

AFTER RECORDING, RETURN TO:
William M. Ganong
Attorney at Law
514 Walnut Avenue
Klamath Falls OR 97601

State of Oregon, County of Klamath
Recorded 01/15/2004 8:20 a m
Vol M04 Pg 2405-13
Linda Smith, County Clerk
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**TRUST DEED, ASSIGNMENT OF RENTS,
SECURITY AGREEMENT, AND FIXTURE FILING**

THIS TRUST DEED, ASSIGNMENT OF RENTS, SECURITY AGREEMENT, AND FIXTURE FILING ("Trust Deed") is made as of the 1st day of January, 2004, by Pine Cone, LLC., an Oregon Limited Liability Company, 404 S. Fourth Street, Klamath Falls, Oregon 97601 ("Grantor"), to William M. Ganong, Attorney at Law, 514 Walnut Avenue, Klamath Falls, Oregon 97601 ("Trustee"), for the benefit of Modoc Lumber Co., an Oregon corporation, Post Office Box 257, Klamath Falls, Oregon 97601 ("Beneficiary").

WHEREAS, Beneficiary has offered to make a loan to Grantor in the sum of \$900,000, which loan is to be evidenced by a Promissory Note of even date herewith. The loan, if not sooner paid, is due and payable in full on December 31, 2008. (The Promissory Note as modified, supplemented, extended, renewed, or replaced from time to time is referred to below as the "Note"); and

WHEREAS, as a condition to the making of the loan to Grantor, Beneficiary has required, and Grantor has agreed to execute and deliver, this Trust Deed.

NOW, THEREFORE, for good and valuable consideration, receipt of which is hereby acknowledged, and for the purpose of securing the Obligations described in Section 1.01 of the MASTER FORM recorded July 28, 2000 in Volume M00 at Page 27587 of the records of the Clerk of Klamath County, Oregon, all the provisions of which said MASTER FORM are incorporated herein by this reference, Grantor irrevocably grants, bargains, sells, conveys, assigns, and transfers to Trustee in trust for the benefit and security of the Beneficiary, with power of sale and right of entry and possession, all of Grantor's right, title, and interest in and to the real property located in Klamath County, state of Oregon, and more particularly described in Exhibit A attached hereto and

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incorporated herein (the "Property");

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

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

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

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

TOGETHER WITH all present and future rights in and to the trade name by which all or any portion of the Property and the Improvements are known; all books and records relating to the use and operation of all or any portion of the Property and Improvements; all right, title, and interest of Grantor in, to, and under all present and future plans, specifications, and contracts relating to the design, construction, management, or

inspection of any Improvements; all rights, titles, and interests of Grantor in and to all present and future licenses, permits, approvals, and agreements with or from any municipal corporation, county, state, or other governmental or quasi-governmental entity or agency relating to the development, improvement, division, or use of all or any portion of the Property to the extent such trade names, licenses, permits, approvals, and agreements are assignable by law; and all other general intangibles relating to the Property, the Improvements, or their use and operation; and

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

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

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

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

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

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

PROVIDED ALWAYS, that if all the Obligations as defined in Section 1.01 shall be paid, performed, and satisfied in full, then the lien and estate granted by this Trust Deed shall be reconveyed.

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

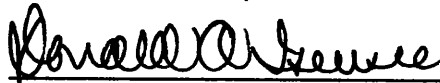
Grantor hereby acknowledges receipt of a copy of said MASTER FORM.

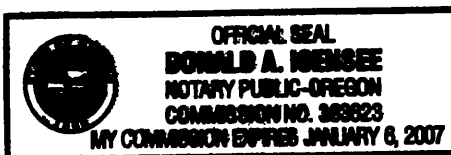
PINE CONE, LLC., GRANTOR

By: 
Robert J. Shaw
Operating Manager

STATE OF OREGON, County of Klamath) ss.

On this 8th day of January, 2004, before me personally appeared Robert J. Shaw, who being duly sworn, stated that he is the Operating Manager of Pine Cone, LLC., an Oregon Limited Liability Company, and acknowledged the foregoing instrument to be the voluntary act and deed of Pine Cone, LLC.


