability of the Property; sue for or otherwise collect the rents, issues and profits therefrom, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, against the Indebtedness, all in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice;
- (2) commence an action to foreclose this Deed of Trust in the manner provided under this Deed of Trust or by law;
- (3) with respect to any Personalty, proceed as to both the real and personal property in accordance with Beneficiary's rights and remedies in respect of the Land, or proceed to sell said Personalty separately and without regard to the Land in accordance with Beneficiary's rights and remedies as to personal property; and/or
- (4) deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause the Property to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record.

C. Upon the occurrence of an Event of Default, Beneficiary shall have the option to immediately terminate all rights of Trustor to cut, sever, harvest and/or remove Timber from the Land without the necessity of notice or any action on the part of Beneficiary. Trustor acknowledges and agrees that it may be impossible to measure accurately the damages to Beneficiary resulting from a breach of the foregoing covenant to cease Timber cutting, severance and other harvesting and removal activities upon an Event of Default, and that such a

breach will cause irreparable injury to Beneficiary and that Beneficiary may not have an adequate remedy at law in respect to such breach. As a consequence, Trustor agrees that the foregoing covenant shall be specifically enforceable against it by means of an injunction or similar court order, which may be commenced by an ex parte action enjoining Trustor from such activities and seeking specific performance of such covenant. Trustor hereby waives notice of any such ex parte action, provided any hearing to confirm such order that is required by law is timely set with notice to Trustor. This clause shall not prejudice Beneficiary's other rights under this Deed of Trust. Upon the occurrence and during the continuance of any other Event of Default, all rights of Trustor to cut, sever, harvest and/or remove Timber shall be suspended, without the necessity of notice or any action on the part of Beneficiary, unless Beneficiary otherwise consents in writing.

6.2 Power of Sale.

A. Should Beneficiary elect to foreclose by exercise of the power of sale herein contained, Beneficiary shall also deposit with Trustee this Deed of Trust and the Notes and such receipts and evidence of expenditures made and secured hereby as Trustee may require, and notice of default having been given as then required by law, and after lapse of such time as may then be required by law, after recordation of such notice of default, Trustee, without demand on Trustor, shall, after notice of sale having been given as required by law, sell the Property at the time and place of sale fixed by it in said notice of sale, either as a whole or in separate lots or parcels as Beneficiary shall determine, and in such order as Beneficiary may determine, at public auction to the highest bidder. Beneficiary may, in its sole discretion, designate the order in which the Property shall be offered for sale or sold through a single sale or through two or more successive sales, or in any other manner Beneficiary deems to be in its best interest, including, without limitation, the exclusion of any portion of the Property from the foreclosure. If Beneficiary elects more than one sale or other disposition of the Property, Beneficiary may at its option cause the same to be conducted simultaneously or successively, on the same day or at such different days or times and in such order as Beneficiary may deem to be in its best interests, and no such sale shall terminate or otherwise affect the lien of this Deed of Trust on any part of the Property not then sold until all of the Indebtedness secured hereby has been fully paid. If Beneficiary elects to dispose of the Property through more than one sale, Trustor shall pay the costs and expenses of each such sale of its interest in the Property and of any proceedings where the same may be made. Trustee may postpone the sale of all or any part of the Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement, and without further notice make such sale at the

time fixed by the last postponement; or Trustee may, in its discretion, give a new notice of sale. Beneficiary may rescind any such notice of default at any time before Trustee's sale by executing a notice of rescission and recording the same. The recordation of such notice shall constitute a cancellation of any prior declaration of default and demand for sale and of any acceleration of maturity of the Indebtedness affected by any prior declaration or notice of default. The exercise by Beneficiary of the right of rescission shall not constitute a waiver of any default then existing or subsequently occurring, or impair the right of Beneficiary to execute other declarations of default and demand for sale, or notices of default and of election to cause the Property to be sold, nor otherwise affect the Notes or this Deed of Trust, or any of the rights, obligations or remedies of Beneficiary or Trustee hereunder. After such sale, Trustee shall deliver to such purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any Person, including Trustor, Trustee or Beneficiary, may purchase at such sale. If allowed by law, Beneficiary, if it is the purchaser, may turn in the applicable Note at the amount owing thereon toward payment of the purchase price (or for endorsement of the purchase price as a payment on the applicable Note if the amount owing thereon exceeds the purchase price).

B. Trustee, upon such sale, shall make (without any covenant or warranty, express or implied), execute and after due payment made, deliver to the purchaser, its heirs or assigns, a deed or other record of interest, as the case may be, in and to the Property so sold that shall convey to the purchaser all the title and interest of Trustor in the Property (or part thereof sold), and shall apply the proceeds of such sale in payment, first, of the expenses of such sale together with the reasonable expenses of the trust, including attorneys' fees, that shall become due upon any default made by Trustor, and also such sums, if any, as Trustee or Beneficiary shall have paid for procuring a search of the title to the Property, or any part thereof, subsequent to the execution of this Deed of Trust; and in payment, second, of the Indebtedness then remaining unpaid (in such order as Beneficiary may elect), and the amount of all other monies with interest thereon agreed or provided to be paid by Trustor under any of the Loan Documents; and the balance or surplus of such proceeds of sale, subject to the terms of the Loan Administration Agreement, Trustee shall pay to Trustor, its successors or assigns as their interest may appear.

6.3 Proof of Default.

In the event of a sale of the Property, or any part thereof, and the execution of a deed therefore, the recital therein of default, and of recording notice of default and election of sale, and of the elapsing of the required time (if any) between the foregoing recording and the following notice, and of the giving of notice of sale, and of a demand

by Beneficiary, or its successors or assigns, that such sale should be made, shall be conclusive proof of such default, recording, election, elapsing of time, and of the due giving of such notice, and that the sale was regularly and validly made on due and proper demand by Beneficiary, its successors or assigns. Any such deed or deeds with such recitals therein shall be effective and conclusive against Trustor, its successors and assigns, and all other Persons. The receipt for the purchase money recited or contained in any deed executed to the purchaser as aforesaid shall be sufficient discharge to such purchaser from all obligations to see to the proper application of the purchase money.

6.4 Receiver.

If an Event of Default shall have occurred and be continuing, Beneficiary, as a matter of strict right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Property, shall have the right to apply ex parte to any court having jurisdiction to appoint a Receiver to enter upon and take possession of the Property, and Trustor hereby waives notice of any application therefor, provided a hearing to confirm such appointment with notice to Trustor is set within the time required by law. Any such Receiver shall have all the powers and duties of Receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust, and shall continue as such and exercise all such powers until the date of confirmation of sale, unless such Receivership is sooner terminated.

6.5 Remedies Cumulative.

All remedies of Beneficiary provided for herein are cumulative and shall be in addition to any and all other rights and remedies provided in the other Loan Documents or by law, including any right of offset. The exercise of any right or remedy by Beneficiary hereunder shall not in any way constitute a cure or waiver of default hereunder or under the Loan Documents, or invalidate any act done pursuant to any notice of default, or prejudice Beneficiary in the exercise of any of its rights hereunder or under the Loan Documents.

6.6 Curing of Defaults.

At any time after an Event of Default has been declared and while such default is continuing, Beneficiary, and without waiving or releasing Trustor from any of the Obligations, may, in its sole discretion:

- (i) make any payments payable by Trustor under this Deed of Trust and take out, pay for and maintain any of the insurance policies provided for therein (to the extent Trustor has not done so); and/or
- (ii) perform any other acts under this Deed of Trust on the part of Trustor to be performed and enter upon the Property for such purpose.

