

MTC 81345

2008-004664

Klamath County, Oregon



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03/31/2008 11:26:55 AM

Fee: \$126.00

After Recording Return To:
NWFCs-Missoula
P.O. Box 16166
Missoula, MT 59808-6166

Olson Timberlands, LLC
Smoke Creek Ranch LLC
Customer/Note No. 55767-441

DEED OF TRUST AND SECURITY AGREEMENT

THIS DEED OF TRUST IS ALSO INTENDED TO BE A SECURITY AGREEMENT AND FILING AGAINST TIMBER TO BE CUT.

NOTICE: THE OBLIGATIONS SECURED BY THIS DEED OF TRUST PROVIDE FOR A VARIABLE INTEREST RATE.

ATTENTION: COUNTY RECORDER: This Deed of Trust covers and should be appropriately indexed, not only as a trust deed, but also as a financing statement covering timber to be cut and goods that are or are to become fixtures on the real property described herein. The names and mailing addresses of the Trustor (Debtor) and Beneficiary (Secured Party) are set forth immediately below.

This Deed of Trust and Security Agreement ("Deed of Trust"), dated as of March 26, 2008, is executed by **OLSON TIMBERLANDS, LLC**, an Oregon limited liability company, as to an undivided two-thirds interest, as grantor, whose address until the transfer event referenced in the Term Note and Loan Agreement, Section 9.11.2, is 2390 E. Camelback Road, Suite 325, Phoenix, AZ 85016 and after such event is 445 Port Avenue, Suite A, St. Helens, OR 97051 and **SMOKE CREEK RANCH LLC**, an Oregon limited liability company as to an undivided one-third interest, as grantor, whose address is 23150 NE Boones Ferry Road, Aurora, OR 97002 (collectively "Trustor"), in favor of **CHICAGO TITLE INSURANCE COMPANY OF OREGON** ("Trustee"), as trustee, whose address is 888 SW 5th Avenue, Suite 930, Portland, OR 97204, for the benefit of **NORTHWEST FARM CREDIT SERVICES, FLCA**, a corporation

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organized and existing under the laws of the United States ("Beneficiary"), as beneficiary, whose physical address is 1700 South Assembly Street, Spokane, WA 99224-2121, and mailing address is P. O. Box 2515, Spokane, WA 99220-2515. Each capitalized term used and not otherwise defined in this Deed of Trust shall have the meaning given such term in the Term Note and Loan Agreement (the "Loan Agreement") or Membership Agreement ("Membership Agreement") executed by Trustor / Borrower (as defined below) on or around even date herewith.

Pursuant to the terms and conditions of the Loan Agreement, Trustor has agreed to grant this Deed of Trust in favor of Beneficiary to provide security for Trustor's obligations under the Note described herein, the Loan Agreement and the related Loan Documents and any and all other documents entered into pursuant thereto.

ARTICLE 1 GRANT OF SECURITY

1.1 Grant of Security. Trustor, in consideration of the indebtedness secured by this Deed of Trust, irrevocably bargains, sells, grants, transfers, conveys, assigns and warrants to Trustee, IN TRUST, WITH POWER OF SALE, AND RIGHT OF ENTRY AND POSSESSION for the benefit and security of Beneficiary, all Trustor's existing and future rights, titles, interests, estates, powers and privileges in or to the following (collectively the "Property"):

a. That certain real property located in Klamath County, State of Oregon, more particularly described on Exhibit A attached hereto and incorporated herein (hereinafter the "Land");

b. All buildings, wells and other improvements now or hereafter located on the Land, including, but not limited to, the Fixtures (as defined below), and all other equipment, machinery, appliances and other articles attached to such buildings and other improvements (collectively the "Improvements");

c. All fixtures (including without limitation, goods that are or become so related to the Land or Improvements that an interest in them arises under the real estate law) and any additions or replacements (collectively the "Fixtures") now or hereafter located on, attached to, installed in or used in connection with the Land and the Improvements;

d. All timber, also known as "forest tree species," now standing or hereafter growing and located on the Land, and whether or not said timber is merchantable timber (the "Timber"), along with all products thereof including but not limited to logs, chips and all contracts of conveyance or sale of such Timber;

e. All rights, rights-of-way, easements, licenses, profits, claims, demands, privileges, tenements, hereditaments and appurtenances now owned or hereafter acquired by Trustor and used in connection with the Land or as a means of access, including without limitation, all rights over the property of third persons which are related thereto, and all unaccrued trespass and

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surface damage claims appurtenant thereto, and all written operations plans and all permits and approvals related to the Land;

f. All waters, watercourses, water rights and riparian rights (including without limitation, shares of stock evidencing the same) in or relating to the Land;

g. All Trustor's other existing or future estates, homestead or other claims or demands, both in law and in equity in the Land, including without limitation, all awards made for the partial or complete taking by eminent domain, or by any proceeding or purchase in lieu of eminent domain, of the Property; and

h. All cash or non-cash proceeds of the sale, lease, license, exchange or other disposition of the Property, or condemnation proceeds.

