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Vol M04 Page 59634

After Filing Return To:

Davis Wright Tremaine LLP
2600 Century Square
1501 Fourth Avenue
Seattle, WA 98101-1688
Attn: Ward E. Buringrud

State of Oregon, County of Klamath
Recorded 09/07/04 3:28 P m
Vol M04 Pg 59634-662
Linda Smith, County Clerk
Fee \$ 161 # of Pgs 29

LINE OF CREDIT DEED OF TRUST

THE MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED PURSUANT TO THE LINE OF CREDIT AGREEMENT IS CDN\$225,000,000; HOWEVER, SUCH MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED MAY BE EXCEEDED BY PRINCIPAL ADVANCES MADE TO PROTECT THE SECURITY OF THIS DEED OF TRUST. THE MATURITY DATE OF THE CREDIT AGREEMENT IS SEPTEMBER 1, 2009, EXCLUSIVE OF OPTION(S) TO EXTEND.

NOTICE TO RECORDER: THIS DOCUMENT SERVES AS A FIXTURE FILING UNDER THE OREGON UNIFORM COMMERCIAL CODE.

Debtor: Klamath Northern Railway Company
1 Sawmill Road
Gilchrist, Oregon 97737

Secured Party: Royal Bank of Canada, as agent
P.O. Box 50
Royal Bank Plaza, South Tower, 12th Floor
200 Bay Street
Toronto, Ontario, M5J 2W7

Debtor's Organizational Identification Number: 264156-87

Collateral: This fixture filing covers goods that are or are to become fixtures attached to the real property described on Exhibit A, Exhibit B and Exhibit C.

AMERITITLE has recorded this instrument by request as an accommodation only, and has not examined it for regularity and sufficiency or as to its effect upon the title to any real property that may be described therein.

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DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING

This DEED OF TRUST, SECURITY AGREEMENT AND FIXTURE FILING (as it may be amended, supplemented or otherwise modified from time to time, this "Deed of Trust") is dated as of September 1, 2004, by KLAMATH NORTHERN RAILWAY COMPANY, an Oregon corporation (the "Grantor"), whose address is 1 Sawmill Road, Gilchrist, Oregon 97737, as grantor, in favor of CHICAGO TITLE INSURANCE COMPANY, a Missouri corporation (the "Trustee"), whose address is 701 Fifth Avenue, Suite 3400, Seattle, Washington 98104, as trustee, for the benefit of ROYAL BANK OF CANADA, a Canadian Chartered Bank, as agent for the Lenders referred to below (in such capacity, and together with its successors, the "Beneficiary"), whose address is Royal Bank Plaza, P.O. Box 50, 12th Floor, South Tower, 200 Bay Street, Toronto, Ontario M5J 2W7, as beneficiary.

R E C I T A L S :

A. International Forest Products Limited, a British Columbia company (the "Canadian Borrower"), Interfor U.S. Holdings L.P., a Delaware limited partnership (the "U.S. Borrower" and together with the Canadian Borrower, collectively, the "Borrowers" and individually, a "Borrower"), Royal Bank of Canada as Arranger, the Beneficiary as Agent, and Royal Bank of Canada, The Toronto-Dominion Bank, The Bank of Nova Scotia, HSBC Bank Canada, Canadian Western Bank and National Bank of Canada, together with any successor or replacement lender which has delivered an instrument agreeing to be bound by the Credit Agreement (as hereinafter defined), and their respective successors and permitted assigns (collectively the "Lenders" and individually, a "Lender"), have entered into the credit agreement dated for reference August 25, 2004 (as the same may be amended, extended, renewed, replaced, restated, or otherwise modified and in effect from time to time the "Credit Agreement"). Subject to the terms and conditions of the Credit Agreement, the Lenders have agreed to make loans and otherwise extend credit to or for the account of the Borrowers in an aggregate amount not to exceed \$225,000,000 Canadian Dollars. The loans and other extensions of credit will accrue interest and fees at the rates set forth in the Credit Agreement.

B. The Grantor, the Borrowers, Interfor U.S. LLC, a Delaware limited liability company ("Interfor LLC"), Interfor U.S. Inc., a Washington corporation ("Interfor Inc."), Interfor Pacific Inc., a Washington corporation ("Interfor Pacific"), Prineco Inc., a Washington corporation ("Prineco"), CEDARPRIME Inc., a Washington corporation ("Cedarprime"), and Primex Fibre Ltd., a British Columbia company ("Primex" and together with the Grantor, the Borrowers, Interfor LLC, Interfor Inc., Interfor Pacific, Prineco, Cedarprime and KNRC, collectively, the "Guarantors" and individually, a "Guarantor"), executed and delivered a Guarantee dated as of August 25, 2004 (as the same may be amended, supplemented or otherwise modified from time to time, the "Interfor Guarantee"), in which, among other things, the Grantor has unconditionally guaranteed all present and future indebtedness, obligations and/or liabilities of every kind, nature and description of the Borrowers from time to time owing to the Agent and the Lenders or any of them, whether now existing or hereafter incurred or created, arising under or in connection with the Credit

Agreement, the Interfor Guarantee and all of the security and other agreements to be entered into or granted under or pursuant to the Credit Agreement.

C. The Canadian Borrower owns, directly or indirectly, all of the issued and outstanding stock of the Grantor. The proceeds of the loans and other extensions of credit to or for the account of the Borrowers under the Credit Agreement will be used in part to enable the Borrowers to make valuable transfers to the Grantor in connection with the operation of its business. The Borrowers and the Grantor are engaged in related businesses, and the Grantor will derive substantial direct and indirect benefit from the making of the loans and the other extensions of credit to or for the account of the Borrowers under the Credit Agreement.

D. The Lenders are willing to make loans and otherwise extend credit to or for the account of the Borrowers under the Credit Agreement, but only upon the conditions set forth therein, including, among others, that the Grantor shall have executed and delivered to the Beneficiary this Deed of Trust and shall have conveyed the Property to the Trustee, in trust for the benefit of the Beneficiary for the ratable benefit of the Lenders, and shall have granted to the Beneficiary, for the ratable benefit of the Lenders, a security interest in the Collateral to secure the Obligations as herein provided, and the Grantor has agreed to do so.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE 1. DEFINITIONS; GRANTING CLAUSES; SECURED OBLIGATIONS

1.1 Defined Terms. Unless the context otherwise requires, capitalized terms used in this Deed of Trust without definition shall have the respective meanings provided therefor in the Credit Agreement. The following terms shall have the following meanings:

“Collateral” shall mean all of the Property constituting personal property or fixtures in which the Grantor is granting the Beneficiary a security interest under this Deed of Trust.

“Credit Agreement” has the meaning set forth in the Recitals hereto. THE CREDIT AGREEMENT CONTAINS PROVISIONS ALLOWING FOR CHANGES IN THE INTEREST RATE APPLICABLE TO THE ADVANCES, LETTERS OF CREDIT, GUARANTEE LETTERS AND TREASURY CONTRACTS.

“Credit Documents” shall mean all of the security and agreements to be entered into or granted under or pursuant to the Credit Agreement, including, without limitation, the Lenders’ Security and any and all agreements relating to Letters of Credit, Guarantee Letters and Treasury Contracts, as each may be amended, extended, renewed, replaced, restated and in effect from time to time; provided, however, that for purposes of this Deed of Trust, the term “Credit Documents” shall not include the Environmental Agreement.

"Default Rate" shall mean a per annum rate equal to the Agent's Prime Rate plus three quarters of one percent (0.75%).

"Environmental Agreement" shall mean the Environmental Indemnity Agreement dated of the date hereof executed by the Grantor and the other Borrowers in favor of the Beneficiary, as the same may be amended, restated, modified, renewed, supplemented or extended from time to time.

"GAAP" shall mean generally accepted accounting principles in the United States of America.

"Grantor" has the meaning set forth in the introductory paragraph hereto, and any of its successors and permitted assigns.

"Legal Requirement" shall mean any law, agreement, covenant, restriction, easement or condition (including, without limitation of the foregoing, any condition or requirement imposed by any insurance or surety company), as any of the same now exists or may be changed or amended or come into effect in the future.