All sums so paid out of Beneficiary's own funds and all reasonable costs and expenses incurred and paid by Beneficiary in connection with the performance of any such act, including, without limitation, attorneys' fees, together with interest on unpaid balances thereof at the Secondary Interest Rate from the respective dates of Beneficiary's making of each such payment, shall be added to the principal of the Indebtedness, shall be secured by the Loan Documents and by the lien of this Deed of Trust, prior to any right, title or interest in or claim upon the Property attaching or accruing subsequent to the lien of this Deed of Trust, and shall be payable by Trustor to Beneficiary on demand.

6.7 Notices by Servicing Agent.

Trustor acknowledges and agrees that notices of default, notices declaring an Event of Default, notices accelerating the Indebtedness or other notices under this Article 6 may be given by any servicing agent of Beneficiary previously identified as such in writing by Beneficiary to Trustor.

ARTICLE 7

SECURITY AGREEMENT AND FIXTURE FILING

7.1 Grant of Security Interest.

Trustor hereby grants to Beneficiary a security interest in and to all Trustor's right, title and interest now owned or hereafter acquired in and to the Personalty (including Forest Products) and Fixtures (collectively, the "Collateral") as additional security for the payment and performance of the Obligations.

7.2 Remedies.

This Deed of Trust constitutes a security agreement with respect to the Collateral in which Beneficiary is hereby granted a security interest. In addition to the rights and remedies provided under this Deed of Trust, Beneficiary shall have all of the rights and remedies of a secured party under the Oregon Uniform Commercial Code as well as all other rights and remedies available at law or in equity. Trustor hereby agrees to execute and deliver on demand and irrevocably constitutes and appoints Beneficiary the attorney-in-fact of Trustor to, at Trustor's expense, execute, deliver and, if appropriate, to file with the appropriate filing officer or office such security agreements, financing statements, continuation statements or other instruments as Beneficiary may request or require in order to impose, perfect or continue the perfection of the lien or security interest created hereby. Upon the occurrence of any Event of Default, Beneficiary shall have (i) the right to cause any of the Collateral that is personal property to be sold at any one or more public or private sales as permitted by applicable law and to apply the proceeds thereof to the Indebtedness or any other monetary obligation of Trustor to Beneficiary, and (ii) the right to apply to the Indebtedness or any other monetary obligation of Trustor to Beneficiary, any Collateral that is cash, negotiable documents

or chattel paper. Any such disposition may be conducted by an employee or agent of Beneficiary or Trustee. Any Person, including both of Trustor and Beneficiary, shall be eligible to purchase any part or all of such Personalty at any such disposition.

7.3 Expenses.

Expenses of retaking, holding, preparing for sale, selling or the like pertaining to the Collateral shall be borne by Trustor and shall include Beneficiary's and Trustee's reasonable attorneys' fees and legal expenses. Trustor, upon demand of Beneficiary shall assemble the Collateral and make it available to Beneficiary at the Property, a place that is hereby deemed to be reasonably convenient to Beneficiary and Trustor. Beneficiary shall give Trustor at least ten (10) days' prior written notice of the time and place of any public sale or other disposition of the Collateral or of the time after which any private sale or any other intended disposition is to be made. Any such notice sent to Trustor in the manner provided for the mailing of notices herein is hereby deemed to be reasonable notice to Trustor.

7.4 Fixture Filing.

This Deed of Trust constitutes a financing statement filed as a fixture filing in the Official Records of the County Recorder of the county in which the Land is located with respect to any and all Fixtures included within the term "Property" as used herein and with respect to any goods, Personalty or other personal property that may now be or hereafter become Fixtures. For purposes thereof, Trustor is an Oregon limited liability company whose Organizational Identification Number is 522719-89 and whose address and taxpayer identification number are as set forth in Section 2.8 hereof.

ARTICLE 8

ASSIGNMENT OF RENTS AND PROCEEDS AND AGREEMENTS

8.1 Assignment of Rents.

Trustor absolutely and unconditionally assigns and transfers the Rents to Beneficiary, whether now due, past due or to become due, and gives to and confers upon Beneficiary the right, power and authority to collect such Rents, and apply the same to the Indebtedness or the satisfaction of any of the Obligations. Trustor irrevocably appoints Beneficiary its agent to, at any time, demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Trustor or in the name of Beneficiary, for all such Rents. Neither the foregoing assignment of Rents to Beneficiary or the exercise by Beneficiary of any of its rights or remedies under this Deed of Trust shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any part thereof, unless and until Beneficiary, in person or by its own agent, assumes actual possession thereof, nor shall

appointment of a Receiver for the Property by any court at the request of Beneficiary or by agreement with Trustor or the entering into possession of the Property or any part thereof by such Receiver be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Property or the use, occupancy, enjoyment or operation of all or any part thereof. Concurrently with the execution of this Deed of Trust, Trustor has executed, delivered and recorded the Assignment of Leases and Contracts in favor of Beneficiary. In the event of any inconsistency between the terms and provisions of this Article 8 and the terms and provisions of the Assignment of Leases and Contracts, the latter shall control.

8.2 Collection of Rents.

Notwithstanding anything to the contrary contained herein or in any of the Notes, so long as no Event of Default shall have occurred, Trustor shall have a license, revocable upon the occurrence of an Event of Default, to collect all Rents, to use and enjoy the same and to otherwise exercise all rights with respect thereto, subject to the terms hereof. Upon the occurrence of an Event of Default, and subject to the terms of the Assignment of Leases and Contracts, Beneficiary shall have the right, on written notice to Trustor, to terminate and revoke the license herein granted to Trustor and shall have the complete right and authority then or thereafter to exercise and enforce any and all of its rights and remedies provided herein, in the Assignment of Leases and Contracts, or by law or at equity.

ARTICLE 9 MISCELLANEOUS

9.1 Successor Trustee.

Beneficiary may remove Trustee or any successor trustee at any time or times and appoint a successor trustee by recording a written substitution in the county where the Property is located, or in any other manner permitted by law.

9.2 Change of Law.

In the event of the passage, after the date of this Deed of Trust, of any law changing in any way the laws now in force for the taxation of mortgages, deeds of trust, or debts secured by mortgage or deed of trust (other than laws imposing taxes on income), or the manner of the collection of any such taxes so as to materially affect the anticipated yield of Beneficiary as holder of any of the Notes and/or Beneficiary under this Deed of Trust, the Indebtedness plus any applicable prepayment charges shall become due and payable at the option of Beneficiary exercised by ninety (90) days' notice to Trustor unless Trustor, within such ninety (90) day period shall, if permitted by law, assume or pay any tax or other charge so imposed upon Beneficiary for the period remaining until full payment by Trustor of the Indebtedness.

9.3 No Waiver.

No failure by Beneficiary to insist upon strict, full and complete (i) payment when due of any portion of the Indebtedness or (ii) performance of any of the Obligations, nor failure to exercise any right or remedy hereunder, shall constitute a waiver of any such failure to pay or breach of any such Obligation, or of the later exercise of such right or remedy.

9.4 Abandonment.

Any and all Personalty that upon foreclosure of the Property is owned by Trustor and is used in connection with the operation of the Property shall be deemed at the option of Beneficiary to have become on such date a part of the Property and abandoned to Beneficiary in its then condition.