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties. Trustor represents and warrants to Beneficiary as follows:

a. Trustor hereby authorizes Beneficiary to file, at anytime, one or more financing statements and any amendments and continuations thereof, describing any personal property or fixtures described herein, without further signature of Trustor. Trustor hereby represents and warrants that Trustor's State of formation is the State of Oregon, and Trustor's exact legal name is as set forth herein.

b. Trustor is the legal and equitable owner of the Property;

c. Except as otherwise previously disclosed to Beneficiary, Trustor has the exclusive right to harvest any Timber, if any, from the Land and has the exclusive right to use the appurtenant rights and the operating permits;

d. Without thereby limiting the generality of the foregoing, and except as otherwise previously disclosed to Beneficiary, Trustor has not assigned or granted any harvest or access rights or interests, or sold or leased any part of the Land, if any, to any other Person;

e. To the best of Trustor's knowledge there are no claims, liens, encumbrances (including judgments, levies and the like), or security interest ("Liens") covering the Property or any part or item thereof except easements and reservations of record which are listed on the title commitment delivered by Trustor and the junior Lien to be granted to Cascade Timberlands, LLC;

f. To the best of Trustor's knowledge, and other than have been disclosed to Beneficiary, there are no federal, state or local laws, regulations, rules or standards ("Laws"), or

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permits, orders, injunctions, citations, notices of civil penalty, restraining orders, judgments or the like issued by any Governmental Unit ("Orders") which are now in effect and which would restrict any Material use of the Property;

g. Trustor has taken all actions necessary and has been duly authorized under its governing entity documentation to execute, acknowledge and deliver this Deed of Trust and the Loan Documents and to perform the Secured Obligations;

h. This Deed of Trust has been executed, acknowledged and delivered on behalf of Trustor by partners, members, representatives or officers, as applicable, of Trustor duly authorized to perform such acts;

i. This Deed of Trust is the legally valid and binding contract of Trustor, and is enforceable against Trustor in accordance with its terms except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws affecting the rights and remedies of creditors generally and by general principals of equity, whether applied by a court of law or equity; and

j. To the best of Trustor's knowledge, neither the execution of this Deed of Trust nor the payment and performance of the Secured Obligations will Materially violate any Laws or Orders affecting Trustor or its Property or constitute a breach or Event of Default by Trustor under any agreement, contract, loan indenture, lease, instrument or like document to which Trustor is a party or its Property is bound.

The foregoing representations and warranties will survive and not be merged or otherwise eliminated by any conveyance, voluntarily or through foreclosure, of the Property to Beneficiary or its nominee. Trustor hereby agrees to indemnify, defend and hold harmless Beneficiary from and against any and all claims, loss, liability, damages, liens, penalties, costs and expenses of any nature or kind whatsoever arising from or related to any misstatement of any Material fact in the foregoing representations and warranties or the omission therein to state a Material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading.

ARTICLE 3 SECURED OBLIGATIONS

3.1 Secured Obligations. This Deed of Trust, and the lien it creates, is made for the purpose of securing the following obligations (collectively the "Secured Obligations"):

a. The full and punctual payment of the indebtedness evidenced by that certain Term Note and Loan Agreement (referenced as "Loan No. 55767-441," "Loan" "Loan Agreement" or "Note") dated on or around even date, the final payment of which is due no later than June 1, 2028, made by each Trustor, as borrower ("Borrower") to the order of Beneficiary in the principal face amount of Seven Million Fifty-eight Thousand and No/100's Dollars

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(\$7,058,000.00), with interest thereon at the rates therein provided which interest rate and payment terms may be adjusted as provided in the Note and Loan Documents, together with any and all renewals, modifications, consolidations and extensions of the indebtedness evidenced by the Note;

b. Payment and performance of Borrower's and Trustor's obligations under the Note and under any and all other present and future agreements executed by Trustor and relating to the Note;

c. Payment and performance of Borrower's and Trustor's obligations under the Environmental Indemnity Agreement executed by Trustor with respect to the Property on or about even date herewith;

d. Payment of such additional sums with interest thereon as may be due to Trustee or Beneficiary under any provisions of this Deed of Trust;

e. Payment by Trustor of all amounts advanced by (or on behalf of) Beneficiary or Trustee to improve, protect or preserve the Property or the security of this Deed of Trust, with interest on such amounts as provided in this Deed of Trust;

f. Payment and performance of all amendments, modifications, extensions, renewals and replacements of any of the foregoing, including without limitation, (i) amendments or modifications of the required principal or interest payment dates accelerating or deferring any such payment dates, or (ii) amendments, modifications, extensions or renewals at a different rate of interest, whether or not evidenced by a new or additional notes or other document; and

g. Payment of charges as allowed by law, when such charges are made for any Beneficiary statement or other statement regarding the Secured Obligations.

Notice is hereby given that the interest rate, payment terms or balance due on the Note may be indexed, adjusted, renewed or renegotiated per the terms of the Note.

Borrower acknowledges that the Secured Obligations are unconditional in nature and will not be released, discharged or otherwise affected by (a) any damage to or destruction or condemnation of the Collateral or any part thereof, (b) any governmental requirement affecting the use or enjoyment of the Collateral, (c) any defect in title to or lien on the Collateral, (d) any Insolvency Proceeding involving Borrower, (e) any claim which Borrower has or may claim to have against Lender or its participants, and whether or not relating to any related agreement between Lender and Borrower or (f) any other occurrence of similar or dissimilar nature and whether or not Borrower has actual or constructive notice thereof.

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ARTICLE 4 COVENANTS

4.1 Payment of Secured Obligations. Trustor / Borrower shall pay the Secured Obligations when due.

4.2 Maintenance, Repair, Alterations.

4.2.1 Maintenance, Repair, and Alterations: Affirmative Covenants. Trustor shall:

- a. Keep the Property in good condition and repair;
- b. Complete promptly and in a good and workmanlike manner, any improvement which may be constructed on the Land, and pay when due all claims for labor performed and Materials furnished for such construction or restoration, subject to Grantor's right to contest any legitimate dispute;
- c. Comply with all statutes, laws, ordinances, regulations, Orders, rulings, rules, consents, permits, licenses, conditions of approval and authorizations of any court or governmental or regulatory body having jurisdiction over Trustor, or the Property ("Laws and Ordinances");
- d. Comply with any declaration of covenants, conditions and restrictions, reciprocal easement agreements to which the Property is subject ("CC&Rs"), and such exceptions to title acceptable to Beneficiary ("Permitted Exceptions");
- e. Keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good, neat order and repair;
- f. Comply with the provisions of any leases constituting part of the Property;
- g. Obtain and maintain in full force and effect all permits necessary for the use, occupancy and operation of the Property; and
- h. Do any and all other acts, except as otherwise prohibited or restricted by the Loan Documents, which may be reasonably necessary to protect or preserve the value of the Property and the rights of Beneficiary in it.