"Lien" shall mean, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset, and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Obligations" shall mean, collectively, all present and future debts, liabilities, obligations, covenants and duties of the Grantor arising under or in connection with the Interfor Guarantee or any other Credit Document to which it is a party, in each case whether primary, secondary, direct or indirect, secured or unsecured, fixed, absolute or contingent, joint, several or independent, due or to become due, liquidated or unliquidated, and whether created directly or acquired by assignment or otherwise; provided, however, that for purposes of this Deed of Trust, the term "Obligations" shall not include (i) any obligations under the Environmental Agreement or (ii) any obligations under this Deed of Trust or any Credit Document that are substantially equivalent to the obligations arising under the Environmental Agreement.

"Permitted Encumbrances" shall mean: (a) Liens in favor of the Beneficiary arising pursuant to this Deed of Trust and the other Credit Documents; (b) Liens expressly permitted under the terms of the Credit Agreement; (c) statutory Liens for real estate taxes and assessments on the Property which are not delinquent or which remain payable without penalty or the validity or amount of which is being contested in good faith by appropriate proceedings, so long as (i) adequate reserves or other appropriate provision, as shall be required in conformity with GAAP shall have been made therefor, and (ii) such contest proceedings operate to stay the sale of any portion of the Property to satisfy such taxes and assessments; and (d) any other matters arising after the date of this Deed of Trust which may

be acceptable to the Beneficiary in its sole and absolute discretion, which Permitted Encumbrances, individually or in the aggregate, could reasonably be expected to have a material adverse effect on (i) the value or use of the Property or (ii) the ability of the Grantor to perform its obligations under this Deed of Trust or any other Credit Document to which it is a party.

“Transfer” shall mean any sale, lease, conveyance, assignment, pledge, encumbrance or transfer, whether voluntary, involuntary, by operation of law or otherwise.

“Trustee” has the meaning set forth in the introductory paragraph hereto, and any successor or substitute appointed and designated as herein provided, from time to time acting hereunder.

1.2 Granting Clause. For good and valuable consideration, the receipt and sufficiency of which are acknowledged by the Grantor, to secure the payment or performance, as the case may be, in full of the Obligations, the Grantor hereby BARGAINS, SELLS, GRANTS, TRANSFERS, CONVEYS and ASSIGNS to the Trustee, in trust for the benefit of the Beneficiary for the ratable benefit of the Lenders, with power of sale and right of entry and possession, all estate, right, title and interest which the Grantor now has or may hereafter acquire in and to the following rights, interests and properties, and all rights, estates, powers and privileges appurtenant thereto (collectively, the “Property”):

(a) All the easements, leases, licenses, rights-of-way, and other rights running in favor of the Grantor created pursuant to that certain Railroad Easement Agreement (Crown Pacific Lumber) dated October 4, 1991 and recorded under Recording No. 35588, Vol. M-91, Page 20430, Records of Klamath County, Oregon, between the Crown Pacific Lumber Limited Partnership, an Oregon limited partnership, as grantor, and the Grantor (formerly known as Crown Pacific Railroad, Inc.), as grantee, encumbering the land and premises described in Exhibit A which is attached hereto;

(b) All the easements, leases, licenses, rights-of-way, and other rights running in favor of the Grantor created pursuant to that certain Railroad Easement Agreement (Crown Pacific (Oregon)) dated October 4, 1991 and recorded under Recording No. 35589, Vol. M-91, Page 20436, Records of Klamath County, Oregon, between the Crown Pacific (Oregon) Lumber Limited Partnership, an Oregon limited partnership, as grantor, and the Grantor (formerly known as Crown Pacific Railroad, Inc.), as grantee, encumbering the land and premises described in Exhibit B which is attached hereto;

(c) All the easements, leases, licenses, rights-of-way, and other rights running in favor of the Grantor created pursuant to that certain Railroad Easement Agreement (Gilchrist – Crown Pacific Railroad) dated October 2, 1991 and recorded under Recording No. 35530, Vol. M-91, Page 20440, Records of Klamath County, Oregon, between the Gilchrist Timber Company, a Delaware corporation, as grantor, and the Grantor (formerly known as Crown Pacific Railroad, Inc.), as grantee, encumbering the land and premises described in Exhibit C which is attached hereto (the real property identified on Exhibits A, B and C which are attached hereto being herein sometimes collectively called the “Land”);

(d) Any and all buildings, structures, fixtures, improvements, alterations or appurtenances now or hereafter situated or to be situated on the Land (collectively, the "Improvements");

(e) All (i) proceeds (whether cash or non-cash and including payment intangibles), of or arising from the properties, rights, titles and interests referred to above in this Section 1.2, including the proceeds of any sale, lease or other disposition thereof, proceeds of each policy of insurance, present and future, payable because of loss sustained to all or part of the Property (including premium refunds), whether or not such insurance policies are required by the Beneficiary, proceeds of the taking thereof or of any rights appurtenant thereto, including change of grade of streets, curb cuts or other rights of access, by condemnation, eminent domain or transfer in lieu thereof for public or quasi public use under any law, proceeds arising out of any damage thereto, including any and all commercial tort claims, and (ii) other interests of every kind and character which the Grantor now has or hereafter acquires in, to or for the benefit of the properties, rights, titles and interests referred to above in this Section 1.2 and all property used or useful in connection therewith, including rights of ingress and egress and remainders, reversions and reversionary rights or interests; and

(f) All proceeds of, additions and accretions to, substitutions and replacements for, and changes in any of the property referred to above in this Section 1.2.

1.3 Security Interest. The Grantor hereby grants to the Beneficiary for the ratable benefit of the Lenders, a security interest, in all right, title or interest of the Grantor in or to any and all of the Collateral as security for the payment or performance, as the case may be, in full of the Obligations. In addition to its rights hereunder or otherwise, the Beneficiary shall have all of the rights of a secured party under the Uniform Commercial Code as in effect from time to time in the State of Oregon, or under the Uniform Commercial Code as in effect from time to time in any other state to the extent the same is applicable law.

1.4 Environmental Agreement Obligations. Notwithstanding any other provision of this Deed of Trust, any other Credit Document, or the Environmental Agreement, this Deed of Trust does not secure (a) any obligations under the Environmental Agreement or (b) any obligations under this Deed of Trust or any Credit Document that are substantially equivalent to the obligations arising under the Environmental Agreement.

ARTICLE 2. REPRESENTATIONS, WARRANTIES AND COVENANTS

2.1 Representations, Warranties and Covenants. The Grantor represents, warrants and covenants as follows:

(a) Non-Agricultural Use. The real property conveyed by this Deed of Trust is not used principally for agricultural purposes.

(b) Performance by Grantor. The Grantor will timely and properly perform and comply with all of the covenants, agreements and conditions imposed upon it by this Deed of Trust and each other Credit Document to which it is a party. Time shall be of the essence in this Deed of Trust.

(c) Title and Permitted Encumbrances. As of the date of the recordation of this Deed of Trust and thereafter, the Grantor has in the Grantor's own right, and the Grantor covenants to maintain rights and interests in and to the Property by virtue of the instruments described in subsections (a), (b) and (c) of Section 1.2 hereof, and has the right to convey the same, free and clear of all Liens except for the Permitted Encumbrances. The Grantor will warrant generally and forever defend title to the Property, subject as aforesaid to the Permitted Encumbrances, to the Trustee and the Beneficiary and their respective successors or substitutes and assigns, against the claims and demands of all Persons claiming or to claim the same or any part thereof. The Grantor will punctually pay, perform, observe and keep all covenants, obligations and conditions in or pursuant to any Permitted Encumbrance and will not modify or permit modification of any Permitted Encumbrance without the prior written consent of the Beneficiary. Inclusion of any matter as a Permitted Encumbrance does not constitute approval or waiver by the Beneficiary of any existing or future violation or other breach thereof by the Grantor, the Property or otherwise. If any right or interest of the Beneficiary in the Property or any part thereof shall be endangered or questioned or shall be attacked directly or indirectly, the Trustee and the Beneficiary, or either of them (whether or not named as parties to legal proceedings with respect thereto), are hereby authorized and empowered to take such steps as in their discretion may be proper for the defense of any such legal proceedings or the protection of such right or interest of the Beneficiary, including the employment of independent counsel, the prosecution or defense of litigation, and the compromise or discharge of adverse claims. All expenses every kind and character incurred by the Trustee and/or the Beneficiary in connection with exercising any of its rights under this Section shall bear interest at the Default Rate from the date incurred until repaid by the Grantor. All amounts described in this Section shall be repayable by the Grantor on demand and the Grantor's obligation to make such repayment shall constitute an additional Obligation of the Grantor secured hereby. The Beneficiary or the Trustee, as the case may be, making such expenditures shall be subrogated to all rights of the Person receiving such payment. The amount and nature of any expense by the Trustee and/or the Beneficiary hereunder and the time when paid shall be fully established by the certificate of the Trustee and/or the Beneficiary or any of such Person's officers or agents.

