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MTT-64133A

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After Recording Return to:
M & L Enterprises, Inc.
Sunriver Mall
P.O. Box 4214
Sunriver, OR 97007

State of Oregon, County of Klamath
Recorded 01/03/2005 3:31 P m
Vol M05 Pg 00368-73
Linda Smith, County Clerk
Fee \$ 46 # of Pgs 6

Until a change is requested,
all tax statements shall be sent to:
M & L Enterprises, Inc.
Sunriver Mall
P.O. Box 4214
Sunriver, OR 97007

**STATUTORY BARGAIN AND SALE DEED
(WITH TIMBER RESERVATION)**

CROWN PACIFIC LIMITED PARTNERSHIP, a Delaware limited partnership, Debtor-in-Possession under Jointly Administered Case No. 03-11258-PHX-RJH in the United States Bankruptcy Court for the District of Arizona filed on June 29, 2003 under Chapter 11 of Title 11 of the United States Code, Grantor, hereby conveys to M & L ENTERPRISES, INC., an Oregon corporation, Grantee, the real property in Klamath County, Oregon, legally described as Parcel 2 of Land Partition Number 45-04, records of Klamath County, Oregon (the "Property").

The true and actual consideration for this conveyance is \$21,000.

Grantor hereby reserves for itself and its successors and assigns the right to cut and harvest all Reserved Timber (hereinafter defined) from the Property on the following terms and conditions:

1. Reserved Timber. The timber that is subject to this timber reservation in favor of Grantor (the "Timber Reservation") shall consist of all merchantable timber now or hereafter located on the Property (the "Reserved Timber"). For purposes of this Deed, "merchantable timber" shall mean all standing or fallen trees or timber of commercial species with at least one merchantable log sixteen feet six inches (16'6") or longer with a six inch (6") or larger top diameter (in each case, measured as of the date of harvesting).

2. Term of Reservation. The Timber Reservation shall automatically expire and be of no further force and effect, and Grantor shall cease all timber harvest activities hereunder, on the first to occur of (i) the fifth anniversary of the date of this Deed, and (ii) the completion of harvesting of the Reserved Timber. At any time on or after the expiration of the Timber Reservation, Grantor shall, at Grantee's request, execute, acknowledge, and deliver to Grantee a quitclaim deed and shall take such other actions as Grantee may reasonably request to confirm or evidence the termination of Grantor's rights hereunder.

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3. Access. During the term of the Timber Reservation, Grantor shall have the non-exclusive right to use all roads now or hereafter located on the Property to the extent reasonably required to permit the harvest and removal of Reserved Timber hereunder. Grantor shall have the right, at its sole expense, to construct spur roads on the Property to the extent reasonably required to permit the harvest and removal of Reserved Timber hereunder. The location of such roads shall be subject to the prior written approval of Grantee.

4. Timber Harvest Operations. In connection with its harvest of Reserved Timber and its use and construction of roads on the Property, Grantor shall:

4.1 Comply with all applicable federal, state, and local laws, rules, and regulations, including without limitation applicable provisions of the Oregon Forest Practices Act (the "FPA") and the rules and regulations issued thereunder, the provisions of all Notices of Operations ("NOO") issued in connection with the harvest of Reserved Timber, and all laws, rules, and regulations relating to worker safety, fire protection and suppression, and road construction, repair, and maintenance.

4.2 Operate in a good and workmanlike manner and take such steps as may be reasonably required to avoid damage to timber and trees not to be harvested by Grantor hereunder. Prior to the severance or harvesting of any of the Reserved Timber, Grantor shall provide Grantee with copies of all NOO pertaining to the harvesting of the Reserved Timber. Grantor shall conduct its operations so as to leave the logging site in good condition for replanting and regeneration, and shall fall all trees on the perimeter of the site toward the center of the designated area in order to prevent damage to timber on adjacent property. Grantor shall use due diligence to prevent fires and shall use all men and equipment reasonably necessary to prevent fires from spreading. Grantor shall water bar all skid roads at appropriate times and locations to prevent erosion and siltation of surface waters. Periodically during the term of the Timber Reservation and again just prior to its expiration, Grantor shall, in accordance with good management practices, remove from the Property any trash, garbage oil drums, cans, and filters, wire cable, and other discarded materials and equipment left or placed on the Property by Grantor or its contractors, subcontractors, agents, or employees.