9.5 Notices.

All notices, demands, requests, consents, statements (including, without limitation, financial statements and officers certificates), satisfactions, waivers, designations, refusals, confirmation or denials that may be required or otherwise provided for or contemplated under the terms of this Deed of Trust shall be in writing, and shall be deemed to have been properly given (i) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged, (ii) one business day after having been deposited for overnight delivery with Federal Express or another comparable overnight courier service, or (iii) three business days after having been deposited in any post office or mail depository regularly maintained by the U.S. Postal Service and sent by registered or certified mail, postage prepaid, addressed as follows:

If to Trustor: Collins Timber Company LLC
1618 S.W. First Avenue, Suite 500
Portland, Oregon 97201
Attn: Vice President, Finance
Facsimile: (503) 227-5349

with copy to (provided that such copy shall not be required for the effectiveness of any notice delivered to Trustor hereunder):

Stoel Rives LLP
900 S.W. Fifth Avenue, Suite 2600
Portland, Oregon 97204-1268
Attn: Edward L. Epstein, Esq.
Facsimile: (503) 220-2480

If to Trustee: As provided in the Introductory paragraph of this Deed of Trust.

If to Beneficiary: The Prudential Insurance Company of America
2998 Douglas Blvd., Suite 260
Roseville, California 95661
Attn: Vice President, Agricultural Investments
Facsimile: (916) 789-4076

with a copy to: The Prudential Insurance Company of America
Four Embarcadero Center, Suite 2700
San Francisco, California 94111
Attention: Regional Counsel

and to: American AgCredit, FLCA
5560 South Broadway
Eureka, California 95503
Attn: Account Officer -Collins Pine Company
Facsimile: (707) 442-1268

with a copy to: American AgCredit, FLCA
200 Concourse Blvd.
P.O. Box 1120
Santa Rosa, California 95402-1120
Attn: AAC Counsel
Facsimile: (707) 545-9400

or addressed to each respective party at such other address as such party may from time to time designate by written notice to the other parties.

9.6 Severability.

If any term, provision, covenant or condition hereof or any application thereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all terms, provisions, covenants and conditions hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

9.7 Joinder of Foreclosure.

Should Beneficiary hold any other or additional security for the payment of the Indebtedness or performance of the Obligations, its sale or foreclosure, upon any default in such payment or performance, in the sole discretion of Beneficiary, may be prior to, subsequent to, or joined or otherwise contemporaneous with any sale or foreclosure hereunder.

9.8 Governing Law.

The parties expressly agree that this Deed of Trust (including, without limitation, all questions regarding permissible rates of interest) shall be governed by and construed in accordance with the laws of the state in which the Land is located.

9.9 Subordination.

At the option of Beneficiary, this Deed of Trust shall become subject and subordinate in whole or in part (but not with respect to priority of entitlement to any insurance proceeds, damages, awards, or compensation resulting from damage to the Property or condemnation or exercise of power of eminent domain), to any and all contracts of sale and/or any and all Leases upon the execution by Beneficiary and recording thereof in the Official Records of the County of a unilateral declaration to that effect. Beneficiary may require the issuance of such title insurance endorsements in connection with any such subordination as Beneficiary, in its reasonable judgment, shall determine are appropriate, and Trustor shall be obligated to pay any cost or expense incurred in connection with the issuance thereof.

9.10 Further Advances.

Upon the request of Trustor or its permitted successors in ownership of the Property, Beneficiary may hereafter, at its option, at any time before full payment of the Indebtedness, make further advances to Trustor or said successors, and the same, with interest and late charges, shall be secured by this Deed of Trust; provided, however, that the amount of principal secured by this Deed of Trust and remaining unpaid, shall not at the time of and including any such advance exceed the original principal sum secured hereby; and provided further that if Beneficiary, at its option, shall make a further advance or advances as aforesaid, Trustor or said successors in ownership agree to execute and deliver to Beneficiary (i) a note to evidence the same, payable on or before the maturity of the Indebtedness secured hereby and bearing such other terms as Beneficiary shall require, and (ii) satisfactory evidence that after such advance this Deed of Trust will secure such advance and continue to constitute a valid first mortgage lien on the Property subject only to the Permitted Exceptions.

9.11 Waivers and Releases.

A. BECAUSE DISPUTES ARISING IN CONNECTION WITH COMPLEX FINANCIAL TRANSACTIONS ARE MOST QUICKLY AND ECONOMICALLY RESOLVED BY AN EXPERIENCED AND EXPERT PERSON AND THE PARTIES WISH APPLICABLE STATE AND FEDERAL LAWS TO APPLY (RATHER THAN ARBITRATION RULES), THE PARTIES DESIRE THAT THEIR DISPUTES BE RESOLVED BY A JUDGE APPLYING SUCH APPLICABLE LAWS.

THEREFORE, TO ACHIEVE THE BEST COMBINATION OF THE BENEFITS OF THE JUDICIAL SYSTEM AND OF ARBITRATION, THE PARTIES HERETO WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR PROCEEDING BROUGHT TO ENFORCE OR DEFEND ANY RIGHTS OR REMEDIES UNDER THIS AGREEMENT OR ANY OF THE OTHER LOAN DOCUMENTS.

B. The pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust is hereby waived, to the fullest extent allowed by law.

C. To the maximum extent permitted by applicable law, Trustor hereby wholly waives the period of redemption and any right of redemption of any of the Property after sale under this Deed of Trust, or sale upon foreclosure of this Deed of Trust, as provided under any law of the State now or hereafter in effect. If title to any of the Property shall become vested in any Person who shall not waive (or who shall not be legally capable of waiving) the right of redemption in the event of foreclosure of (or sale under) this Deed of Trust, then such transfer of title shall constitute an Event of Default.

D. Trustor, for itself and its successors in title, hereby waives all rights at law or in equity to have the Property marshaled in the event of the foreclosure of this Deed of Trust. Trustor will not at any time insist upon, plead, or in any manner whatsoever claim or take any benefit or advantage of any present or future laws pertaining to the administration of the estates of decedents, exempting any of the Property from attachment, levy or sale under execution, or providing for any stay of execution, exemption from civil process, or extension of time for payment, or providing for the valuation, or appraisal of any of the Property prior to any sale or sales thereof which may be made pursuant to any provision herein, or pursuant to the decree, judgment or order of any court. Trustor hereby covenants not to hinder, delay or impede the execution of any power herein granted or delegated to Beneficiary, but to suffer and permit the execution of every power as though no such law or laws had been made or enacted.

E. Trustor hereby waives all notices not herein elsewhere specifically required, of Trustor's default or of Beneficiary's exercise, or election to exercise, any option or election under this Deed of Trust.

F. Trustor hereby waives personal service of the summons, complaint and other process issued in any action or suit arising out of any claims or disputes between Trustor and Beneficiary pertaining to this Deed of Trust or to any matter arising out of or related to this Deed of Trust, and agrees that service of such summons, complaint or other process may be made by registered or

certified mail addressed to Trustor at the address set forth in the introductory paragraph of this Deed of Trust with a copy to Edward L. Epstein, Esq., Stoel Rives LLP, 900 S.W. Fifth Avenue, Suite 2600, Portland, OR 97204-1268, and that service so made shall be deemed completed upon the earlier of Trustor's actual receipt thereof or three (3) days after deposit in the U.S. mails, proper postage prepaid.

9.12 Foreclosure Subject to Leases.

In the event that Beneficiary shall have the right to foreclose this Deed of Trust, Trustor authorizes Beneficiary at its option to foreclose subject to the rights of any tenants, and the failure to make any such tenants parties to any such foreclosure proceeding and to foreclose their rights will not be asserted by Trustor as a defense to any proceeding instituted by Beneficiary to collect any of the Debt or any deficiency after foreclosure.