(d) Taxes and Other Impositions. The Grantor will pay or cause to be paid all Taxes imposed upon or against or with respect to the Property or the ownership, use, occupancy or enjoyment of any portion thereof, or any utility service thereto, as the same become due and payable, including all real estate taxes assessed against the Property or any part thereof, and shall deliver promptly to the Beneficiary such evidence of the payment thereof as the Beneficiary may require.

(e) Condemnation. The Grantor shall notify the Beneficiary immediately of any threatened or pending proceeding for condemnation affecting the Property or arising

out of damage to the Property, and the Grantor shall, at the Grantor's expense, diligently prosecute any such proceedings. The Beneficiary shall have the right (but not the obligation) to participate in any such proceeding and to be represented by counsel of its own choice. The Beneficiary shall be entitled to receive all sums which may be awarded or become payable to the Grantor for the condemnation of the Property, or any part thereof, for public or quasi public use, or by virtue of private sale in lieu thereof, and any sums which may be awarded or become payable to the Grantor for injury or damage to the Property. The Grantor shall, promptly upon request of the Beneficiary, execute such additional assignments and other documents as may be necessary from time to time to permit such participation and to enable the Beneficiary to collect and receipt for any such sums. The Beneficiary shall not be, under any circumstances, liable or responsible for failure to collect or to exercise diligence in the collection of any such sum or for failure to see to the proper application of any amount paid over to the Grantor. The Beneficiary is hereby authorized, in its own name or in the Grantor's name, to settle or compromise any condemnation claim or cause of action, and to execute and deliver valid acquittances for, and to appeal from, any award, judgment or decree arising from any such claim or cause of action. All costs and expenses (including but not limited to attorneys' fees) incurred by the Beneficiary in connection with any condemnation shall be a demand obligation owing by the Grantor (which the Grantor hereby promises to pay) to the Beneficiary pursuant to this Deed of Trust.

(f) Condemnation Proceeds. The Grantor hereby absolutely and irrevocably assigns to the Beneficiary, and authorizes the payor to pay to the Beneficiary or any other the Beneficiary, the following claims, causes of action, awards, payments and rights to payment (collectively, "Claims"): all awards of damages and all other compensation payable directly or indirectly because of a condemnation, proposed condemnation or taking which affects any part of the Property; all awards and other Claims arising out of any warranty affecting any part of the Property or for damage or injury to any part of the Property; and all interest that may accrue on any of the foregoing. All proceeds of Claims described in this subsection (f) shall be payable to the Beneficiary and shall be applied first to reimburse the Beneficiary for its costs and expenses of recovering such proceeds, including attorneys' fees.

(g) No Other Liens. The Grantor will not, without the prior written consent of the Beneficiary, create, place or permit to be created or placed, or through any act or failure to act, acquiesce in the placing of, or allow to remain, any Lien, whether voluntary or involuntary, statutory, constitutional or contractual, against or covering the Property, or any part thereof, other than the Permitted Encumbrances, regardless of whether the same are expressly or otherwise subordinate to the Lien created in this Deed of Trust, and should any of the foregoing become attached hereafter in any manner to any part of the Property without the prior written consent of the Beneficiary, the Grantor will cause the same to be promptly discharged and released.

(h) Further Assurances. The Grantor will, promptly on request of the Beneficiary, (i) correct any defect, error or omission which may be discovered in the contents, execution or acknowledgment of this Deed of Trust or any other Credit Document;

(ii) execute, acknowledge, deliver, procure and record and/or file such further documents (including further deeds of trust, security agreements, financing statements, continuation statements, and assignments of rents or leases) and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of this Deed of Trust and the other Credit Documents, to more fully identify and subject to the Liens hereof any property intended to be covered hereby (including specifically, but without limitation, any renewals, additions, substitutions, replacements, or appurtenances to the Property) or as deemed advisable by the Beneficiary to protect the Liens hereunder against the rights or interests of any other Persons; and (iii) provide such certificates, documents, reports, information, affidavits and other instruments and do such further acts as may be necessary, desirable or proper in the reasonable determination of the Beneficiary to enable the Beneficiary to comply with the requirements or requests of any Governmental Body having jurisdiction over the Beneficiary or any examiners of such Governmental Body with respect to the Obligations, the Grantor or the Property. The Grantor shall pay all costs connected with any of the foregoing on demand and the Grantor's obligation to make such payment shall constitute an additional Obligation.

(i) Fees and Expenses. Without limitation of any other provision of this Deed of Trust or of any other Credit Document and to the extent not prohibited by applicable law, the Grantor will pay, and will reimburse to the Beneficiary and/or the Trustee on demand to the extent paid by the Beneficiary and/or the Trustee: (i) costs of appraisals obtained in connection with the making of the Advances and the issuance of the Letters of Credit, Guarantee Letters and Treasury Contracts and after the Accelerated Payment Date; (ii) all filing, registration and recording fees, recordation, transfer and other Taxes, brokerage fees and commissions, abstract fees, title search or examination fees, title policy and endorsement premiums and fees, Uniform Commercial Code search fees, judgment and tax lien search fees, escrow fees, attorneys' fees, architect's fees, engineering fees, construction consultant fees, environmental inspection fees, survey fees, and all other costs and expenses of every character incurred by the Grantor or the Beneficiary and/or the Trustee in connection with the preparation of the Credit Documents, the evaluation, closing and funding of the Advances, Letters of Credit, Guarantee Letters and/or Treasury Contracts, and any and all amendments and supplements to this Deed of Trust, the Credit Agreement or any of the other Credit Documents or any approval, consent, waiver, release or other matter requested or required hereunder or thereunder, or otherwise attributable or chargeable to the Grantor as owner of the Property; and (iii) all costs, expenses and fees, including attorneys' fees (including allocated costs of in-house counsel), incurred by the Beneficiary in connection with the exercise of any right or remedy, or the defense of any right or remedy or the enforcement of any obligation of the Grantor, hereunder or under any other Credit Document.

(j) Indemnification. The Grantor shall indemnify and hold harmless the Trustee, the Beneficiary, each Lender and their respective officers, directors, employees and agents, for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursement of any kind and nature whatsoever that may be imposed on, incurred by or asserted against the Beneficiary or such Lender in any way relating to or arising out of the Property or any activity thereon (including any bodily injury or death or

property damage occurring in or upon or in the vicinity of the Property)), this Deed of Trust or the transactions contemplated hereby or the enforcement of any of the terms hereof; provided that the Grantor shall not be liable for any of the foregoing to the extent they are determined by a court having competent jurisdiction to have arisen from the gross negligence or willful misconduct of the Beneficiary or such Lender. The Grantor further agrees to pay, and to indemnify, save and hold harmless the Beneficiary and each Lender and their respective successors and assigns from, any and all liabilities with respect to, or resulting from any delay in paying, any and all excise, sales or other taxes which may be payable or determined to be payable with respect to any of the Collateral or in connection with any of the transactions contemplated by this Deed of Trust. The agreements in this Section shall not terminate upon the release, foreclosure or other termination of this Deed of Trust but will survive the enforcement of any remedy provided in any Credit Document including the foreclosure of this Deed of Trust or conveyance in lieu of foreclosure, the repayment of the Obligations, the discharge and release of this Deed of Trust and the other Credit Documents, any bankruptcy or other proceeding under any bankruptcy, insolvency or similar law affecting the rights of creditors, and any other event whatsoever.