4.3 Pay all costs of labor and materials and keep the Property free and clear of all liens and encumbrances relating thereto or otherwise arising from Grantor's activities hereunder, except to the extent any such liens or encumbrances are being disputed by Grantor in good faith, in which event Grantor shall provide Grantee with security reasonably satisfactory to Grantee in an amount or with a value equal to 120% of the amount in dispute; *provided, however*, that any such lien and encumbrance shall be removed from the Property at Grantor's sole cost promptly upon written notice from Grantee at such time as (i) Grantee elects to sell or exchange the Property or to obtain financing secured by the Property, (ii) such lien or encumbrance violates any mortgage or deed of trust on the Property, (iii) Grantor ceases to prosecute the dispute of such lien or encumbrance with due diligence, or (iv) a foreclosure action is commenced with respect to such lien or encumbrance.

4.4 Upon Grantee's reasonable request, suspend operations at any time when, due to weather conditions, such operations would cause excessive damage to roads or soil on the Property or when there is undue risk of fire.

4.5 Maintain and repair all roads and landings on the Property used by Grantor hereunder in accordance with applicable provisions of the FPA and the rules and regulations issued thereunder and with the provisions of all NOO issued in connection with the harvest of Reserved Timber. At a minimum, Grantor shall keep all roads, culverts, ditches, and ditch banks cleared of logging debris during and upon the completion of Grantor's harvest operations and maintain all roads in their original or better condition, normal wear and tear excepted.

4.6 Upon completion of its timber harvest activities, remove all of its equipment from the Property.

4.7 Comply with all applicable Environmental Laws (hereinafter defined) and not, and not permit any third party to, bring, store, or use any Hazardous Substance (hereinafter defined) on the Property, except for such Hazardous Substances as are reasonably necessary in the normal course of Grantor's timber harvest operations on the Property and as are used and stored in a manner complying with all applicable Environmental Laws and removed from the Property upon completion of Grantor's activities thereon. The term "Hazardous Substance" means any substance or material defined or designated as hazardous or toxic (or by any similar term) under any Environmental Law, including petroleum products and friable materials containing more than one percent (1%) asbestos by weight. The term "Environmental Law" means any federal, state, or local law, ordinance, rule, or regulation relating to pollution or protection of the environment or actual or threatened releases, discharges, or emissions into the environment, including the so-called Comprehensive Environmental Response, Compensation, and Liability Act; the Resource Conservation and Recovery Act; the Superfund Amendments and Reauthorization Act; the Federal Water Pollution Control Act; the Clean Air Act; and all comparable state statutes.

4.8 Permit Grantee from time to time to inspect Grantor's timber harvest and road construction operations on the Property to determine Grantor's compliance with the foregoing requirements.

5. Insurance and Indemnification.

5.1 Insurance. At all times during the term of the Timber Reservation, Grantor (or its logging contractors) shall maintain in full force and effect, with one or more reputable insurers licensed to do business in the State of Oregon (i) comprehensive general liability insurance, automobile liability insurance, and loggers broad form liability insurance, all including coverage for contractually assumed liabilities and third party fire and property damage coverage, with combined single limits of not less than \$2,000,000 (\$1,000,000 for logging contractors) per occurrence for bodily injury and death or for property damage, and (ii) private industrial accident insurance on all employees engaged in timber harvest operations hereunder and not covered by state workers' compensation insurance. All such insurance policies shall name Grantee and its successors and assigns with respect to the Property as additional insureds, without any obligation for the payment of premiums, reporting claims, or other obligations of a "named insured" and shall provide for no termination or material reduction in coverage without at least 30 days prior written notice to Grantee. Grantor shall furnish one or more certificates evidencing the foregoing insurance coverage prior to the commencement of timber harvest or road construction operations hereunder and thereafter, on request of Grantee, during the continuance of such operations.