9.13 Amendments.

No provision of this Deed of Trust shall be changed, altered, modified or released, except by an agreement in writing, signed by Trustor and Beneficiary, in accordance with the Loan Administration Agreement. No compliance with or failure to comply with any provision of this Deed of Trust shall be waived, except by a written instrument executed by Beneficiary in accordance with the Loan Administration Agreement.

9.14 Multiple Counterparts.

This Deed of Trust may be executed in any number of counterparts, and by the parties hereto on different counterparts. Each such counterpart shall for all purposes be deemed to be an original and all such counterparts shall together constitute but one and the same Deed of Trust.

9.15 Entire Agreement.

The Loan Documents set forth the entire understanding between Trustor and Beneficiary relative to the Loan and the same shall not be amended except by a written instrument duly executed by each of Trustor and Beneficiary. Any and all previous representations, warranties, agreements and understandings between or among the parties regarding the subject matter of the Loan whether written or oral, are superseded by this Deed of Trust and the other Loan Documents.

9.16 References to Foreclosure.

References in this Deed of Trust to "foreclosure" and related phrases shall be deemed references to the appropriate procedure in connection with Trustee's private power of sale as well as any judicial foreclosure proceeding or a conveyance in lieu of foreclosure.

9.17 Rights of Beneficiary and Trustee.

At any time or from time to time, without liability therefor and without notice, and without releasing or otherwise affecting the liability of any person for payment of any of the Indebtedness, (i) Beneficiary at its sole discretion and only in writing may extend the time for, or release any Person now or hereafter liable for, payment of any or all such Indebtedness, or accept or release additional security therefor, or subordinate the lien or charge hereof, or (ii) Trustee upon written request of Beneficiary and presentation of the applicable Note, any additional notes secured by this Deed of Trust and this Deed of Trust for endorsement may reconvey any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination. Upon written request of Beneficiary and surrender of the Note, any additional notes secured by this Deed of Trust and this Deed of Trust to the Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey without warranty the remaining Property. The recitals in any reconveyance shall be conclusive proof of the truthfulness thereof and the grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

9.18 Copies.

Trustor will promptly give to Beneficiary copies of all notices of violation relating to the Property that Trustor receives from any governmental agency or authority.

9.19 No Merger.

So long as any of the Indebtedness shall remain unpaid or Trustor shall have any further obligation under the Loan Documents, unless Beneficiary shall otherwise consent in writing, the fee estate of Trustor in the Property or any part thereof shall not merge, by operation of law or otherwise, with any leasehold or other estate in the Property or any part thereof, but shall always be kept separate and distinct therefrom, notwithstanding the union of said fee estate and such leasehold or other estate in Trustor or any other Person.

9.20 Right of Entry.

In addition to the rights granted to Beneficiary under Section 3.8, Beneficiary may enter at any reasonable time upon any part of the Property for the purpose of performing any of the acts Beneficiary is authorized to perform under the terms of this Deed of Trust; provided, however, other than when an Event of Default has occurred and is continuing, Beneficiary shall exercise commercially reasonable business practices in coordinating any entry pursuant to this Section with Trustor's corporate office in a manner that does not unduly interfere with the conduct of Trustor's ordinary

business operations. Trustor agrees to cooperate with Beneficiary to facilitate such entry.

9.21 Personalty Security Instruments.

Trustor covenants and agrees that if Beneficiary at any time holds additional security for any obligations secured hereby, it may enforce the terms thereof or otherwise realize upon the same, at its option, either before or concurrently herewith or after a sale is made hereunder, and may apply the proceeds upon the Indebtedness secured hereby without affecting the status of or waiving any right to exhaust all or any other security, including the security hereunder, and without waiving any breach or default or any right or power whether exercised hereunder or contained herein or in any such other security.

9.22 Suits to Protect Property.

Trustor covenants and agrees to appear in and defend any action or proceeding purporting to affect the security of the Deed of Trust, or of any additional or other security for the Obligations, the interest of Beneficiary or the rights, powers and duties of Trustee hereunder; and to pay all costs and expenses, including cost of evidence of title and reasonable attorneys' fees, in any action or proceeding in which Beneficiary and/or Trustee may appear or be made a party, including foreclosure or other proceeding commenced by those claiming a right to any part of the Property in any action to partition or condemn all or part of the Property, whether or not pursued to final judgment, and in any exercise of the power of sale contained herein, whether or not the sale is actually consummated. Trustee agrees that in any such action or proceeding in which Beneficiary is made a party, Beneficiary may at its option defend such action, and all reasonable costs of such defense, including all court costs and reasonable attorneys' fees, shall be borne and paid by Trustor.

9.23 Junior Liens.

Trustor represents and warrants that as of the date hereof there are no encumbrances on the Property to secure debt junior to this Deed of Trust and covenants that there are to be none as of the date when this Deed of Trust becomes of record.

9.24 Charges for Statements.

Trustor agrees to pay Beneficiary's charge for any statement regarding the obligations secured by this Deed of Trust requested by Trustor or in its behalf.

9.25 Usury.

In the event that Beneficiary determines that any charge, fee or interest paid or agreed to be paid in connection with the Loan may, under the applicable usury laws, cause the

interest rate on the Loan to exceed the maximum permitted by law, then such charges, fees or interest shall be reduced and any amounts actually paid in excess of the maximum interest permitted by such laws shall be applied by Beneficiary to reduce the outstanding principal balance of the Loan. The parties intend that Trustor shall not be required to pay, and Beneficiary shall not be entitled to collect, interest in excess of the maximum legal rate permitted under the applicable usury laws.

9.26 Publicity.

Trustor hereby agrees that Beneficiary, at its expense, may publicize the financing of the Property.

9.27 Defense and Indemnity Rights.

Whenever under any Loan Document, Trustor is obligated to indemnify and/or defend Beneficiary, or Trustor is obligated to defend or prosecute any action or proceeding, then Beneficiary shall have the right of counsel of Beneficiary's choice reasonably exercised, and all reasonable costs and expenses incurred by Beneficiary in connection with such participation (including reasonable attorneys' fees) shall be reimbursed by Trustor to Beneficiary promptly upon demand. In addition, Beneficiary shall have the right to approve any counsel retained by Trustor in connection with the prosecution or defense of any such action or proceeding by Trustor, such approval not to be unreasonably withheld or delayed. Trustor shall give notice to Beneficiary of the initiation of all proceedings prosecuted or required to be defended by Trustor, or that are subject to Trustor's indemnity obligations, under this Deed of Trust, promptly after the receipt by Trustor of notice of the existence of any such proceeding, but in no event later than five (5) days thereafter. All costs or expenses required to be reimbursed by Trustor to Beneficiary hereunder shall, if not paid when due as herein specified, bear interest at the Secondary Interest Rate. As used herein, "proceeding" shall include litigation (whether by way of complaint, answer, cross-complaint, counterclaim or third party claim), arbitration and administrative hearings or proceedings.