(k) Taxes on Obligations or Deed of Trust. The Grantor will promptly pay all Taxes owing by the Grantor and any Taxes (unless such payment by the Grantor is prohibited by law) which may be required to be paid with respect to the Obligations, this Deed of Trust or any other instrument evidencing or securing any of the Obligations. In the event of the enactment after this date of any law applicable to the Beneficiary, the Obligations, the Property or this Deed of Trust deducting from the value of property for the purpose of taxation any Lien thereon, or imposing upon the Beneficiary the payment of the whole or any part of the Taxes or Liens herein required to be paid by the Grantor, or changing in any way the laws relating to the taxation of deeds of trust or mortgages or security agreements or debts secured by deeds of trust or mortgages or security agreements or the interest of the mortgagee or secured party in the property covered thereby, or the manner of collection of such Taxes, so as to affect this Deed of Trust or the Obligations or the Beneficiary, then, and in any such event, the Grantor, upon demand by the Beneficiary, shall pay such Taxes or Liens, or reimburse the Beneficiary therefor; provided, however, that if in the opinion of counsel for the Beneficiary (i) it might be unlawful to require the Grantor to make such payment or (ii) the making of such payment might result in the imposition of interest beyond the maximum amount permitted by law, then and in such event, the Beneficiary may elect, by notice in writing given to the Grantor, to declare all of the Obligations to be and become due and payable sixty (60) days from the giving of such notice.

(l) Transfer of the Property. The Grantor shall not, by act or omission, permit any Transfer to occur with respect to all or any part of the Property or any interest therein, except for Transfers expressly permitted under the terms of the Credit Agreement. NOTICE - THE OBLIGATIONS SECURED BY THIS DEED OF TRUST ARE SUBJECT TO ACCELERATION IN THE EVENT OF A TRANSFER WHICH IS PROHIBITED UNDER THIS SUBSECTION (l).

(m) Grant of Easement, Etc. Without the prior written consent of the Beneficiary, the Grantor shall not grant any easement or dedication, or file any plat, condominium declaration or restriction, or otherwise encumber the Property, or seek or permit any zoning reclassification or variance, unless such action is expressly permitted by the Credit Documents or does not affect the Property.

(n) Abandonment of Property. The Grantor shall not, by act or omission, permit the owner of the Property to abandon any of the Property.

(o) Default Under Other Lien. The Grantor shall not, by act or omission, permit the occurrence of a default (howsoever defined) or event which but for the passage of time, the giving of notice, or both would constitute a default under any Lien covering the Property or any part thereof (whether or not the Beneficiary has consented, and without hereby implying the Beneficiary's consent, to any such Lien not created hereunder), or the holder of any such Lien declares a default or institutes foreclosure or other proceedings for the enforcement of its remedies thereunder.

2.2 Performance by Beneficiary. The Grantor agrees that if the Grantor fails to perform any act or to take any action which under this Deed of Trust the Grantor is required to perform or take, or to pay any money which under this Deed of Trust the Grantor is required to pay, and whether or not the failure then constitutes an Event of Default, and whether before or after the Accelerated Payment Date, the Beneficiary, in the Grantor's name or its own name, may (but shall have no obligation to) perform or cause to be performed such act or take such action or pay such money and any expenses so incurred by the Beneficiary and any money so paid by the Beneficiary shall bear interest at the Default Rate from the date such expenditures or payments are made by the Beneficiary until repaid. The Beneficiary shall be subrogated to all rights of the Person receiving such payment. The Beneficiary and its designees shall have the right to enter upon the Property at any time and from time to time for the purposes described in this Section. No such payment or performance by the Beneficiary hereunder shall waive or cure any Event of Default or waive any right, remedy or recourse of the Beneficiary. All amounts described in this Section shall be repayable by the Grantor on demand and the Grantor's obligation to make such repayment shall constitute an additional Obligation of the Grantor secured hereby. Any payment made by the Beneficiary hereunder may be made in reliance on any statement, invoice or claim without inquiry into the validity or accuracy thereof. The amount and nature of any expense by the Beneficiary hereunder and the time when paid shall be fully established by the certificate of the Beneficiary or any of the Beneficiary's officers or agents.

2.3 Absence of Obligations of the Beneficiary. Notwithstanding anything in this Deed of Trust to the contrary, including the definition of "Property", (a) to the extent permitted by applicable law, the Property is composed of the Grantor's rights, title and interests therein but not the Grantor's obligations, duties or liabilities pertaining thereto, (b) the Beneficiary neither assumes nor shall have any obligations, duties or liabilities in connection with any portion of the items described in the definition of "Property" herein, either prior to or after obtaining title to such Property, whether by foreclosure sale, the

granting of a deed in lieu of foreclosure or otherwise, and (c) the Beneficiary may, at any time prior to or after the acquisition of title to any portion of the Property as above described, advise any party in writing as to the extent of the Beneficiary's interest therein and/or expressly disaffirm in writing any rights, interests, obligations, duties and/or liabilities with respect to such Property or matters related thereto. Without limiting the generality of the foregoing, it is understood and agreed that the Beneficiary shall have no obligations, duties or liabilities prior to or after acquisition of title to any portion of the Property, as lessee under any lease or purchaser or seller under any contract or option unless the Beneficiary elects otherwise by written notification.

ARTICLE 3. REMEDIES

3.1 Certain Remedies. At any time after the Accelerated Payment Date, the Beneficiary may (but shall have no obligation to) exercise any one or more of the following remedies, without notice (unless notice is required by applicable statute):

(a) Remedies Under Credit Agreement. The Beneficiary may exercise any and all rights and remedies granted to it in the Credit Agreement and the other Credit Documents.

(b) Trustee's Sale.

(i) The Beneficiary may direct the Trustee to foreclose this Deed of Trust non-judicially pursuant to the power of sale and applicable law. Any sale of the Property by the Trustee may be made either as a whole or in separate parcels and in such order as the Beneficiary may direct (the Grantor waiving any right to direct the order of sale), at public auction to the highest bidder for cash in lawful money of the United States (or cash equivalents acceptable to the Trustee to the extent permitted by applicable law), payable at the time of sale. The Trustee may postpone the sale of all or any part of the Property by public announcement at the time fixed by the preceding postponement or otherwise in accordance with applicable law. The Trustee shall deliver to the purchaser at such sale its deed conveying the property so sold, but without any covenant or warranty, express or implied, and the recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any Person, including the Beneficiary, may purchase at such sale, and any bid by the Beneficiary may be, in whole or in part, in the form of cancellation of all or any part of the Obligations.

(ii) The sale by the Trustee of less than the whole of the Property shall not exhaust the power of sale herein granted, and the Trustee is specifically empowered to make successive sales under such power until the whole of the Property shall be sold. In the event any sale hereunder is not completed or is defective in the opinion of the Beneficiary, such sale shall not exhaust the power of sale hereunder and the Beneficiary shall have the right to cause a subsequent sale or sales to be made hereunder. If the proceeds of any sale of less than the whole of the Property shall be

less than the aggregate of the Obligations and the expense of executing this trust as provided herein, this Deed of Trust and the Lien hereof shall remain in full force and effect as to the unsold portion of the Property just as though no sale had been made; provided, however, that the Grantor shall never have any right to require the sale of less than the whole of the Property but the Beneficiary shall have the right, at its sole election, to request the Trustee to sell less than the whole of the Property.

(iii) The Trustee may, after any request or direction by the Beneficiary, sell not only the real property but also the Collateral and other interests which are a part of the Property, or any part thereof, as a unit and as a part of a single sale, or may sell any part of the Property separately from the remainder of the Property. It shall not be necessary for the Trustee to have taken possession of any part of the Property or to have present or to exhibit at any sale any of the Collateral.

(iv) After each sale, the Trustee shall receive the proceeds of said sale and apply the same as herein provided. Payment of the purchase price to the Trustee shall satisfy the obligation of purchaser at such sale therefor, and such purchaser shall not be responsible for the application thereof.

(v) The Trustee or its successor or substitute may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any sale held by the Trustee, including the posting of notices and the conduct of sale, but in the name and on behalf of the Trustee, its successor or substitute. If the Trustee or its successor or substitute shall have given notice of sale hereunder, any successor or substitute the Trustee thereafter appointed may complete the sale and the conveyance of the property pursuant thereto as if such notice had been given by the successor or substitute the Trustee conducting the sale.