5.2 Indemnification. Grantor shall indemnify, defend, and hold harmless Grantee from and against any claim, loss, liability, or expense (including reasonable attorneys' fees) arising from or related to (i) Grantor's breach of any obligation contained in this Deed, (ii) any activities on the Property pursuant to or in connection with the Timber Reservation, whether caused in whole or in part by Grantor or its employees, contractors, subcontractors, agents, or permittees, or (iii) any claims or suits brought by any employee, contractor, subcontractor, agent, or permittee of Grantor, except, in each such case, to the extent caused by the willful or negligent act or omission of Grantee or any of its agents, contractors, subcontractors, employees, or permittees.

6. Taxes. Grantor shall file all required notices relating to, prepare and file all required returns for, and pay when due all taxes on the harvesting and severance of Reserved Timber by Grantor. Grantee shall pay all ad valorem real estate taxes and assessments on the Property; *provided* that if the land and the Reserved Timber are separately assessed, Grantor shall pay all property taxes assessed against the Reserved Timber during the term of the Timber Reservation.

7. Reforestation. Grantor shall perform all reforestation obligations resulting from Grantor's harvest of Reserved Timber.

8. Removal of Reserved Timber by Grantee. Grantee shall be entitled to fell Reserved Timber on the Property to the extent necessary for any expansion of Grantee's business on the Property; *provided, however*, that Grantee shall give Grantor not less than thirty (30) days prior written notice of any such intended felling of Reserved Timber. Any Reserved Timber so felled on the Property shall belong to Grantor, who shall remove it from the Property.

9. Attorneys' Fees. If a suit, action, or other proceeding of any nature whatsoever (including any proceeding under the U.S. Bankruptcy Code) is instituted in connection with the Timber Reservation, or to interpret or enforce any rights or remedies with respect thereto, the prevailing party shall be entitled to recover its attorneys' fees and all other fees, costs, and expenses actually incurred and reasonably necessary in connection therewith, as determined by the court at trial or on any appeal or review, in addition to all other amounts provided by law.

10. Binding Effect. The provisions of this Deed relating to the Timber Reservation shall binding upon and inure to the benefit of Grantor, Grantee, and their respective successors and assigns.

11. Remedies for Breach. If Grantor breaches any obligation hereunder with respect to the Timber Reservation, Grantee may, at its option, obtain injunctive relief or specific performance, in addition to any other remedy it may have at law or in equity.

12. Assignment. If Grantor assigns any of its rights or interests in and to the Reserved Timber, the assignee shall assume in writing Grantor's obligations with respect thereto and Grantor shall give Grantee prior or concurrent written notice of such assignment, providing Grantee with a copy of the assumption agreement containing the name and address of the assignee. Upon any such assignment of Grantor's rights or interests in and to the Reserved Timber, Grantor shall be released from its obligations hereunder.

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.

00373

DATED as of December 31, 2004.

CROWN PACIFIC LIMITED PARTNERSHIP, a
Delaware limited partnership

By: CROWN PACIFIC MANAGEMENT LIMITED
PARTNERSHIP, its General Partner

By: [Signature]
Title: SUP, CFO + TREASURER

STATE OF OREGON)
) ss.
County of Multnomah)

The foregoing instrument was acknowledged before me on November 30,
2004 by Steven Schick as SUP and CFO of Crown Pacific
Management Limited Partnership, General Partner of Crown Pacific Limited Partnership, a
Delaware limited partnership.

[Signature]
Notary Public for Oregon
My Commission Expires: 6-16-06