9.28 Destruction of Note.

Trustor shall, if one or more of the Notes is mutilated or destroyed by any cause whatsoever, or otherwise lost or stolen and regardless of whether due to the act or neglect of Beneficiary or Trustee, execute and deliver to Beneficiary in substitution therefor a duplicate promissory note containing the same terms and conditions as the Note or Notes, as the case may be, within ten (10) days after Beneficiary notifies Trustor of any such mutilation, destruction, loss or theft of the Note, provided Beneficiary delivers to Trustor an affidavit to such effect which includes a covenant by Beneficiary to save and hold harmless and indemnify Trustor against all loss, cost and expenses Trustor may incur in defending against any subsequent presentment or demand upon the original Note or Notes. Any new promissory note executed and

delivered hereunder shall be in full substitution for the Note, shall not constitute any new or additional indebtedness of Trustor to Beneficiary, shall constitute solely a substitute evidence of the indebtedness evidenced by the original Note or Notes, as the case may be, and shall not affect in any manner the priority of this Deed of Trust, or any other document or instrument executed in connection with or evidencing or securing the Indebtedness under the Note. Failure or delay by Beneficiary to notify Trustor hereunder shall not affect in any manner Trustor's liability for the Indebtedness under the Note or Notes, as the case may be, or Trustor's obligation to execute a new promissory note hereunder; and Trustor's failure to execute a new promissory note on Beneficiary's request hereunder shall likewise not affect Trustor's liability for the indebtedness under the Notes.

9.29 Trustor, Beneficiary and Trustee Defined.

As used in this Deed of Trust, "Trustor" includes the original signatories of this Deed of Trust as Trustor, and its successors and assigns (whether or not such assign assumed the Obligations hereunder); the term "Beneficiary" means the Beneficiary named herein or any future owner or holder, including pledgee and participants, of the Notes, or any other instrument secured hereby, or any participation therein; and "Trustee" includes the original Trustee under this Deed of Trust and its successors and assigns.

9.30 Successors and Assigns.

All of the grants, obligations, covenants, agreements, terms, provisions and conditions herein shall run with the Land, and shall apply to, bind and inure to the benefit of, the successors of Trustor and any subsequent owner of the Land, the Timber or the Improvements, and the successors of Beneficiary and any subsequent holder of any Note.

9.31 Rules of Construction.

When the identity of the parties or other circumstances make it appropriate, the masculine gender shall include the feminine and/or neuter, and the singular number shall include the plural. Specific enumeration of rights, powers and remedies of Trustee and Beneficiary and of acts that they may do and of acts Trustor must do or not do shall not exclude or limit the general. The headings of each Article and Section are for information and convenience and do not limit or construe the contents of any provision hereof. The provisions of this Deed of Trust and all other Loan Documents shall be construed as a whole according to their common meaning, not strictly for or against any party and consistent with the provisions herein contained, in order to achieve the objectives and purposes of such documents. Each party and its counsel has reviewed and revised the Loan Documents and agree that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of such document. The use in this

Deed of Trust and all other Loan Documents of the words "including", "such as", or words of similar import, when following any general term, statement or matter shall not be construed to limit such statement, term or matter to the specific items or matters, whether or not language of non-limitation such as "without limitation" or "but not limited to", or words of similar import, are used with reference thereto, but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such statement, term or matter. The references to the "Property" shall be deemed to refer to all or any portion of the Property and any interest therein.

9.32 Information to Third Persons.

If, at any time, Beneficiary desires to sell or transfer, or grant a participation interest in, all or any portion of, or any interest in, the Notes, this Deed of Trust or any other Loan Document to any Person, Trustor shall furnish in a timely manner any and all financial information concerning the Property and Leases, and concerning Trustor's financial condition, reasonably requested by Beneficiary or such Person in connection with any such sale or transfer.

9.33 Commingling of Funds.

Any and all sums collected or retained by Beneficiary hereunder (including insurance and condemnation proceeds and any amounts paid by Trustor to Beneficiary under Section 3.4 above), shall not be deemed to be held in trust, and Beneficiary may commingle any and all such funds or proceeds with its general assets and shall not be liable for the payment of any interest or other return thereon, except to the extent otherwise required by law.

9.34 Standards of Discretion.

Nothing contained in this Deed of Trust, the Notes, or any other Loan Documents, shall limit the right of Beneficiary to exercise its business judgment, or act, in a subjective manner with respect to any matter as to which it has specifically been granted such right or the right to act in its sole discretion or sole judgment hereunder or thereunder, whether "objectively" reasonable under the circumstances. Any such exercise shall not be deemed inconsistent with any covenant of good faith and fair dealing otherwise implied by law to be a part of this Deed of Trust.

9.35 Certain Standards on Efforts of Trustor.

Whenever in this Deed of Trust, or any other Loan Document, the phrase "cause to be" is used in conjunction with any of Trustor's Obligations, such phrase shall be deemed to include the use by Trustor of best efforts and all due diligence to cause the applicable act, event or circumstance to occur or be performed or taken, and such efforts and due

diligence shall encompass the initiation of litigation or other proceedings in order to enforce or bring about the happening of the applicable act or matter.

9.36 Certain Obligations Unsecured.

Notwithstanding anything to the contrary set forth herein or in any of the Loan Documents, this Deed of Trust shall not secure the following obligations (the "Unsecured Obligations"): (i) any obligations evidenced by or arising under the Hazardous Substances Agreement, and (ii) any other obligations in this Deed of Trust or in any of the other Loan Documents to the extent that such other obligations relate specifically to the presence on the Property of Hazardous Materials (as defined in the Hazardous Substances Agreement) and are the same or have the same effect as any of the obligations evidenced by or arising under the Hazardous Substances Agreement. Any breach or default with respect to the Unsecured Obligations shall constitute an Event of Default hereunder, notwithstanding the fact that such Unsecured Obligations are not secured by this Deed of Trust. Nothing in this Section shall, in itself, impair or limit Beneficiary's right to obtain a judgment in accordance with applicable law after foreclosure for any deficiency in recovery of all obligations that are secured by this Deed of Trust following foreclosure.

9.37 ORS Chapter 93 Warning.

THIS INSTRUMENT WILL NOT ALLOW USE OF THE PROPERTY DESCRIBED IN THIS INSTRUMENT IN VIOLATION OF APPLICABLE LAND USE LAWS AND REGULATIONS. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY APPROVED USES AND TO DETERMINE ANY LIMITS ON LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930.

9.38 General Notice.

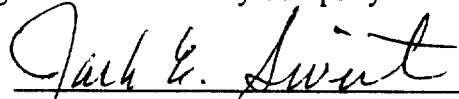
UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BENEFICIARY TO BE ENFORCEABLE.

IN WITNESS WHEREOF, Trustor has caused this Deed of Trust to be executed as of the day and year first above written.

Trustor

COLLINS TIMBER COMPANY LLC,
an Oregon limited liability company

By:

A handwritten signature in black ink, appearing to read "Jack E. Sivertson", written over a horizontal line.

Jack E. Sivertson,
Vice President, Finance

EXHIBIT A
PROPERTY DESCRIPTION

The Land which is the subject of this Deed of Trust is situate in the Counties of Klamath and Lake in the State of Oregon and is legally described as follows:

[See attached legal description.]

EXHIBIT A
PROPERTY DESCRIPTION

The Land which is the subject of this Deed of Trust is situate in the Counties of Klamath and Lake in the State of Oregon and is legally described as follows:

[See attached legal description.]

51399

EXHIBIT "A"
LEGAL DESCRIPTION

PARCEL 1:

NE1/4 Section 36, Township 33 South, Range 13 East, Willamette Meridian, Klamath County, Oregon.

PARCEL 2:

NE1/4 Section 27, Township 34 South, Range 13 East, Willamette Meridian, Klamath County, Oregon.

PARCEL 3:

SW1/4 Section 19, Township 35 South, Range 13 East, Willamette Meridian, Klamath County, Oregon.

PARCEL 4:

NW 1/4 Section 32, Township 35 South, Range 13 East, Willamette Meridian, Klamath County, Oregon.