4.2.2 Maintenance, Repair and Alterations: Negative Covenants. Trustor shall not, except upon the prior written consent of Beneficiary, which shall not be unreasonably withheld or delayed:

a. Commit, suffer or permit any act to be done in, upon or to any part of the Property in violation of any Laws and Ordinances, CC&Rs, or Permitted Exceptions now or hereafter affecting the Property;

b. Commit or permit any waste or deterioration of the Property except harvest of the Timber;

c. Take (or fail to take) any action, which would increase the risk of fire or other hazard occurring to or affecting the Property or which otherwise would impair the security of Beneficiary in the Property, except to the extent it is common in the forest products industry;

d. Abandon all or any part of the Property or leave the Property unprotected, unguarded, vacant or deserted, except to the extent that is common in the forest products industry; or

e. Initiate, join in or consent to any change in any zoning ordinance, general plan, specific plan, private restrictive covenant or other public or private restriction limiting the uses which may be made of the Property by Trustor.

4.3 Insurance. Trustor shall at all times maintain in full force and effect, at Trustor's sole cost and expense, with insurers reasonably satisfactory to Beneficiary, such insurance as is common in the forest products industry.

4.4 Condemnation and Other Awards. Upon learning of the actual or threatened condemnation or other taking for public or quasi-public use of all or any part of the Property, Trustor shall immediately notify Beneficiary. Trustor shall take all actions reasonably required by Beneficiary in connection with such condemnation or other taking to defend and protect the interests of Trustor and Beneficiary in the Property. At Beneficiary option, Beneficiary may be the named party in such proceeding. Regardless of the adequacy of its security, Beneficiary shall be entitled to participate in, control and be represented by counsel of its choice in such proceeding. All condemnation proceeds shall first be applied to reimburse Beneficiary for all their reasonable costs and expenses, including reasonable attorneys' fees, incurred in connection with the collection of such award or settlement. The balance of such award or settlement shall be applied by Beneficiary against the Secured Obligations in such order as Beneficiary may determine.

4.5 Taxes and Impositions (Impounds). Trustor shall pay, prior to delinquency, (subject to any right of Trustor to contest if there is a legitimate dispute) all of the following (collectively the "Impositions") of Trustor's:

a. All general and special real property taxes and assessments imposed on the Property; and

b. All other taxes and assessments and charges assessed on the Property (or on the owner and or operator of the Property) which create or may create a lien on the Property (or on any personal property or fixture used in connection with the Property); including, without limitation, non-governmental levies and assessments under applicable CC&Rs; and

c. All business taxes; and

d. All license fees, taxes and assessments imposed on Beneficiary (other than Beneficiary's income or franchise taxes) which are measured by or based upon (in whole or in part) the amount of the Secured Obligations.

If permitted by law, Trustor may pay the Imposition in installments (together with any accrued interest). Upon demand by Beneficiary from time to time, Trustor shall deliver to Beneficiary, within 30 days following the due date of any Imposition, evidence of payment reasonably satisfactory to Beneficiary.

4.5.1 Reserves on Impositions. If Beneficiary requires following the occurrence of an Event of Default, Trustor, at the time of making each installment payment on the Note, or at such other intervals as Beneficiary reasonably designates, shall deposit with Beneficiary such sum as Beneficiary reasonably estimates to be necessary to pay installments of Impositions and insurance policies next becoming due upon any of the Land. All such sums may be held by Beneficiary and applied in such order as Beneficiary may elect for payment of Impositions or other sums secured by this Deed of Trust at Beneficiary's election. Such sums shall constitute additional collateral for the Secured Obligations. Except as otherwise provided by law, Beneficiary shall have no obligation regarding such sums other than to account to Trustor for their receipt and application. Upon any transfer by Beneficiary of its rights or interests in the Secured Obligations or of this Deed of Trust, Beneficiary may turn over to the transferee such of those sums as Beneficiary then holds for application as set forth herein, and Beneficiary's responsibilities with respect to them shall terminate.

4.6 Utilities. Trustor shall promptly pay all gas, irrigation, electricity, water, sewer and other utility charges incurred for the benefit of the Property or which may become a lien against the Property; and all other similar public or private assessments and charges relating to the Property, regardless of whether or not any such charge is or may become a lien on the Property.

4.7 Liens: Non-Permitted Exceptions. Trustor shall not cause, incur or permit to exist any lien, encumbrance or charge ("Non-Permitted Exceptions") upon all or any part of the Property or any interest in the Property other than Permitted Exceptions and the junior Lien to Cascade Timberlands, LLC. Trustor shall pay and promptly discharge, at Trustor's sole cost and expense, all such Non-Permitted Exceptions. If Trustor fails to do so, and an Event of Default occurs, Beneficiary may, but shall not be obligated to, discharge them. Beneficiary may discharge Non-Permitted Exceptions either by (a) paying the amount claimed to be due, or (b) procuring their discharge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or (c) in any other manner permitted or required by law. Trustor shall, immediately

upon demand by Beneficiary, pay Beneficiary's reasonable costs and expenses incurred in connection with such discharge, together with interest on such costs from the date of such expenditure until paid at the default rate of interest described in the Note ("Default Rate").