(c) Uniform Commercial Code. Without limitation of the Beneficiary's rights of enforcement with respect to the Collateral or any part thereof in accordance with the procedures for foreclosure of real estate, the Beneficiary may exercise its rights of enforcement with respect to the Collateral or any part thereof under the Uniform Commercial Code as enacted in the State of Oregon, as amended (or under the Uniform Commercial Code in force in any other state to the extent the same is applicable law) and in conjunction with, in addition to or in substitution for those rights and remedies: (i) the Beneficiary may enter upon the Grantor's premises to take possession of, assemble and collect the Collateral or, to the extent and for those items of the Collateral permitted under applicable law, to render it unusable; (ii) the Beneficiary may require the Grantor to assemble the Collateral and make it available at a place the Beneficiary designates which is mutually convenient to allow the Beneficiary to take possession or dispose of the Collateral; (iii) written notice mailed to the Grantor as provided herein at least ten (10) days prior to the date of public sale of the Collateral or prior to the date after which private sale of the Collateral will be made shall constitute reasonable notice; (iv) any sale made pursuant to the provisions of this subsection (d) shall be deemed to have been a public sale conducted in a commercially reasonable manner if held contemporaneously with and upon the same notice as required for

the sale of the Property under power of sale as provided in subsection (c) above in this Section 3.1; (v) in the event of a foreclosure sale, whether made by the Trustee under the terms hereof, or under judgment of a court, the Collateral and the other Property may, at the option of the Beneficiary, be sold as a whole; (vi) it shall not be necessary for the Beneficiary to take possession of the Collateral or any part thereof prior to the time that any sale pursuant to the provisions of this subsection (d) is conducted and it shall not be necessary for the Collateral or any part thereof to be present at the location of such sale; (vii) with respect to application of proceeds from disposition of the Collateral under Section 3.2 hereof, the costs and expenses incident to disposition shall include the costs and expenses of retaking, holding, preparing for sale or lease, selling, leasing and the like and attorneys' fees (including allocated costs of in-house counsel) incurred by the Beneficiary; (viii) any and all statements of fact or other recitals made in any bill of sale or assignment or other instrument evidencing any foreclosure sale hereunder as to nonpayment of the Obligations or as to the occurrence of any Event of Default, or as to the Beneficiary having declared all of such indebtedness to be due and payable, or as to notice of time, place and terms of sale and of the properties to be sold having been duly given, or as to any other act or thing having been duly done by the Beneficiary, shall be taken as prima facie evidence of the truth of the facts so stated and recited; and (ix) the Beneficiary may appoint or delegate any one or more Persons as agent to perform any act or acts necessary or incident to any sale held by the Beneficiary, including the sending of notices and the conduct of the sale, but in the name and on behalf of the Beneficiary.

(d) Judicial Action. The Beneficiary may bring an action in any court of competent jurisdiction to foreclose this instrument or to obtain specific performance of any of the covenants or agreements of this Deed of Trust.

(e) Entry on Property. The Beneficiary is authorized, prior or subsequent to the institution of any foreclosure proceedings, to the fullest extent permitted by applicable law, to enter upon the Property or any part thereof, and to take possession of the Property and all books and records relating thereto, and to exercise without interference from the Grantor any and all rights which the Grantor has with respect to the management, possession, operation, protection or preservation of the Property. The Beneficiary shall not be deemed to have taken possession of the Property or any part thereof except upon the exercise of its right to do so, and then only to the extent evidenced by its demand and overt act specifically for such purpose. All costs, expenses and liabilities of every character incurred by the Beneficiary in managing, operating, maintaining, protecting or preserving the Property shall bear interest at the Default Rate from the date such expenditures are made by the Beneficiary until repaid. All amounts described in this Section shall be repayable by the Grantor on demand and the Grantor's obligation to make such repayment shall constitute an additional Obligation of the Grantor secured hereby. If necessary to obtain the possession provided for above, the Beneficiary may invoke any and all legal remedies to dispossess the Grantor. In connection with any action taken by the Beneficiary pursuant to this subsection (f), the Beneficiary shall not be liable for any loss sustained by the Grantor resulting from any failure to let the Property or any part thereof, or from any act or omission of the Beneficiary in managing the Property unless such loss is caused by the willful misconduct and bad faith of

the Beneficiary, nor shall the Beneficiary be obligated to perform or discharge any obligation, duty or liability of the Grantor arising under any lease or other agreement relating to the Property or arising under any Permitted Encumbrance or otherwise arising. The Grantor hereby assents to, ratifies and confirms any and all actions of the Beneficiary with respect to the Property taken under this subsection (e).

(f) Receiver. The Beneficiary shall as a matter of right be entitled to the appointment of a receiver or receivers for all or any part of the Property, whether such receivership is incident to a proposed sale (or sales) of such property or otherwise, and without regard to the value of the Property or the solvency of any Person liable for the payment of the Obligations, and the Grantor does hereby irrevocably consent to the appointment of such receiver or receivers, waives notice of such appointment, of any request therefor or hearing in connection therewith, and any and all defenses to such appointment, agrees not to oppose any application therefor by the Beneficiary, and agrees that such appointment shall in no manner impair, prejudice or otherwise affect the rights of the Beneficiary to application of Rents as provided in this Deed of Trust. Nothing herein is to be construed to deprive the Beneficiary of any other right, remedy or privilege it may have under the law to have a receiver appointed. Any money advanced by the Beneficiary in connection with any such receivership shall bear interest at the Default Rate from the date such money is advanced by the Beneficiary until repaid. All such amounts shall be repayable by the Grantor on demand and the Grantor's obligation to make such repayment shall constitute an additional Obligation of the Grantor secured hereby.

(g) Powers of the Beneficiary. The Beneficiary may, either directly or through an agent or court-appointed receiver, and without regard to the adequacy of any security for the Obligations:

(i) enter, take possession of, manage, operate, protect, preserve and maintain, and exercise any other rights of an owner of, the Property, and use any other properties or facilities of the Grantor relating to the Property, all without payment of rent or other compensation to the Grantor;

(ii) either with or without taking possession of the Property, notify obligors on any contracts that all payments and other performance are to be made and rendered directly and exclusively to the Beneficiary, and in its own name supplement, modify, amend, renew, extend, accelerate, accept partial payments or performance on, make allowances and adjustments and issue credits with respect to, give approvals, waivers and consents under, release, settle, compromise, compound, sue for, collect or otherwise liquidate, enforce or deal with any contracts or other rights, including collection of amounts past due and unpaid (the Grantor agreeing not to take any such action after the Accelerated Payment Date without prior written authorization from the Beneficiary); and

(iii) take such other action as the Beneficiary deems appropriate to protect the security of this Deed of Trust.

(i) Other Rights and Remedies. The Beneficiary may exercise any and all other rights and remedies which the Beneficiary may have at law or in equity or otherwise.

3.2 Proceeds of Foreclosure. The proceeds of any sale held by the Trustee or the Beneficiary or any receiver or public officer in foreclosure of the Liens created hereby shall be applied in accordance with the requirements of applicable laws and to the extent consistent therewith FIRST, to payment of any and all costs, expenses and fees, including attorneys' fees (including allocated costs of in-house counsel), incurred by the Beneficiary in connection with such foreclosure sale, including any and all advertising costs, auctioneer's fees, costs of title and lien searches, trustee's sale guaranties, foreclosure sale guaranties, litigation guaranties and/or other title policies and endorsements, inspection fees, appraisal costs, fees for professional services, environmental assessment and remediation fees, all court costs and charges of every character, and the maximum fee legally permitted, or a reasonable fee when the law provides no maximum limit, to the Trustee acting under the provisions of subsection (b) of Section 3.1 hereof if foreclosed by power of sale as provided in said subsection (b), SECOND, to payment of any and all costs, expenses and fees, including attorneys' fees (including allocated costs of in-house counsel), payable to the Beneficiary under this Deed of Trust, THIRD, to payment in full of the Obligations (to the extent not included in clause FIRST or SECOND above) in accordance with the Credit Agreement, and FOURTH, the balance, if any, after all of the Obligations have been indefeasibly paid in full, to the Grantor or as otherwise required by law; provided, however, that if the Beneficiary is uncertain which Persons are so entitled, the Beneficiary may interplead such remainder in any court of competent jurisdiction, and the amount of any attorneys' fees, court costs and expenses incurred in such action shall be a part of the Obligations and shall be reimbursable (without limitation) from such remainder. The Beneficiary shall have absolute discretion as to the time of application of any such proceeds, moneys or balances in accordance with this Deed of Trust.

3.3 Beneficiary as Purchaser. The Beneficiary shall have the right to become the purchaser at any sale held by the Trustee or substitute or successor or by any receiver or public officer or at any public sale, and the Beneficiary shall have the right to credit upon the amount of the Beneficiary's successful bid, to the extent necessary to satisfy such bid, all or any part of the Obligations in such manner and order as the Beneficiary may elect.