0057168

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 1

Township 32 South, Range 16 East of the Willamette Meridian,
Section 22: Government Lot 4,
NE1/4 SW1/4, W1/2 SE1/4.
Section 23: SW1/4.

Parcel 2

Township 36 South, Range 19 East of the Willamette Meridian,
Section 10: The SW1/4 SW1/4.
Section 13: The S1/2 NW1/4, SW1/4.
Section 14: The S1/2.
Section 15: The NW1/4, S1/2.
Section 16: ALL.
Section 19: The SE1/4.
Section 20: ALL.
Section 21: ALL.
Section 22: ALL.
Section 23: ALL.
Section 24: The S1/2 NE1/4, W1/2, SE1/4.
Section 25: The NE1/4, W1/2, W1/2 SE1/4.
Section 26: ALL.
Section 27: ALL.
Section 28: ALL.
Section 29: ALL.
Section 30: ALL.
Section 31: Government Lots 1 and 2; The E1/2 NW1/4.
Section 32: ALL.
Section 33: ALL.
Section 34: ALL.
Section 35: ALL.
Section 36: ALL.

Parcel 3

Township 36 South, Range 19 East of the Willamette Meridian,
Section 25: The E1/2 SE1/4.

Parcel 4

Township 37 South, Range 16 East of the Willamette Meridian,
Section 7: The NE1/4 NE1/4 NE1/4 SW1/4.

51401

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 5

Township 37 South, Range 18 East of the Willamette Meridian,
Section 13: The E1/2.
Section 24: The NE1/4, N1/2 SE1/4.

Parcel 6

Township 37 South, Range 18 East of the Willamette Meridian,
Section 24: The S1/2 SE1/4.

Parcel 7

Township 37 South, Range 19 East of the Willamette Meridian,
Section 1: Government Lots 3 and 4, the S1/2 NW1/4.
Section 2: ALL.
Section 3: ALL.
Section 5: Government Lots 2, 3 and 4,
the SW1/4 NE1/4, S1/2 NW1/4, S1/2.
Section 6: Government Lots 1, 2, 3, 4 and 5,
the S1/2 NE1/4, SE1/4 NW1/4,
E1/2 SW1/4, SE1/4.
Section 7: The E1/2, E1/2 W1/2..
Section 8: The N1/2, N1/2 SW1/4, SW1/4 SW1/4,
N1/2 SE1/4, SE1/4 SE1/4.
Section 9: ALL.
Section 10: ALL.
Section 15: The W1/2 NW1/4, SW1/4.
Section 16: ALL.
Section 17: ALL.
Section 18: Government Lots 1, 2, 3 and 4.
The NE1/4, E1/2 NW1/4, E1/2 SW1/4, W1/2 SE1/4.
Section 19: Government Lots 1, 2 and 3.
The SE1/4 NE1/4, NE1/4 NW1/4,
NE1/4 SW1/4, SE1/4.
Section 20: The N1/2.
Section 21: The N1/2, SW1/4.
Section 22: The W1/2 NW1/4.

Parcel 8

Township 37 South, Range 19 East of the Willamette Meridian,
Section 22: The SE1/4 NE1/4, SW1/4 SE1/4, E1/2 SE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 9

Township 37 South, Range 19 East of the Willamette Meridian,
Section 26: The SW1/4, W1/2 SE1/4.
Section 33: The SE1/4 NW1/4, E1/2.
Section 34: The NE1/4, W1/2 NW1/4, SE1/4 NW1/4, S1/2.
Section 35: The NW1/4 NE1/4, W1/2, SE1/4.

Parcel 10

Township 38 South, Range 19 East of the Willamette Meridian,
Section 2: ALL.
Section 3: ALL.
Section 11: The N1/2 N1/2 N1/2, EXCEPTING THEREFROM that
portion lying in Parcels 1 and 2 of Partition Plat 1995-P-086,
as filed with the Lake County Clerk, Oregon, in Plat Records.

Parcel 11

Township 38 South, Range 20 East of the Willamette Meridian,
Section 13: The NE1/4, E1/2 SW1/4, SE1/4.

Parcel 12

Township 38 South, Range 20 East of the Willamette Meridian,
Section 13: The NE1/4 NW1/4.

Parcel 13

Township 38 South, Range 20 East of the Willamette Meridian,
Section 23: The S1/2 NE1/4, S1/2, EXCEPTING THEREFROM that
portion deeded to the State of Oregon, by and through its
Department of Transportation for State Highway 140, lying in a
portion of the SW1/4.

Parcel 14

Township 38 South, Range 20 East of the Willamette Meridian,
Section 24: The N1/2 NE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 15

Township 38 South, Range 20 East of the Willamette Meridian,
Section 35: The W1/2 SW1/4.

Parcel 16

Township 38 South, Range 20 East of the Willamette Meridian,
Section 35: The SW1/4 NW1/4.

Parcel 17

Township 38 South, Range 20 East of the Willamette Meridian,
Section 35: The N1/2 NW1/4, SE1/4 NW1/4, N1/2 NE1/4 SW1/4.

Parcel 18

Purposefully Omitted

Parcel 19

Township 38 South, Range 21 East of the Willamette Meridian,
Section 26: The N1/2, SW1/4.

Parcel 20

Township 38 South, Range 21 East of the Willamette Meridian,
Section 18: Government Lots 1, 3, 4 and 5,
the W1/2 NE1/4 NW1/4, S1/2 S1/2 SE1/4 NW1/4,
E1/2 SW1/4, W1/2 SE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 21

Township 38 South, Range 21 East of the Willamette Meridian,
 Section 17: The SW1/4, S1/2 SE1/4.
 Section 19: ALL.
 Section 20: The N1/2, N1/2 SW1/4, W1/2 SE1/4.
 Section 21: The NW1/4 NE1/4, S1/2 NE1/4, NW1/4, S1/2.
 Section 23: ALL.
 Section 24: ALL.
 Section 25: ALL.
 Section 26: The SE1/4.
 Section 27: ALL.
 Section 28: ALL.
 Section 29: ALL.
 Section 32: The SW1/4 NE1/4, SE1/4 NE1/4, NW1/4 NW1/4,
 S1/2 NW1/4, S1/2, EXCEPTING THEREFROM the
 following described parcels, to-wit:

Beginning at the Southwest corner of the SE1/4 NW1/4 of Section 32; thence North 800 feet; thence East 600 feet; thence South 800 feet; thence West 600 feet to the point of beginning, AND

the NW1/4 SW1/4 NW1/4 of said Section 32, ALSO EXCEPTING THEREFROM

The SE1/4 SW1/4 NW1/4; that portion of the W1/2 SE1/4 lying Northeasterly of State Highway 140; that portion of the E1/2 SW1/4 lying Northeasterly of State Highway 140; that portion of the NW1/4 SW1/4 lying Northeasterly of State Highway 140, AND FURTHER EXCEPTING THEREFROM,

that portion of the SW1/4 lying Southerly of State Highway 140; that portion of the W1/2 SE1/4 lying Southerly of State Highway 140, EXCEPTING THEREFROM that portion deeded to the State of Oregon, by and through its Department of Transportation for State Highway 140.

Section 33: ALL, EXCEPTING THEREFROM that portion deeded to the State of Oregon, by an through its Department of Transportation for State Highway 140.

Section 34: E1/2 NW1/4, SW1/4 NW1/4, NW1/4 SW1/4, EXCEPTING THEREFROM that portion deeded to the State of Oregon, by and through its Department of Transportation for State Highway 140.