4.8 Sale or Lease of Property: Due on Sale Clause. Trustor shall not sell, lease, sublease or otherwise transfer, as defined below, all or any part of the Property or any interest in it, without the prior written consent of Beneficiary, which shall not be unreasonably withheld, except the harvest of Timber in the ordinary course of business and except as is consistent with Section 8.03 of the Loan Agreement. All leases of any part of the Property must be submitted to Beneficiary for approval prior to execution. Transfers requiring Beneficiary's prior written consent shall include, without limitation, the following:

- a. Voluntary liens, encumbrances and assignments as security for obligations; and
- b. The voluntary sale, issuance, disposition, encumbering or other transfer of all or any part of the membership interests in Trustor, which creates a change in control of Trustor.

No sale, lease or other transfer shall relieve Trustor from primary liability for its obligations under the Note and Loan Documents or relieve any Guarantor from any liability under any guaranty. Upon any such Transfer to which Beneficiary does not consent or upon an involuntary Transfer, Beneficiary, at its option, may declare all Secured Obligations immediately due and payable without presentment, demand or protest and may exercise all rights and remedies provided in this Deed of Trust.

4.9 Inspections. Trustor authorizes Beneficiary and its agents, representatives and employees, upon reasonable notice to Trustor, to enter at any time upon any part of the Property for the purpose of performing a Subsequent Valuation (as defined in Section 6.19), inspecting the Property, taking soil or groundwater samples and conducting tests to investigate for the presence of hazardous materials, provided such entry shall cause as little disruption to the occupants of the Property as possible, and provided Beneficiary restores the Property to its pre-inspection condition if Beneficiary's inspection activities cause damage to the Property. Trustor agrees to pay the costs and expenses of Beneficiary incurred in such inspections and examinations, including without limitation, Beneficiary's attorneys' fees, if such inspection was made necessary because of an Event of Default, whether the services are provided by Beneficiary's employees, agents or independent contractors. Any inspection or review by Beneficiary is solely for Beneficiary's benefit to protect Beneficiary's security and preserve Beneficiary's rights under this Deed of Trust. Beneficiary owes no duty of care to protect Trustor or any other party against, or to inform Trustor or any other party of, any adverse condition affecting the Property. No inspection by Beneficiary shall constitute a waiver of any Event of Default.

4.10 Defense of Actions. Trustor shall notify Beneficiary of any action or proceeding purporting to affect (a) the security of this Deed of Trust, (b) any of the Loan Documents, (c) all or any part of the Property or any interest in it, (d) any additional or other security for the Secured Obligations, or (e) the interests, rights, powers or duties of Beneficiary under this Deed

of Trust. Trustor, at no cost or expense to Beneficiary, shall appear in and defend the same. If Beneficiary elects to become or is made a party to such action or proceeding, Trustor shall indemnify, defend and hold Beneficiary harmless from all related liability, damage, cost and expense reasonably incurred by Beneficiary (including, without limitation, reasonable attorneys' fees and expenses consistent with Section 4.13 of this Deed of Trust), whether or not such action or proceeding is prosecuted to judgment or decision.

4.11 Protection of Security. If Trustor fails to make any payment or to do any act required by this Deed of Trust or any of the other Loan Documents and an Event of Default occurs, Beneficiary may do so. Such action by Beneficiary shall not release Trustor from the obligation to protect the security of this Deed of Trust. In connection with such actions, Beneficiary has the right but not the obligation, without limitation: (a) to enter upon and take possession of the Property; (b) to make additions, alterations, repairs and improvements to the Property which in the judgment of either party may be necessary or proper to keep the Property in good condition and repair; (c) to appear and participate in any action or proceeding affecting or which may affect the security of this Deed of Trust or the rights or powers of Beneficiary; (d) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt (excepting Permitted Encumbrances and the Lien to Cascade Timberlands, LLC) which in the judgment of either party may affect the security of this Deed of Trust or appear to be prior or superior to this Deed of Trust; and (e) in exercising such powers, to pay all necessary or appropriate costs and expenses and employ necessary or desirable consultants.

4.12 Beneficiary's Powers. If Trustor fails to pay any sum, other than principal and interest on the Secured Obligations, or to perform or comply with any other obligation required by any Loan Document and an Event of Default occurs, Beneficiary at its election may pay such sum or comply with such obligation. Without affecting the liability of Trustor or any other person liable for the payment of any Secured Obligation, and without affecting the lien or charge of this Deed of Trust, Beneficiary may, from time to time, do any of the following: (a) release any person so liable, (b) extend the maturity or alter any of the terms of any such obligation (provided however, that the consent of Trustor shall be required for extension or alteration of any unpaid obligation of Trustor to Beneficiary), (c) waive any provision of this Deed of Trust or grant other indulgences, (d) release or reconvey, or cause to be released or reconveyed, at any time at Beneficiary's option, all or any part of the Property, (e) take or release any other or additional security for any Secured Obligation, or (f) make arrangements with debtors in relation to the Secured Obligations. Waiver by Beneficiary of any right or remedy as to any transaction or occurrence shall not be deemed to be a waiver of any future transaction or occurrence. By accepting full or partial payment or performance of any Secured Obligation after it is due or after the filing of a notice of default and election to sell, Beneficiary shall not have thereby waived its right to (i) require prompt payment and performance in full, when due, of all other Secured Obligations, (ii) declare a default for failure to so pay or perform, or (iii) proceed with the sale under any notice of default and election to sell previously given by Beneficiary, or as to any unpaid balance of the indebtedness secured by this Deed of Trust.