3.4 Remedies Cumulative. The rights and remedies provided for herein and in any other Credit Document are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights and remedies provided by law, and the Trustee and the Beneficiary shall, in addition to the rights and remedies provided herein or in any other Credit Document, be entitled to avail themselves of all such other rights and remedies as may now or hereafter exist at law or in equity for the collection of the Obligations and the enforcement of the covenants herein and the foreclosure of the Liens created hereby, and the resort to any right or remedy provided for hereunder or under any such other Credit Document or provided for by law or in equity shall not prevent the concurrent or subsequent employment of any other appropriate right or rights or remedy or remedies. In no event shall prior recourse to the

Collateral be a prerequisite to the Beneficiary's or the Lenders' right to demand and obtain payment of any Obligation in accordance with the terms thereof.

3.5 Discretion as to Security. The Beneficiary may resort to any security given by this Deed of Trust or to any other security now existing or hereafter given to secure the payment of the Obligations, in whole or in part, and in such portions and in such order as may seem best to the Beneficiary in its sole and uncontrolled discretion, and any such action shall not in anywise be considered as a waiver of any of the rights, benefits, Liens created by this Deed of Trust.

3.6 Grantor's Waiver of Certain Rights. To the full extent the Grantor may do so, the Grantor agrees that the Grantor will not at any time insist upon, plead, claim or take the benefit or advantage of any law now or hereafter in force providing for any appraisal, valuation, stay, extension or redemption, homestead, moratorium, reinstatement, marshaling or forbearance, and the Grantor, for the Grantor, the Grantor's heirs, devisees, representatives, successors and assigns, and for any and all Persons ever claiming any interest in the Property, to the extent permitted by applicable law, hereby waives and releases all rights of redemption, valuation, appraisal, stay of execution and all rights to a marshaling of assets of the Grantor, including the Property, or to a sale in inverse order of alienation in the event of foreclosure of the Liens hereby created. The Grantor shall not have or assert any right under any statute or rule of law pertaining to the marshaling of assets, sale in inverse order of alienation, the exemption of homestead, the administration of estates of decedents, or other matters whatsoever to defeat, reduce or affect the right of the Beneficiary under the terms of this Deed of Trust to a sale of the Property for the collection of the Obligations without any prior or different resort for collection, or the right of the Beneficiary under the terms of this Deed of Trust to the payment of the Obligations out of the proceeds of sale of the Property in preference to every other claimant whatsoever.

3.7 Delivery of Possession After Foreclosure. In the event there is a foreclosure sale hereunder and at the time of such sale, the Grantor or the Grantor's heirs, devisees, representatives, or successors as owners of the Property are occupying or using the Property, or any part thereof, each and all shall immediately become the tenant of the purchaser at such sale, which tenancy shall be a tenancy from day to day, terminable at the will of purchaser, at a reasonable rental per day based upon the value of the property occupied, such rental to be due daily to the purchaser; and to the extent permitted by applicable law, the purchaser at such sale shall, notwithstanding any language herein apparently to the contrary, have the sole option to demand immediate possession following the sale or to permit the occupants to remain as tenants at will.

ARTICLE 4. MISCELLANEOUS

4.1 Scope of Deed of Trust. This Deed of Trust is a deed of trust with respect to that portion of the Property which is real property, a security agreement with respect to that portion of the Property which is personal property (it being agreed that, whenever possible, components of the Property shall be deemed to be real property rather than personal property),

a financing statement and fixture filing and a collateral assignment. In addition to the foregoing, this Deed of Trust covers all proceeds.

4.2 Effective as a Financing Statement and Fixture Filing. This Deed of Trust shall be effective as a financing statement filed as a fixture filing with respect to all fixtures included within the Property, with the Grantor as debtor and the Beneficiary as secured party, and is to be filed for record in the real estate records of each county where any part of the Property (including said fixtures) is situated. This Deed of Trust shall also be effective as a financing statement covering minerals or the like (including oil and gas) and accounts subject to Subsection (4) of Section 9-301 of the Uniform Commercial Code as in effect in the State of Oregon, as amended, and similar provisions (if any) of the Uniform Commercial Code as enacted in any other state where the Property is situated which will be financed at the wellhead or minehead of the wells or mines located on the Property and is to be filed for record in the real estate records of each county where any part of the Property is situated. This Deed of Trust shall also be effective as a financing statement covering any other Property and may be filed in any other appropriate filing or recording office. The mailing addresses of the Grantor and the Beneficiary are set forth in the introductory paragraph of this Deed of Trust. A carbon, photographic or other reproduction of this Deed of Trust or of any financing statement relating to this Deed of Trust shall be sufficient as a financing statement for any of the purposes referred to in this Section 4.2.

4.3 Notice to Account Debtors. In addition to the rights granted elsewhere in this Deed of Trust, the Beneficiary may, at any time after the Accelerated Payment Date, notify the account debtors or obligors of any accounts, chattel paper, negotiable instruments or other evidences of indebtedness included in the Collateral to pay the Beneficiary directly.

4.4 No Impairment of Security. The Liens and other security rights of the Beneficiary hereunder or under any other Credit Document shall not be impaired by any indulgence, moratorium or release granted by the Beneficiary including any renewal, extension or modification which the Beneficiary may grant with respect to any Obligations, or any surrender, compromise, release, renewal, extension, exchange or substitution which the Beneficiary may grant in respect of the Property, or any part thereof or any interest therein, or any release or indulgence granted to any endorser, guarantor or surety of any Obligations. The taking of additional security by the Beneficiary shall not release or impair the Liens or other security rights of the Beneficiary hereunder or affect the liability of the Grantor or of any endorser, guarantor or surety, or improve the right of any junior lienholder in the Property (without implying hereby the Beneficiary's consent to any junior lien).

4.5 Grantor's Successors. If the ownership of the Property or any part thereof becomes vested in a Person other than the Grantor, the Beneficiary may, without notice to the Grantor, deal with such successor or successors in interest with reference to this Deed of Trust and to the Obligations in the same manner as with the Grantor, without in any way vitiating or discharging the Grantor's liability hereunder or its liability for the payment of the Obligations or performance of the obligations secured hereby. No transfer of the Property, no forbearance on the part of the Beneficiary, and no extension of the time for the payment of the Obligations

given by the Beneficiary shall operate to release, discharge, modify, change or affect, in whole or in part, the liability of the Grantor hereunder for the payment of the Obligations or performance of the obligations secured hereby or the liability of any other Person hereunder for the payment of the Obligations. The Grantor agrees that it shall be bound by any modification of this Deed of Trust or any of the other Credit Documents made by the Beneficiary and any subsequent owner of the Property, with or without notice to the Grantor, and no such modifications shall impair the obligations of the Grantor under this Deed of Trust or any other Credit Document. Nothing in this Section or elsewhere in this Deed of Trust shall be construed to imply the Beneficiary's consent to any transfer of the Property.

4.6 Substitute Trustee. The Trustee may resign by an instrument in writing addressed to the Beneficiary or the Trustee may be removed at any time with or without cause by an instrument in writing executed by the Beneficiary. In case of the resignation, removal or disqualification of the Trustee, or if for any reason the Beneficiary shall deem it desirable to appoint a substitute or successor trustee to act instead of the herein-named trustee or any substitute or successor trustee, then the Beneficiary shall have the right and is hereby authorized and empowered to appoint a successor trustee(s) or a substitute trustee(s) without any formality other than appointment and designation in writing executed by the Beneficiary and the authority hereby conferred shall extend to the appointment of other successor and substitute trustees successively until the Obligations has been paid in full or until the Property is fully and finally sold hereunder. Upon the making of any such appointment and designation, all of the estate and title of the Trustee in the Property shall vest in the named successor or substitute the Trustee(s) and it shall thereupon succeed to, and shall hold, possess and execute, all of the rights, powers, privileges, immunities and duties herein conferred upon the Trustee.