Section 35: The N1/2, W1/2 SW1/4, SW1/4 SE1/4 SW1/4, NE1/4 SE1/4.

Section 36: The NW1/4.

Parcel 22

Township 38 South, Range 21 East of the Willamette Meridian,
 Section 20: The S1/2 SW1/4.

LA05976

EXHIBIT "A"
LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 23

Township 38 South, Range 21 East of the Willamette Meridian,
Section 20: The E1/2 SE1/4.

Parcel 24

Township 38 South, Range 21 East of the Willamette Meridian,
Section 28: The NW1/4 SE1/4.

Parcel 25

Township 38 South, Range 21 East of the Willamette Meridian,
Section 30: Government Lot 1,
The E1/2 NW1/4, NE1/4 SW1/4.

Parcel 26

Township 38 South, Range 21 East of the Willamette Meridian,
Section 31: A portion of Lot 1 of Camas Prairie Subdivision,
as recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake
County Plat Records, Oregon.

Parcel 27

Township 38 South, Range 21 East of the Willamette Meridian,
Section 32: Lot 2 of Camas Prairie Subdivision, as recorded
June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Plat
Records, Oregon.

Parcel 28

Township 38 South, Range 21 East of the Willamette Meridian,
Section 34: The NW1/4 NW1/4.

Parcel 29

Township 38 South, Range 21 East of the Willamette Meridian,
Section 34: The E1/2, EXCEPTING THEREFROM that portion deeded
to the State of Oregon, by and through its Department of
Transportation for State Highway 140, lying in a portion of the
SW1/4 SE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 30

Township 38 South, Range 21 East of the Willamette Meridian,
Section 36: The NW1/4 SW1/4.

Parcel 31

Township 38 South, Range 22 East of the Willamette Meridian,
Section 1: Government Lots 3 and 4,
The S1/2 NW1/4.

Parcel 32

Township 38 South, Range 22 East of the Willamette Meridian,
Section 7: Government Lots 3 and 4, E1/2, E1/2 SW1/4.
Section 8: ALL.
Section 9: The NE1/4,
the East 1299 feet of the NE1/4 NW1/4,
NW1/4 NW1/4, S1/2 NW1/4, SW1/4,
N1/2 SE1/4, SW1/4 SE1/4.
Section 10: The SW1/4 NW1/4, W1/2 SW1/4, SE1/4 SW1/4.
Section 15: The N1/2, SW1/4, NW1/4 NE1/4 SE1/4,
NW1/4 SE1/4, N1/2 SW1/4 SE1/4.
Section 16: Government Lots 1, 2, 3 and 4,
NE1/4 NW1/4, S1/2 NW1/4, SW1/4, SE1/4.
Section 17: ALL.
Section 18: ALL.
Section 19: ALL.
Section 20: ALL.
Section 21: The N1/2 NE1/4 NE1/4, W1/2 NW1/4 NE1/4,
NW1/4, W1/2 SW1/4, W1/2 NE1/4 SW1/4.
Section 22: The N1/2 NE1/4 NW1/4, NW1/4 NW1/4,
NW1/4 SW1/4 NW1/4.
Section 28: The N1/2 NW1/4 NW1/4.
Section 29: The N1/2 N1/2 NE1/4, W1/2.
Section 30: The N1/2, SW1/4, W1/2 SW1/4 NE1/4 SE1/4,
W1/2 SE1/4, SE1/4 SE1/4.
Section 31: The N1/2, SW1/4.

Parcel 33

Township 38 South, Range 22 East of the Willamette Meridian,
Section 9: The West 21 feet of the NE1/4 NW1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 34

Township 38 South, Range 22 East of the Willamette Meridian,
Section 9: The SE1/4 SE1/4.

Parcel 35

Township 38 South, Range 22 East of the Willamette Meridian,
Section 11: The NW1/4, N1/2 SW1/4.

Parcel 36

Township 38 South, Range 22 East of the Willamette Meridian,
Section 16: The NW1/4 NW1/4.

Parcel 37

Township 38 South, Range 22 East of the Willamette Meridian,
Section 30: The N1/2 NE1/4 SE1/4, E1/2 SW1/4 NE1/4 SE1/4,
SE1/4 NE1/4 SE1/4.

Parcel 38

Township 38 South, Range 22 East of the Willamette Meridian,
Section 31: The SE1/4.

Parcel 39

Township 39 South, Range 20 East of the Willamette Meridian,
Section 1: Government Lots 1, 2, 3 and 4,
The S1/2 NE1/4, S1/2 NW1/4, E1/2 SE1/4.
Section 2: Government Lots 1 and 2,
The S1/2 NE1/4.

Parcel 40

Township 39 South, Range 20 East of the Willamette Meridian,
Section 1: The S1/2 SW1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 41

Township 39 South, Range 20 East of the Willamette Meridian,
Section 3: The NW1/4 of Government Lot 2.

Parcel 42

Township 39 South, Range 20 East of the Willamette Meridian,
Section 25: The W1/2 NW1/4 NE1/4.

Parcel 43

Township 39 South, Range 21 East of the Willamette Meridian,
Section 4: Government Lots 1 and 2,
The N1/2 S1/2 NE1/4.

Parcel 44

Township 39 South, Range 21 East of the Willamette Meridian,
Section 4: Government Lot 4,
The NW1/4 SW1/4 NW1/4.

Parcel 45

Township 39 South, Range 21 East of the Willamette Meridian,
Section 6: A portion of Lot 1 of Camas Prairie Subdivision,
recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake
County Records, Oregon.

Parcel 46

Township 39 South, Range 21 East of the Willamette Meridian,
Section 6: Lot 4 of Camas Prairie Subdivision, recorded June
21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records,
Oregon.

Parcel 47

Township 39 South, Range 21 East of the Willamette Meridian,
Section 5: Lot 5 of Camas Prairie Subdivision, recorded June
21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records,
Oregon.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 48

Township 39 South, Range 21 East of the Willamette Meridian, Section 4: Lot 7 of Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

Parcel 49

Township 39 South, Range 21 East of the Willamette Meridian, Section 3: Lot 9 of Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

Parcel 50

Township 39 South, Range 21 East of the Willamette Meridian, Section 2: Lot 10 of Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

Parcel 51

Township 39 South, Range 21 East of the Willamette Meridian, Section 1: Lot 11 in Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

Parcel 52

Township 39 South, Range 21 East of the Willamette Meridian, Sections 8 and 17: Lot 12 in Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

Parcel 53

Township 39 South, Range 21 East of the Willamette Meridian, Section 9: Lot 16 of Camas Prairie Subdivision, recorded June 21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records, Oregon.

LA05976

EXHIBIT "A"**LAKE COUNTY**

In the County of Lake, State of Oregon, as follows:

Parcel 54

Township 39 South, Range 21 East of the Willamette Meridian,
Section 16: Lot 17 in Camas Prairie Subdivision, recorded June
21, 1996, in Plat Cabinet B, Sleeve 1, Lake County Records,
Oregon.

Parcel 55

Township 39 South, Range 21 East of the Willamette Meridian,
Section 3: The S1/2 SW1/4,
Section 10: The NW1/4, EXCEPTING THEREFROM a tract of land
conveyed to the State of Oregon, Highway Commission, by deed
recorded in Book 130 at Page 503, Lake County Deed Records,
Oregon, described as the E1/2 SE1/4 SE1/4 NW1/4.

Parcel 56

Township 39 South, Range 21 East of the Willamette Meridian,
Section 8: The W1/2 NW1/4.