4.13 Reimbursement of Costs, Fees and Expenses: Secured by Deed of Trust. Trustor shall pay, on demand, to the maximum allowable under applicable law, all reasonable costs, fees, expenses, advances, charges, losses and liabilities properly paid or incurred by Beneficiary in administering this Deed of Trust, the collection of the Secured Obligations, and Beneficiary's exercise of any right, power, privilege or remedy under this Deed of Trust. Such amounts include, without limitation (a) foreclosure fees and expenses, receiver's fees and expenses, (b) costs and fees paid or incurred by Beneficiary and or any receiver appointed under this Deed of Trust in connection with the custody, operation, use, maintenance, management, protection, preservation, collection, appraisal, sale or other liquidation of the Property, (c) advances made by Beneficiary to complete or partially construct all or part of any improvements which may have been commenced on the Land, or otherwise to protect the security of this Deed of Trust, (d) costs of evidence of title, costs of surveys and costs of appraisals, and costs resulting from Trustor's failure to perform any of the provisions of this Deed of Trust. Fees, costs and expenses of attorneys shall include the reasonable fees and disbursements of Beneficiary's outside and staff counsel and of any experts and agents (including fees of law clerks, paralegals, investigators and others not admitted to the bar but performing services under the supervision of an attorney), and including such fees incurred in the exercise of any remedy (with or without litigation), in any proceeding for the collection of the Secured Obligations, in any foreclosure on any of the Property, in protecting the lien or priority of the security, or in any litigation or controversy connected with the Secured Obligations, including any bankruptcy, receivership, injunction or other proceeding, or any appeal from or petition for review of any such proceeding. Reasonable counsel fees shall include fees incurred not only in enforcing the Secured Obligations in any bankruptcy or receivership proceeding, but also any fees incurred in participating in the bankruptcy or receivership proceedings generally. Such sums shall be secured by this Deed of Trust and shall bear interest from the date of expenditure until paid at the Default Rate as stated in the Notes.

ARTICLE 5 REMEDIES UPON DEFAULT

5.1 Events of Default. The occurrence of any of the following events or conditions shall constitute an event of default ("Event of Default") under this Deed of Trust:

- 5.1.1** Trustor fails to pay any amount owing under this Deed of Trust when due; or
- 5.1.2** Trustor fails to pay any taxes, insurance premiums, assessments or rents required under this Deed of Trust; or
- 5.1.3** Trustor fails to observe or perform any other obligation contained in this Deed of Trust; or
- 5.1.4** The occurrence of an Event of Default under any of, the Loan Agreement or any other Loan Documents; or

5.1.5 An Event of Default under the Environmental Indemnity Agreement executed by Trustor and or any other party.

5.2 Acceleration Upon Default: Additional Remedies. Upon the occurrence of an Event of Default which is continuing beyond any applicable cure period, Beneficiary may, at its option, exercise all of the applicable rights and remedies set forth in the Loan Agreement and, in addition, declare all Secured Obligations to be immediately due and payable; and whether or not Beneficiary exercises any said right or remedy, Beneficiary may:

5.2.1 Either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security;

a. Enter upon and take possession of all or part of the Property, in its own name;

b. Conduct environmental assessments and surveys and do any other acts which it deems necessary or desirable to preserve the value, marketability or rentability of all or part of the Property or interest in the Property or increase the Property's income, or protect the security of this Deed of Trust;

The entering and taking possession of the Property, shall not cure or waive any Event of Default or notice of default or invalidate any act done in response to them. Regardless of whether possession of the Property is by Beneficiary or a receiver, the Beneficiary shall be entitled to exercise every right provided for in the Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale;

5.2.2 Commence an action to foreclose this Deed of Trust, appoint a receiver, or specifically enforce any of the covenants contained in this Deed of Trust;

5.2.3 Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to sell the Property, which notice Trustee or Beneficiary shall cause to be recorded in the official records of the County in which the Property is located;

5.2.4 Exercise all of the rights and remedies available to a secured party under the applicable Uniform Commercial Code ("UCC") in such order and in such manner as Beneficiary, in its sole discretion, may determine (including without limitation, requiring Trustor to assemble the Property and make the Property available to Beneficiary at a reasonably convenient location), it being understood and acknowledged that this Deed of Trust is intended to be a security agreement pursuant to the applicable UCC for any and all items of personal property specified above as part of the Property which, under applicable law, may be subject to a security interest pursuant to the applicable UCC and which are not herein effectively made part of the real property. The expenses of retaking, holding, preparing for sale or the like shall include reasonable attorneys' fees and other expenses of Beneficiary and shall be additionally secured by this Deed of Trust; and

5.2.5 Exercise all other rights and remedies provided in this Deed of Trust, in any Loan Document or other document or agreement now or hereafter securing all or any portion of the Secured Obligations, or provided by law or in equity.

5.3 Foreclosure By Power of Sale.

5.3.1 Upon receipt of notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such notice of default and election to sell as is then required by law. After such lapse of time, recordation of notice of default, and giving of notice of sale as are required by law, Trustee shall, without demand on Trustor, sell the Property at the time and place of sale fixed by it in said notice of sale, or as lawfully postponed. Trustee may sell the Property either as a whole, or in separate lots or parcels or items and in such order as Beneficiary may direct Trustee to so do, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of sale. Trustee shall deliver to such purchaser or purchasers its good and sufficient deed conveying the property so sold, but without any covenant or warrant, express or implied. The recitals of any matter or fact in such deed shall be conclusive proof of their truthfulness. Any person, including without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

5.3.2 After deducting all fees, costs and expenses incurred by Beneficiary or Trustee in connection with such sale, including costs of evidence of title up to the maximum allowable by applicable law, Beneficiary shall apply the proceeds of sale to payment of (a) first, all amounts expended under the terms of this Deed of Trust which are not then repaid, with accrued interest at the Default Rate; (b) second, all other Secured Obligations; and (c) the remainder, if any, to the person or persons legally entitled.