Notary Public for Oregon
My commission expires: 1-6-07



All of the following-described land is located in Klamath County, Oregon:

- Parcel I: Parcel 3 as shown on the Plat of Klamath County Land Partition No. 43-00.
- Parcel II: All of Blocks 71, 72, 86, 87, 88, 89, 90, 99, 100, 101, 102, 108, 109, 110, and 111, the South one half of Block 73, and Lots 4, 5, 6, and 7 in Block 91, Klamath Addition to the City of Klamath Falls, together with all those portions of the vacated streets and alleys that inure thereto.
- Parcel III: A rectangular parcel 7 feet by 10 feet located in the most Southerly corner of Lot 3, Block 75, of KLAMATH ADDITION to the City of Klamath Falls, Oregon, the most Southerly corner of said parcel being coincident with the most Southerly corner of said Lot 3 and particularly described as beginning at the most Southerly corner of said Lot 3, thence Northeasterly on the northerly line of the alley 7 feet; thence Northwesterly parallel to Fourth Street 10 feet; thence at right angles Southwesterly 7 feet to the line between Lots 3 and 4 of said Block 75; thence Southeasterly on said last mentioned line to the place of beginning.
- Parcel IV: Beginning at the most Easterly corner of the parcel of land described as Parcel No. II in deed from Harry M. Ackley, et al., to Central Pacific Railway Company, dated October 25, 1926 and recorded in Volume 72 of Deeds at page 504, Records of Klamath County, State of Oregon, said corner being described in said deed as being in the Southwesterly line of Block 88, KLAMATH ADDITION to the City of Klamath Falls, at a point distant thereon North 51 degrees 04' West, 18 feet from the South corner of said Block 88; thence along the Southeasterly line of said Parcel No. II the following four courses: (1) South 74° 15' West, 30.00 feet, (2) South 82° 51' West, 271.00 feet, (3) South 69° 28' West, 74.00 feet and (4) South 55° 28' West, 99.00 feet to a point; thence South 38° 48' West, 1.90 feet to a point; thence South 38°40' West, 60.00 feet to a point in the Northeasterly prolongation of a line which is parallel with and distant 200 feet Southeasterly measured at right angles from the Southeasterly line of that portion of Klamath Avenue (60 feet wide) bearing North 66 degrees 32' East; thence South 66 degrees 32' West

along said prolongation and parallel line 689.89 feet to a point in the Southeasterly prolongation of the Northeasterly line of Payne Alley; thence North 23° 28' West along said prolongation 200.00 feet to a point in said Southeasterly line of Klamath Avenue; thence North 66° 32' East along last said line 586.00 feet to a point; thence South 50° 55' East, 114.32 feet; thence North 74° 03' 20" East, 73.23 feet to a point in the Southwesterly line of the Center Street lot; thence North 50° 55' West along said Southwesterly line 19.24 feet to the most Westerly corner of the parcel of land described as Parcel No. I in said deed dated October 25, 1926; thence along the Northerly line of Parcels No. I and II of last said deed the following six courses: (1) Easterly along a curve to the left having a radius of 370.78 feet through a central angle of 12° 08' 17" (chord of said curve bears North 79° 15' East, 78.40 feet) an arc distance of 78.55 feet, (2) North 64° 48' East, 15.30 feet, (3) North 67° 48' East, 48.89 feet, (4) North 64° 48' East, 11.50 feet, (5) Easterly along a curve to the right having a radius of 586.359 feet through a central angle of 25° 31' 44" (chord of said curve bears North 77° 47' East, 259.10 feet) an arc distance of 261.26 feet and (6) Easterly along a curve to the left having a radius of 561.552 feet through a central angle of 7° 54' 49" (chord of said curve bears North 86° 33' 40" East 77.93 feet, shown as North 86° 35' East 77.50 feet in last said deed) an arc distance of 77.99 feet to a point in said Southwesterly line of Block 88; thence South 51° 04' 00" East, along last said line 51.20 feet to the point of beginning.

Parcel V:

Beginning at the Southwesterly corner of Center Street and Klamath Street, also known as Klamath Avenue, Klamath Falls, Oregon; thence Westerly from said corner along the Southerly line of said Klamath Street (also known as Klamath Avenue), 60 feet; thence Southerly at right angles with said Southerly line of Klamath Street, also known as Klamath Avenue, and parallel with the extension of the Westerly line of said Center Street to the water line of Lake Ewauna; thence Easterly along the water line of said Lake Ewauna to the intersection with the extension of said Westerly line of Center Street; thence Northerly along the Westerly line of said Center Street to the place of beginning, being a portion of Section 32, Township 38 South, Range 9 East of the Willamette Meridian, and according to the plat of Linkville and Klamath Falls, as recorded

in the office of the County Clerk of Klamath
County, Oregon.