Parcel 57

Township 39 South, Range 21 East of the Willamette Meridian,
Section 25: The NW1/4 NE1/4, E1/2 NW1/4, NE1/4 SW1/4.

Parcel 58

Township 39 South, Range 22 East of the Willamette Meridian,
Section 6: Government Lots 3, 4 and 5,
The SE1/4 NW1/4, EXCEPTING THEREFROM that portion
deeded to the State of Oregon, by and through its Department of
Transportation for State Highway 140.

Parcel 59

Township 40 South, Range 16 East of the Willamette Meridian,
Section 17: The N1/2 N1/2 NE1/4 NE1/4.

Parcel 60

Township 40 South, Range 16 East of the Willamette Meridian,
Section 17: The S1/2 S1/2 NE1/4 NE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 61

Township 40 South, Range 21 East of the Willamette Meridian,
Section 26: The N1/2 of the SE1/4, EXCEPTING THEREFROM that
parcel of land described in Book 124 at Page 239, Lake County
Deed Records, Oregon, which includes an easement.

Parcel 62

Township 41 South, Range 17 East of the Willamette Meridian,
Section 6: Government Lot 2, SE1/4 NE1/4.

Parcel 63

Township 41 South, Range 17 East of the Willamette Meridian,
Section 6: Government Lot 4.

Parcel 64

Township 41 South, Range 17 East of the Willamette Meridian,
Section 21: Government Lots 3 and 4.
Section 22: Government Lot 1, SW1/4 NW1/4.

Parcel 65

Township 41 South, Range 17 East of the Willamette Meridian,
Section 15: The N1/2, N1/2 SW1/4, NW1/4 SE1/4.

Parcel 66

Township 41 South, Range 17 East of the Willamette Meridian,
Section 12: The NE1/4, NE1/4 SE1/4, S1/2 SE1/4.

Parcel 67

Township 41 South, Range 17 East of the Willamette Meridian,
Section 13: The NW1/4 NW1/4, S1/2 NW1/4, SW1/4.
Section 14: The SE1/4 NE1/4.

LA05976

EXHIBIT "A"

LAKE COUNTY

In the County of Lake, State of Oregon, as follows:

Parcel 68

Township 41 South, Range 17 East of the Willamette Meridian,
Section 22: Government Lot 4.
Section 23: Government Lots 1, 2, 3 and 4,
The S1/2 N1/2.

Parcel 69

Township 41 South, Range 18 East of the Willamette Meridian,
Section 23: Government Lots 2, 3 and 4,
The NE1/4 NE1/4, S1/2 NE1/4, SW1/4 NW1/4.
Section 24: Government Lots 1, 2, 3 and 4.
The W1/2 NE1/4, NW1/4.

Parcel 70

Beginning at a point on the West line of Section 17, Township 41 South, Range 19 East of the Willamette Meridian, 1245 feet South of the Northwest corner of said Section 17; thence East 1112 feet to the Government Survey of the meander of Goose Lake made in 1872; thence with the meander South 29 degrees 00'00" East 170 feet; thence South 26 degrees 00'00" East 299 feet; thence leaving the meander West 1320 feet; thence with the Section line North 405 feet to the point of beginning.

EXHIBIT B
DESCRIPTION OF PERSONAL PROPERTY

The term "Personalty" means and includes the following:

All of Trustor's right, title and interest in and to the following, whether now existing, or hereinafter acquired or arising:

- (i) Any and all machinery, attachments, appliances, and other equipment (including leased equipment to the extent of Trustor's leasehold interest and the lease pursuant to which such equipment has been leased) now or hereafter incorporated into or attached to the Land or the Improvements, including all replacements and substitutions of and additions and accessions to the foregoing;
- (ii) Any and all royalty and other contractual rights (excluding leaseholds) of Trustor pertaining to all water, steam, thermal energy and other geothermal resources and all oil, gas, hydrocarbons, gravel, phosphate, limerock, coal and other mineral resources and subterranean substances, and all existing or hereafter acquired surface and subsurface water and water rights and shares of stock evidencing the same, and all products thereof in, on, under or pertaining to the Land and all surface access and mining or drilling rights in, on, under or pertaining to the Land, to the extent that the foregoing do not constitute the Land under applicable law, and all royalty and other rights of Trustor pertaining thereto (excluding leaseholds), and all agreements providing for the payment to Trustor of royalties (including overriding royalties) or other payments derived from any part of the Land and all production payments, farm-out agreements, unit agreements and other similar agreements and rights pertaining thereto.
- (iii) Any and all timber of every kind and species (whether or not merchantable), whether severed or unsevered, including standing and downed timber, and stumps and cut timber lying, being or remaining on the Land or removed from the Land (until scaled at the sawmill, at which time such property shall cease to constitute "Timber" hereunder), and all Forest Products (as that term is hereinafter defined) arising out of, generated by or from the Land (until the Timber giving rise to such Forest Products is scaled at the sawmill, at which time such Forest Products shall cease to constitute "Timber" hereunder), and any and all products or proceeds of any of the foregoing and wherever located. For purposes hereof, "Forest Products" shall mean any and all logs, timber, lumber, finished or milled lumber, bark, sawdust, logging and milling waste, hog fuel, wood chips, all timber and lumber subject to any manufacturing process, all raw material and work in progress, and all goods, inventory and

other timber products, now or hereafter owned or acquired by Trustor or in which Trustor has an interest.

- (iv) Any and all of Trustor's present and future rights to receive payments of money, services or property on account of the Timber, accounts (including accounts receivable), contract rights (including any rights of Trustor under any Cutting Rights Agreements, Timber Sales Agreements and any other timber sale contracts, timber deeds or other similar contracts affecting the Land or any portion thereof), and any other payments due on account of the Timber, the Minerals (as defined in the Deed of Trust), services rendered, loans made or credit extended, arising out of, generated by or from, or in any way related to Trustor's business operations on the Land, together with Trustor's title or interest in all documents evidencing or securing the same;
- (v) Trustor's rights under all insurance policies covering the Improvements, the Land, the Timber or any other part of the personal property described in this Exhibit B, and all proceeds, loss payments and premium refunds payable regarding the same;
- (vi) Any and all causes of action, claims, compensation, awards, damages, recoveries and proceeds for any condemnation or taking of the Land, the Timber and/or the Improvements under the power of eminent domain, or for any conveyance in lieu thereof, whether direct or consequential, or for any damage or injury to the Land, the Timber and the Improvements, or for any loss or diminution in value of the Land, the Timber, the Improvements and any other part of the personal property described in this Exhibit B;
- (vii) Any and all documents, including documents of title, bills of lading, warehouse receipts, dock receipts and dock warrants relating to the Timber and any other part of the personal property described in this Exhibit B;
- (viii) Any and all general intangibles (including any and all Authorizations) relating to the Timber or Trustor's business activities on the Land;
- (ix) Any and all books, records and other documentation of Trustor in connection with the ownership of any of the personal property described in this Exhibit B, or in connection with Trustor's business activities on the Land, including, without limitation, timber growth studies and timber inventory data; and
- (x) Any and all present and future attachments, accessions, replacements, substitutions and additions to or for any of the foregoing and the cash and non-cash products and proceeds of any of the foregoing.

51415

Notwithstanding anything to the contrary in the foregoing, the term "Personalty" shall exclude, and Beneficiary shall not be granted any lien on or security interest in any of, any motor vehicles and other rolling stock used in connection with Trustor's operations on the Land, including tractors, loaders, skidders, trucks, trailers and off-road vehicles.