4.7 No Liability of Trustee. The Trustee shall not be liable for any error of judgment or act done by the Trustee in good faith, or be otherwise responsible or accountable under any circumstances whatsoever (including the Trustee's negligence), except for the Trustee's gross negligence or willful misconduct. The Trustee shall have the right to rely on any instrument, document or signature authorizing or supporting any action taken or proposed to be taken by it hereunder, believed by it in good faith to be genuine. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys (except to the extent required by law), and the Trustee shall be under no liability for interest on any moneys received by it hereunder. The Grantor hereby ratifies and confirms any and all acts which the herein-named the Trustee or its successor or successors, substitute or substitutes, in this trust, shall do lawfully by virtue hereof. The Grantor will reimburse the Trustee for, and save the Trustee harmless against, any and all liability and expenses which may be incurred by the Trustee in the performance of its duties. The foregoing indemnity shall not terminate upon discharge of the Obligations or foreclosure, release or other termination of this Deed of Trust.

4.8 Reconveyances.

(a) Reconveyance of Deed of Trust. If all of the Obligations are paid as they become due and payable, and all of the covenants, warranties, undertakings and agreements made in this Deed of Trust are kept and performed, and all obligations, if any, of the Beneficiary for further advances have been terminated, then, and in that event only, upon written request of the Beneficiary stating that all obligations secured by this Deed of Trust have been paid, the Trustee shall reconvey, without warranty, the Property then subject to this Deed of Trust, and all rights under this Deed of Trust shall terminate (except to the extent expressly provided herein with respect to indemnifications, representations and warranties and other rights which are to continue following the reconveyance hereof) and the Property shall become wholly clear of the Liens created hereby, and such Liens shall be released by the Beneficiary and such Property reconveyed by the Beneficiary in due form at the Grantor's cost. Without limitation, all provisions herein for indemnity of the Beneficiary or the Trustee shall survive discharge of the Obligations and any foreclosure, reconveyance or termination of this Deed of Trust.

(b) Partial Reconveyance. The Beneficiary may, regardless of consideration, cause the reconveyance of any part of the Property from the Lien of this Deed of Trust without in any manner affecting or impairing the Lien or priority of this Deed of Trust as to the remainder of the Property. No partial reconveyance shall be sought, requested or required after the Accelerated Payment Date.

(c) Reconveyance Fee. The Grantor agrees to pay fees in the maximum amounts legally permitted, or reasonable fees when the law provides no maximum limit, for the Trustee's rendering of services in connection with each partial or complete reconveyance of the Property from the Lien of this Deed of Trust.

4.9 No Offset. No offset or claim that the Grantor now has or may have in the future against the Beneficiary or any Lender shall relieve the Grantor from paying any amounts due hereunder or from performing any other obligations contained herein.

4.10 Notices. All notices, demands, requests and other communications provided for or permitted under this Deed of Trust (a) to the Beneficiary shall be in writing and sent to the Beneficiary in accordance with the provisions of the Credit Agreement and (b) to the Grantor shall be in writing and addressed as indicated on the first page of this Deed of Trust.

4.11 Severability. Any provision of this Deed of Trust which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability, without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. Furthermore, in lieu of such prohibited or unenforceable provision, there shall be added automatically to this Deed of Trust, without the need for any action by the Beneficiary, any Lender, the Grantor or any other Person, a provision as similar in terms as possible to such prohibited or unenforceable provisions which would be legal, valid and enforceable.

4.12 No Waiver; Amendment. Neither the Beneficiary nor any Lender shall by any act, delay, omission or otherwise be deemed to have waived any of its rights or remedies hereunder, and no waiver shall be valid unless in writing, signed by the Beneficiary, and then only to the extent therein set forth. A waiver by the Beneficiary of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the Beneficiary or the Lenders would otherwise have had on any future occasion. No failure to exercise nor any delay in exercising, on the part of the Beneficiary or any Lender, any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or future exercise thereof or the exercise of any other right, power or privilege. None of the provisions of this Deed of Trust may be changed or terminated, or otherwise, except by an instrument in writing, duly executed by the Beneficiary in accordance with the Credit Agreement. This Deed of Trust shall continue to be effective or shall be reinstated, as the case may be, if at any time payment of all or any part of the Obligations is rescinded or must otherwise be restored or returned by the Beneficiary or any Lender upon the insolvency, bankruptcy or reorganization of the Grantor or any other Person, as though such payment had not been made.

4.13 Successor and Assigns. This Deed of Trust and all obligations of the Grantor hereunder shall be binding upon the successors and assigns of the Grantor and shall, together with the rights and remedies of the Beneficiary hereunder, inure to the benefit of the Beneficiary and the Lenders and their respective successors and assigns; provided that the Grantor may not transfer or assign its rights and obligations hereunder (and any such assignment on transfer shall be void).

4.14 Governing Law. **This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of Oregon.**

4.15 Jurisdiction; Waiver of Right to Jury Trial; Other Waivers.

(a) The Grantor hereby consents and submits to the nonexclusive jurisdiction of any court of record of the State of Oregon or any federal court located in Multnomah County, Oregon. In the event that the Beneficiary brings any action, suit or proceeding in any court of record of the State of Oregon or of the United States to enforce any or all of the provisions hereof, service of process may be made upon the Grantor by mailing a copy of the summons to the Grantor, by certified or registered mail at the address set forth on the first page of this Deed of Trust or at the last address of the Grantor appearing in the Beneficiary's records. Nothing in this Deed of Trust shall affect the right of the Beneficiary to serve process in any other manner permitted by law or to commence legal proceedings or otherwise proceed against the Grantor in any other jurisdiction. Any action, suit or proceeding against the Beneficiary or any Lender in respect of this Deed of Trust shall be brought only in a court of record of the State of Oregon, located in Multnomah County or any federal court located in Multnomah County which shall have exclusive jurisdiction for such purpose. The Grantor agrees that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any

other manner provided by law and consents to the granting of such legal or equitable relief as is deemed appropriate by any court.

(b) THE GRANTOR IRREVOCABLY AND UNCONDITIONALLY WAIVES (I) THE RIGHT OF TRIAL BY JURY IN THE EVENT OF ANY LITIGATION BETWEEN THE PARTIES HERETO IN RESPECT OF ANY MATTERS ARISING UNDER THIS DEED OF TRUST, WHETHER OR NOT SUCH LITIGATION HAS BEEN COMMENCED IN RESPECT OF THIS DEED OF TRUST AND WHETHER OR NOT OTHER PERSONS ARE ALSO PARTIES THERETO AND (II) ANY CLAIM THAT ANY COURT OF RECORD REFERRED TO IN SECTION 4.15(a) IS AN INCONVENIENT FORUM AND AGREES THAT, SHOULD THE BENEFICIARY BRING ANY ACTION, SUIT OR PROCEEDING IN RELATION TO ANY SUCH MATTER, THE GRANTOR WILL NOT INTERPOSE ANY CROSS-CLAIM, COUNTERCLAIM, SETOFF OR DEFENSE OF ANY NATURE. ACCEPTANCE OF THIS DEED OF TRUST BY THE BENEFICIARY SHALL BE DEEMED TO CONSTITUTE A WAIVER BY THE BENEFICIARY OF THE RIGHT TO TRIAL BY JURY IN THE EVENT OF ANY LITIGATION IN RESPECT OF WHICH THE GRANTOR HAS WAIVED THE RIGHT TO TRIAL BY JURY HEREUNDER.


4.16 Counterparts; Recording. This Deed of Trust may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which when so executed and delivered shall be an original, but all of which shall together constitute one and the same instrument. The date or dates reflected in the acknowledgments hereto indicate the date or dates of actual execution of this Deed of Trust, but such execution is as of the date shown on the first page hereof, and for purposes of identification and reference the date of this Deed of Trust shall be deemed to be the date reflected on the first page hereof. The Grantor will cause this Deed of Trust and all amendments and supplements thereto and substitutions therefor and all financing statements and continuation statements relating thereto to be recorded, filed, re recorded and refiled in such manner and in such places as the Trustee or the Beneficiary shall reasonably request and will pay all such recording, filing, re recording and re filing taxes, fees and other charges.

4.17 Use of the Property. 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.

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IN WITNESS WHEREOF, the Grantor has caused this Deed of Trust, Security Agreement and Fixture Filing to be duly executed and delivered as of the day and year first above written.