5.3.3 Subject to applicable law, Trustee may postpone the sale.

5.3.4 A sale of less than the whole of the Property or any defective or irregular sale made under this Deed of Trust shall not exhaust the power of sale provided for in this Deed of Trust; and subsequent sales may be made until all the Secured Obligations have been satisfied, or the entire Property sold, without defect or irregularity.

5.4 Appointment of Receiver. Upon the occurrence of an Event of Default under this Deed of Trust, Beneficiary, without regard to the then value of the Property or the interest of Trustor in it, shall have the right to enter the Property in person or to apply to any court having jurisdiction to appoint a receiver or receivers of the Property. The actions that Beneficiary or such receiver may take in connection with such entry may include, but are not limited to, entering into, modifying or terminating any contractual arrangements, subject to Beneficiary's right at any time to discontinue any of the same without liability. Beneficiary is further authorized by this provision to request the court to appoint a general receiver and to empower the receiver to (i) sell or lease all or any portion of the Property, (ii) collect and apply to the outstanding balances of the Note all sales or lease proceeds, or hold the proceeds pending a court order approving the

receiver's final report and account, and (iii) hold the collections as cash collateral pending such court order or foreclosure sale. Any such receiver(s) shall also have all the usual powers and duties of receivers in similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust, and shall continue to exercise all such powers until the date of confirmation of sale of the Property, unless such receivership is sooner terminated. If Beneficiary elects to enter or take possession of the Property, it will not assume any liability to Trustor or any other person for operation or maintenance of the Property, other than for acts of gross negligence or intentional misconduct and Trustor expressly waives any such Beneficiary liability.

5.5 Application of Funds After Default. Except as otherwise provided in this Deed of Trust, upon the occurrence of an Event of Default, Beneficiary may at any time, with notice to Trustor if providing such notice will not adversely delay the exercise of Beneficiary's rights or remedies, apply to any Secured Obligation, in such manner and order as Beneficiary may elect, even if such Secured Obligation may not yet be due, any amounts received and held by Beneficiary to pay insurance premiums or Impositions or as rents, or as insurance or condemnation proceeds, and all other amounts received by Beneficiary from or on account of Trustor or the Property, or otherwise. The receipt, use or application of any such amounts shall not affect the maturity of any indebtedness secured by this Deed of Trust, any of the rights or powers of Beneficiary under the terms of any Loan Document, or any of the obligations of Trustor or any Guarantor under the Loan Agreement or any other Loan Document; or cure or waive any Event of Default or notice of default under the Loan Agreement or any other Loan Document; or invalidate any act of Beneficiary.

5.6 Remedies Not Exclusive. Beneficiary shall be entitled to enforce payment and performance of any Secured Obligation and to exercise all rights and powers under this Deed of Trust or any other Loan Document or other agreement or any law, even if some or all of the Secured Obligations may be otherwise secured, whether by guaranty, Deed of Trust, pledge, lien, assignment or otherwise. Neither the acceptance nor enforcement (whether by court action or pursuant to the power of sale or other powers herein contained) of this Deed of Trust shall impair Beneficiary's right to realize upon or enforce any other security held by Beneficiary. Beneficiary shall be entitled to enforce this Deed of Trust and any other security for the Secured Obligations held by Beneficiary in such order and manner as it may in its absolute discretion determine. No remedy conferred upon or reserved to Beneficiary is intended to be exclusive of any other remedy in this Deed of Trust, or other agreement, or at law, but each shall be cumulative and in addition to every other remedy available to Beneficiary. Every power or remedy given by any of the Loan Documents to the Beneficiary or to which it may be otherwise entitled, may be exercised, concurrently or independently, from time to time and as often as may be deemed expedient by the Beneficiary, and it may pursue inconsistent remedies. Trustor may be joined in any action brought by Beneficiary to foreclose under or otherwise enforce this Deed of Trust.

ARTICLE 6 MISCELLANEOUS

- 6.1 **Amendments.** This instrument cannot be waived, modified, discharged or terminated except in writing signed by the party against whom enforcement of such changes is sought.
- 6.2 **Statements By Beneficiary.** For any statement or accounting requested by Trustor or any other entitled person pursuant to applicable law, or for any other document or instrument furnished to Trustor by Beneficiary, Beneficiary may charge as a fee: (a) the maximum amount permitted by law at the time of the request or (b) if no such maximum, then the greater of Beneficiary's reasonable and customary charges or the actual cost to Beneficiary.
- 6.3 **Acceptance By Trustee.** Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.
- 6.4 **Reconveyance By Trustee.** Trustee shall reconvey the Property, without warrant, to the person or persons legally entitled to it upon (a) written request of Beneficiary stating that all Secured Obligations have been paid and fully performed, (b) surrender by Beneficiary of this Deed of Trust, and (c) payment by Trustor of Trustee's fees and the costs and expenses of executing and recording any requested reconveyance. The recitals in any such reconveyance of any matter or fact shall be conclusive proof of their truthfulness. The grantee in any such reconveyance may be described as "the person or persons legally entitled thereto."
- 6.5 **Trustee's Powers.** Upon written request of Beneficiary and presentation of this Deed of Trust, Trustee may (a) consent in writing to the making of any map or plat thereof, (b) join in granting any easement thereon, or (c) join in any extension agreement, agreement subordinating the lien or charge hereof, or other agreement or instrument relating hereto or to all or any part of the Property. Trustee may take such action at any time, and from time to time, without liability and without notice, and without affecting the personal liability of any person for payment of the indebtedness or the performance of any other Secured Obligation or the effect of this Deed of Trust upon the remainder of the Property.
- 6.6 **Substitution of Trustee.** Beneficiary may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the county or counties where the Property is located, or by any other procedure permitted by applicable law, substitute a successor or successors for the Trustee under this Deed of Trust.
- 6.7 **Notices.** All notices, demands, approvals and other communications provided for in this Deed of Trust shall be in writing and shall be personally delivered or mailed by United States first class mail, certified or registered, return receipt requested, postage prepaid, to the appropriate party at the address set forth in the first paragraph of this Deed of Trust. Addresses for notice may be changed from time to time by written notice to all other parties. All communications shall be deemed given (a) on the date of mailing if deposited in the United