Parcel VI: Beginning at a point 70 feet North and 51° 4' West of the West corner of Block 71 in said Klamath Addition, and 30 feet South 38° 56' West, thence South 51° 4' East to Lake Ewauna; thence along the meander line of said river or lake Westerly to the intersection of the extension of the West line of Center Street in Klamath Falls, Oregon, thence North 51° 4' West to the East corner of Block 31 in ORIGINAL TOWN OF KLAMATH FALLS, thence North 38° 56' East 30 feet to the place of beginning, as described in Deed, Book 68, page 591. EXCEPT that portion of said tract which lies in Klamath Street or Avenue.

Parcel VII: All of that certain parcel of land conveyed by Robert E. Strahorn to the Central Pacific Railway Company by deed dated March 24, 1926, and recorded June 2, 1926, in Volume 69 at page 623, Deed Records of Klamath County, Oregon, described as follows:

Lots 6, 7, and 8 of Section 5 in Township 39 South, Range 9 E.W.M. Also the following described premises, to-wit:

Beginning at meander corner to fractional Sections 5 and 32, as established by the Government Survey, 31.50 chains East of the corner of Sections 5, 6, 31, and 32; Townships 38 and 39 South, Range 9 E.W.M.; thence East 8.81 chains to right bank of Klamath River; thence in Section 5, South 39° East 9.71 chains; South 49¼° East 14.15 chains; South 43¼° East 11.86 chains; South 26¼° East 13.40 chains; South 23¼° East 12.63 chains; South 20¼° East 11.00 chains; West 6.93 chains; North 18° West 5.26 chains; North 55° West 6.00 chains; North 46¼° West 8.00 chains; North 26° West 16.50 chains; North 41 3/4 ° West 5 chains; North 34¼° West 33.00 chains to the meander corner at the place of beginning, containing 74.77 acres, more or less, saving and excepting:

1. That portion of Lot 6 and the land East thereof in the NE¼ of the SE¼ of said Section 5 conveyed to George H. Randell by Deed dated August 14, 1911 and recorded in Vol. 35 at Page 82 of Deed Records of Klamath County, Oregon; and

2. That certain parcel of land conveyed by Modoc Lumber Co. to the State of Oregon, State Highway Commission, as described on the Deed dated November 22, 1967 and recorded in Vol. M67 at Page 9130 of the Deed Records of Klamath County, Oregon, but reserving unto Grantee a right of ingress and egress under the highway structure constructed on said land.

EXHIBIT "A"
LEGAL DESCRIPTION

A tract of land situated in the E1/2 of the SE1/4 of Section 32 and the W1/2 of the SW1/4 of Section 33, Township 38 South, Range 9 East of the Willamette Meridian, Klamath County, Oregon, being more particularly described as follows:

Commencing at the E1/4 corner of said Section 32, evidenced by a brass cap in a monument box; thence South 69° 36' 00" West, 38.10 feet; thence South 38° 56' 00" West, 16.47 feet; thence South 10° 40' 50" West, 72.50 feet to a point on the Southerly right-of-way of South 5th Street and the true point of beginning; thence along said right-of-way North 78° 37' 30" East, 176.63 feet to a point of curvature; thence along the arc of a 97.67 foot radius curve to the right through a central angle of 21° 49' 00", an arc distance of 37.19 feet (the long chord of which bears North 89° 40' 36" East, 36.97 feet) to a point of non-tangency and the true point of beginning of that tract of land described in Volume M94, Page 35320 of the Klamath County Deed Records; thence leaving said right-of-way and along the Westerly line of said tract South 10° 43' 36" West, 687.12 feet to a point of curvature; thence along the arc of a 573.14 foot radius curve to the left through a central angle of 61° 59' 03", an arc distance of 620.04 feet (the long chord of which bears South 20° 13' 02" East, 590.24 feet) to a point of tangency; thence North 51° 04' 00" West, 399.65 feet to a point of curvature; thence along the arc of a 487.68 foot radius curve to the right through a central angle of 46° 15' 29", an arc distance of 393.73 feet (the long chord of which bears North 12° 26' 54" West, 383.12 feet) to a point of tangency; thence North 10° 40' 50" East 578.70 feet to the true point of beginning.

Bearings are based upon the plat of Klamath Addition to Linkville on file in the Office of the Klamath County Surveyor.