**KLAMATH NORTHERN RAILWAY
COMPANY**, an Oregon corporation

By: 
Name: JOHN HORNING
Title: CFO

By: S. M. Fulton
Name: S. M. FULTON
Title: SR VP OPERATIONS

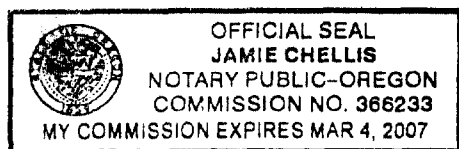
EXHIBITS:

Exhibit A	Legal Description – Crown Pacific Lumber Easement
Exhibit B	Legal Description – Crown Pacific (Oregon) Easement
Exhibit C	Legal Description – Gilchrist Timber Company Easement

[illegible]

On this 1st day of Sept., 2004, before me, a Notary Public in and for the State of Oregon, personally appeared John Morning, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged it as the CFO of KLAMATH NORTHERN RAILWAY COMPANY, an Oregon corporation, to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

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



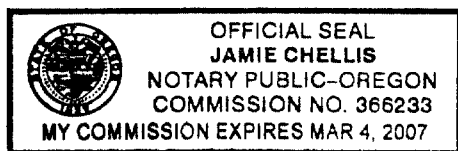
Jameechellis
NOTARY PUBLIC in and for the State
of Oregon, residing at Portland
My appointment expires 3-4-07

59657

STATE OF OREGON)
) ss.
COUNTY OF MULTNOMAH)

On this 1st day of Sept., 2004, before me, a Notary Public in and for the State of Oregon, personally appeared S.M. Fulton, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument, on oath stated that he/she was authorized to execute the instrument, and acknowledged it as the Sr. V.P. Operations of KLAMATH NORTHERN RAILWAY COMPANY, an Oregon corporation, to be the free and voluntary act and deed of said corporation for the uses and purposes mentioned in the instrument.

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



Jamie Chellis
NOTARY PUBLIC in and for the State
of Oregon, residing at Portland
My appointment expires 3-4-07

Exhibit A to Deed of Trust,
Security Agreement and Fixture Filing
dated as of September 1, 2004 made by
Klamath Northern Railway Company
in favor of Royal Bank of Canada

LEGAL DESCRIPTION: Crown Pacific Lumber Easement

That portion of the following Tract A situated within the following Tract B:

TRACT A:

A strip of land in the Southwest 1/4 of Section 19 and the Northwest 1/4 of Section 30 all in Township 24 South, Range 9 East, Klamath County, Oregon, lying 50 feet on each side of the railroad center line (existing on October 4, 1991), which center line is described more particularly as follows:

Beginning at a point on the south line of the NW 1/4 Section 30, Township 24 South, Range 9 East, Willamette Meridian, as said south line is shown on plat of survey – County Survey Number 2135, South 89°59'30" East, 665.23 feet from the C-W 1/16 corner monument, a 1 1/2 inch aluminum cap set in said County Survey Number 2135 thence North 03°42'33 East, 3554.18 feet, thence along a 2826.85 foot radius curve left through an angle of 2°01'37" a distance of 100.00 feet, thence North 01°40'56" East, 339.16 feet to the end of the aforesaid center line.

Together with a strip or strips of land 100 feet in width lying 50 feet each side of each of the several railroad sidings (existing on October 4, 1991) connecting to the railroad located on the above described strip of land.

TRACT B:

A tract of land situated in Sections 19 and 30, Township 24 South, Range 9 East. Willamette Meridian, Klamath County, Oregon, being further described as follows:

Beginning at a 1 ½ inch aluminum cap stamped "Oman OR702" set as part of Klamath County Survey Number 2135 marking the center-west one-sixteenth corner of said Section 30; thence North 89°59'25" West, 129.61 feet to a 5/8 inch iron rod with yellow plastic cap stamped "W&H Pacific"; thence North 00°43'48" East, 581.98 feet; thence North 00°57'00" West, 659.67 feet; thence North 08°53'31" East, 173.46 feet; thence North 22°47'34" East, 125.21 feet; thence North 31°09'33" East, 170.48 feet; thence North 42°06'48" East, 126.95 feet; thence North 54°08'16" East, 335.07 feet; thence North 48°40'02" East, 137.86 feet; thence North 31°02'30" East, 120.80 feet; thence North 16°51'52" East 315.06 feet; thence North 08°33'43" East, 156.39 feet; thence North 29°47'20" West 90.21 feet; thence North 04°26'16" West 256.63 feet; thence North 29°31'40" West, 637.26 feet; thence North 68°17'15" West, 1448.58 feet; thence North 15°15'50" East, 537.11 feet; thence South 67°44'01" East, 1104.72 feet; thence north 07°59'49" West, 1010.20 feet; thence North 12°06'48" West, 1596.12 feet; thence North 69°05'03" East, 88.90 feet; thence South 35°31'34" East, 66.26 feet; thence South 43°11'08" East, 131.62 feet; thence South 47°07'55" East, 622.90 feet; thence South 48°21'34" East 691.87 feet; thence South 81°01'10" East, 47.07 feet; thence North 65°28'44" East, 110.88 feet; thence South 89°01'46" East, 106.04 feet; thence South 72°05'48" East, 657.54 feet; thence South 63°19'12" East, 80.79 feet; thence South 38°30'07" East, 111.93 feet; thence South 24°05'42" East, 481.01 feet; thence South 26°01'19" East, 194.21 feet; thence South 20°56'51" East, 148.78 feet; thence South 15°58'19" East, 262.21 feet; thence South 74°22'21" East, 66.62 feet to an angle point on the westerly line of Parcel 1 as defined by Partition Plat Number MP 53-91 previous to recording

with Klamath County Records; thence along said westerly line of said Parcel 1 the following courses; thence North 81°33'08" East, 333.88 feet; thence South 15°00'41" West, 678.21 feet; thence North 74°59'19" West, 618.42 feet; thence South 01°04'00" East, 1296.70 feet; thence North 89°56'12" East, 216.77 feet; thence South 15°00'41" West, 80.47 feet; thence South 74°59'19" East, 30.00 feet; thence South 15°00'41" West, 1335.95 feet to a point of spiral curvature; thence along the arc of a 2 degree railroad spiral curve offset 50 feet from centerline of said railroad curve, the long chord of which bears South 15°02'54" West, 41.47 feet to a point on the South line of said Parcel 1; thence leaving said westerly and southerly lines of Parcel 1 along the arc of a 2 degree railroad spiral curve offset 50 feet from centerline of said railroad curve, the long chord of which bears South 15°42'07" West, 116.98 feet to a point of spiral to curvature; thence along the arc of a 2814.79 foot radius railroad curve to the right, through a central angle of 24°00'37", the long chord of which bears South 27°09'13" West, 1017.53 feet to a point of curvature to spiral, said point being 50 feet westerly of the centerline of said railroad curve; thence along the arc of a 2 degree railroad spiral curve offset 50 feet from centerline of said railroad curve, the long chord of which bears south 38°24'35" West, 158.49 feet; thence South 39°01'18" West, 130.72 feet; thence North 50°58'42" West, 23.93 feet; thence South 39°00'19" West, 0.90 feet to a point on the east-west centerline of Section 30 as defined by Klamath County Survey Number 2135; thence along said centerline of Section 30 as defined by said Survey Number 2135, North 89°59'30" West, 1062.09 feet to the point of beginning.

Bearings are based on Klamath County Partition Plat Number MP 53-91.

Exhibit B to Deed of Trust,
Security Agreement and Fixture Filing
dated as of September 1, 2004 made by
Klamath Northern Railway Company
in favor of Royal Bank of Canada

LEGAL DESCRIPTION: Crown Pacific (Oregon) Easement

A strip of land lying within 50 feet on either side of the center line of the railroad tracks (existing on October 4, 1991) formerly (prior to October 4, 1991) operated by the Klamath Northern Railway Company over the following described real property situated in Klamath County, Oregon:

Township 24 South, Range 8 East, W.M.

Section 25

Section 36

Township 24 South, Range 9 East, W.M.

Section 19

Section 30

Section 31

Township 25 South, Range 8 East, W.M.

Section 2

Section 10

Section 11

Section 15

Section 16

Section 17

Section 20

Section 31

Exhibit C to Deed of Trust,
Security Agreement and Fixture Filing
dated as of September 1, 2004 made by
Klamath Northern Railway Company
in favor of Royal Bank of Canada

LEGAL DESCRIPTION: Gilchrist Timber Company Easement

A strip of land lying within 50 feet on either side of the center line of the railroad tracks (existing on October 2, 1991) formerly (prior to October 2, 1991) operated by the Klamath Northern Railway Company over the following described real property situated in Klamath County, Oregon:

Parcel 2 of Major Partition Plat No. 53-91, records of Klamath County, Oregon.