States mail in the city where the address of the addressee is situated, or otherwise (b) on the third (3rd) Business Day after mailed. "Business Day" means any day other than a Saturday, Sunday, or a day on which Beneficiary is closed for business. Nonreceipt of any communication as the result of a change of address of which the sending party was not notified or as the result of a refusal to accept delivery shall be deemed receipt of such communication. A copy of any such notice shall be sent to Abbott & Munns LLC, 4891 Willamette Falls Drive, Suite 1, West Linn, OR 97068, ATTN: Elizabeth A. Munns.

6.8 Headings. Article and section headings are included in this Deed of Trust for convenience of reference only and shall not be used in construing this Deed of Trust.

6.9 Severability. Every provision of this Deed of Trust is intended to be severable. The illegality, invalidity or unenforceability of any provision of this Deed of Trust shall not in any way affect or impair the remaining provisions of this Deed of Trust, which provisions shall remain binding and enforceable.

6.10 Subrogation. To the extent that proceeds of the Note are used, either directly or indirectly, to pay any outstanding lien, charge or prior encumbrance against the Property, Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, regardless of whether such liens, charges or encumbrances are released.

6.11 No Merger of Lease. Foreclosure of the lien created by this Deed of Trust on the Property shall not destroy or terminate any lease or sublease then existing and affecting all or any portion of the Property, unless the Beneficiary or any purchaser at such foreclosure sale shall so elect. No act by or on behalf of Beneficiary or any such purchaser shall terminate any lease or sublease unless a Beneficiary or such purchaser shall give written notice of termination to such tenant or subtenant. If both the lessor's and lessee's estate under any lease which constitutes a part of the Property shall become vested in one owner, this Deed of Trust and its lien shall not be destroyed or terminated by application of the doctrine of merger unless Beneficiary so elects, as evidenced by recording a written declaration so stating. Until Beneficiary so elects, Beneficiary shall continue to have and enjoy all of the rights, powers and privileges of Beneficiary under this Deed of Trust as to the separate estates.

6.12 Governing Law. This Deed of Trust shall be governed by, and construed in accordance with, the substantive laws of the State of Oregon except where the location of the Land may require the application of the laws of another state or where federal laws, including the Farm Credit Act of 1971, as amended, may be applicable.

6.13 Interpretation. In this Deed of Trust the singular shall include the plural and the masculine shall include the feminine and the neuter and vice versa, if the context so requires; and the word "Person" shall include an individual, corporation, partnership or other form of association and governmental unit. Any reference in this Deed of Trust to any document, instrument or agreement creating or evidencing an obligation secured hereby shall include such

document, instrument or agreement both as originally executed and as it may from time to time be modified.

6.14 Trust Irrevocable. The trust created by this Deed of Trust is irrevocable by Trustor. All amounts payable by Trustor pursuant to this Deed of Trust shall be paid without notice, demand, counterclaim, setoff, deduction or defense and without abatement, suspension, deferment, diminution or reduction.

6.15 Further Assurances. Trustor agrees to do or cause to be done such further acts and things and to execute and deliver or to cause to be executed and delivered such additional assignments, agreements, powers and instruments as Beneficiary may reasonably require to: (a) correct any defect, error or omission in this Deed of Trust or the execution or acknowledgment of this Deed of Trust, (b) subject to the lien of this Deed of Trust any of Trustor's properties covered or intended to be covered by this Deed of Trust, (c) perfect, maintain and keep valid and effective such lien, or (d) carry into effect the purposes of this Deed of Trust.

6.16 Successors and Assigns. Subject to Section 4.8 above, this Deed of Trust applies to, inures to the benefit of and binds all parties to this Deed of Trust, their heirs, legatees, devisees, administrators, executors, successors and assigns.

6.17 Appraisal and Property Valuation Costs. Trustor acknowledges that Beneficiary has a legitimate business need to remain apprised of the current value of the Property, and Beneficiary from time to time after recordation of this Deed of Trust may order an inventory, appraisal, survey or valuation ("Subsequent Valuation") of the Property. Trustor shall cooperate in allowing Beneficiary or its agents reasonable access to the Property for the purpose of performing any such Subsequent Valuation, whether it is in the form of an appraisal or any other method of valuing the Property. If an Event of Default occurs or the parties agree in writing, Trustor shall pay promptly to Beneficiary, on demand, the costs of any such Subsequent Valuation, whether performed by employees, agents or independent contractors of Beneficiary.

6.18 Waiver of Marshalling Rights. Trustor for itself and for all parties claiming through or under Trustor, and for all parties who may acquire a lien on or interest in the Property, hereby waives all rights to have the Property and or any other property which is now or later may be security for any Secured Obligation marshaled upon any foreclosure of this Deed of Trust or on a foreclosure of any other security for any of the Secured Obligations. Beneficiary shall have the right to sell, and any court in which foreclosure proceedings may be brought shall have the right to order a sale of the Property and any or all other property, as a whole or in separate parcels, in any order Beneficiary may designate.

6.19 Additional Definitions. "Material" or "Materially" means that which, in reasonable and objective contemplation, will or realistically might affect the business or property of a Person, or the Person's creditworthiness as to such business or property, in a significant manner. "Insolvency Proceeding" means an assignment for the benefit of creditors or other proceedings intended to liquidate or rehabilitate the estate of the Person involved, including, but not limited

to, state court receiverships involving all or substantially all of a Person's property and liquidation and reorganization proceedings under Title 11 of the United States Code.

6.20. WAIVER OF JURY TRIAL. TRUSTOR HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LOAN DOCUMENT OR ANY OTHER LOAN DOCUMENTS AND ANY FUTURE MODIFICATIONS, AMENDMENTS, EXTENSIONS, RESTATEMENTS AND SERVICING ACTIONS RELATING TO THIS LOAN DOCUMENT AND ANY OTHER LOAN DOCUMENTS. THE PARTIES INTEND THAT THIS JURY WAIVER WILL BE ENFORCED TO THE MAXIMUM EXTENT ALLOWED BY LAW.

6.21 Disclosures Regarding Insurance Coverage. The following disclosure is made by Beneficiary and Trustee to Trustor pursuant to Or. Rev. Stat § 746.201:

6.21.1 Unless you provide us with evidence of the insurance coverage as required by this Deed of Trust and the other Creditor Documents, Beneficiary or Trustee may purchase insurance at your expense to protect their interest. This insurance may, but not need, also protect your interest. If the collateral becomes damaged, the coverage Beneficiary or Trustee purchases may not pay any claim you make or any claim made against you. You may later cancel this coverage by providing evidence that you have obtained property coverage elsewhere.

6.21.2 You are responsible for the cost of any insurance purchased by Beneficiary or Trustee. The cost of this insurance may be added to your contract or loan balance. If the cost is added to your contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date your prior coverage lapsed or the date you failed to provide proof of coverage.

6.21.3 The coverage Beneficiary or Trustee purchases may be considerably more expensive than insurance you can obtain on your own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

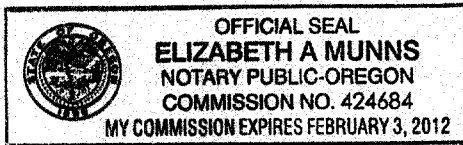
6.22 Counterparts and Multiple Originals. This Deed of Trust may be executed in any number of counterparts, each of which, when executed, shall be deemed to be an original, and all of which together shall be deemed to be one and the same instrument. This Deed of Trust is one of two original copies being filed in the Counties of Klamath and Lake, but shall constitute a single trust deed as defined in ORS 86.705.

SMOKE CREEK RANCH LLC

By: Bradley C. Shephard
Bradley C. Shephard, Manager

STATE OF Oregon)
)ss.
County of Clackamas)

On this 27th day of March, 2008, before me personally appeared Bradley C. Shephard, known to me to be the Manager of Smoke Creek Ranch LLC, an Oregon limited liability company, which executed the within instrument, and acknowledged that he executed the same as such Manager and in the limited liability company's name freely and voluntarily.



Elizabeth A. Munns
Notary Public for the State of Oregon
Residing at West Linn, OR
My commission expires Feb 3, 2012
Printed Name ELIZABETH A. MUNNS

Beneficiary acknowledges that this Deed of Trust is subject to a security interest in favor of CoBank, ACB ("Bank") and by its acceptance hereto and pursuant to and in confirmation of certain agreements and assignments by and between Beneficiary and Bank, does assign, transfer, and set over the same unto Bank, its successors and assigns, to secure all obligations of Beneficiary to Bank, provided that pursuant to such agreements and assignments, Beneficiary has authority to perform all loan servicing and collection actions and activities hereunder, including without limitation thereto, releasing in whole or in part and foreclosing judicially or otherwise this Deed of Trust until the Bank, by instrument recorded in the office in which this Deed of Trust is recorded, revokes such authority; provided however, if Bank is the Beneficiary in this transaction, this paragraph is without effect.

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DEED OF TRUST AND SECURITY AGREEMENT - 20
Olson Timberlands, LLC; CIF Note/No. 55767-441
(Klamath County, Oregon)

IN WITNESS WHEREOF, Trustor has duly executed this Deed of Trust as of the date first above written.

TRUSTOR:

OLSON TIMBERLANDS, LLC

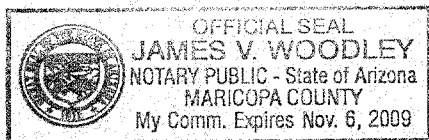
By: National Safe Harbor Exchanges, a California corporation

Its: Sole member and manager

By: [Signature]
Name: Karin A. Church
Its: Vice-President

STATE OF ARIZONA)
)ss.
County of Maricopa)

On this 26th day of March, 2008, before me personally appeared Karina Church, known to me to be the Vice President of National Safe Harbor Exchanges, the sole member and Manager of Olson Timberlands, LLC, an Oregon limited liability company, which executed the within instrument, and acknowledged that s/he executed the same as such Manager and in the limited liability company's name freely and voluntarily.



James V. Woodley
Notary Public for the State of Arizona
Residing at Phoenix, Arizona
My commission expires Nov. 6, 2009
Printed Name James V. Woodley

EXHIBIT A
KLAMATH COUNTY PROPERTY DESCRIPTION

Section 36 in Township 25 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

Account No.: 2511-00000-02000-000

Key No.: 162246

Code No.: 051

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DEED OF TRUST AND SECURITY AGREEMENT - 21
Olson Timberlands, LLC; CIF Note/No. 55767-441
(Klamath County, Oregon)