

WTZ 83430

2008-013506

Klamath County, Oregon



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09/30/2008 11:54:15 AM

Fee: \$46.00

AFTER RECORDING RETURN TO:

Davis Wright Tremaine LLP

1201 Third Avenue

Suite 2200

Seattle, WA 98101-3045

Attn: David W. Thorne, Esq.

**LINE OF CREDIT DEED OF TRUST MODIFICATION AGREEMENT
(Gilchrest Railroad Easements)**

THE MAXIMUM PRINCIPAL AMOUNT TO BE ADVANCED PURSUANT TO THE LINE OF CREDIT AGREEMENT IS CDN\$215,000,000 PLUS US\$35,000,000; 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 APRIL 24, 2011, 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

Until a change is requested, tax status shall be sent to: Klamath Northern Railway Company
1 Sawmill Road
Gilchrist, Oregon 97737

40111

DEED OF TRUST MODIFICATION AGREEMENT

This Deed of Trust Modification Agreement (this "Agreement") is made as of September 30, 2008 by and between by KLAMATH NORTHERN RAILWAY COMPANY, an Oregon corporation (the "Grantor") and ROYAL BANK OF CANADA, a Canadian Chartered Bank, as agent (in such capacity, and together with successors, "Beneficiary"), with reference to the following facts:

A. Grantor and Beneficiary are parties to that certain Deed of Trust, Security Agreement and Fixture Filing dated as of September 1, 2004, by Grantor in favor of Chicago Title Insurance Company, a Missouri corporation, as Trustee, for the benefit of Beneficiary, as agent for the Lenders referred to below, recorded September 7, 2004 under Klamath County, Oregon Recording No. 59634-662 (as it may have been amended, supplemented or otherwise modified from time to time, the "Deed of Trust").

B. ^{*MOL} The Deed of Trust secures, among other things, obligations of Grantor under a guaranty of indebtedness arising under a credit agreement dated as of August 25, 2004 (the "Prior Credit Agreement").

C. The Prior Credit Agreement has been amended and restated in its entirety and the amount of credit available thereunder has been increased.

D. The parties desire to modify the Deed of Trust to secure the increased liability under the amended and restated credit agreement and Grantor's guarantee.

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:

1. Recital A. The Deed of Trust is hereby amended by deleting the existing Recital A and substituting the following Recital A:

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 Amended and Restated Credit Agreement dated for reference September 30, 2008 (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 \$215,000,000 Canadian Dollars plus \$35,000,000 United States Dollars. The loans and other extensions of credit will accrue interest and fees at the rates set forth in the Credit Agreement.

2. Default Rate. The definition of Default Rate in Section 1.1 of the Deed of Trust is amended to read as follows:

“Default Rate” shall mean a per annum rate equal to the Agent’s Prime Rate plus one and three quarters of one percent (1.75%).

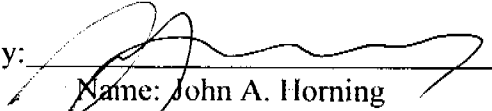
3. Obligations. For greater certainty, “Obligations” as defined in the Deed of Trust includes any increased liability of the Grantor under or pursuant to the Interfor Guarantee or any other Credit Document to which it is a party, as a result of the amendment and restatement of the Prior Credit Agreement providing for, *inter alia*, an increase in the amount of credit available thereunder.

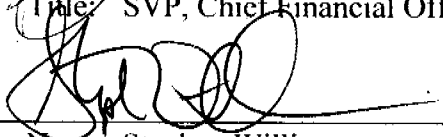
4. No Other Changes. Except as modified herein, the Deed of Trust is unmodified and in full force and effect.

[SIGNATURES ON NEXT PAGE]

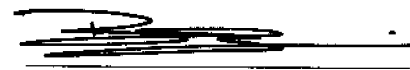
IN WITNESS WHEREOF, Grantor and Beneficiary have caused this Agreement to be duly executed and delivered as of the day and year first above written.

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

By: 
Name: John A. Horning
Title: SVP, Chief Financial Officer

By: 
Name: Stephen Williams
Title: Vice President and Treasurer

ROYAL BANK OF CANADA, as Agent

By: 
Baljit Mann
Its Attorney-in-Fact

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this 25th day of Sept, 2008, before me, a Notary Public in and for the State of Oregon, personally appeared John A. Horning, 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 SVP, Chief Financial Officer 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.

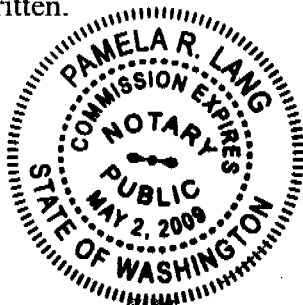


Patricia R. Lary
NOTARY PUBLIC in and for the State of
Washington, residing at Bellingham
My appointment expires 5/2/2009

STATE OF WASHINGTON)
) ss.
COUNTY OF WHATCOM)

On this 25th day of Sept, 2008, before me, a Notary Public in and for the State of Oregon, personally appeared Stephen Williams, 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 was authorized to execute the instrument, and acknowledged it as the Vice President and Treasurer 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.



Pamela R. Laas
NOTARY PUBLIC in and for the State of
Washington, residing at Bellingham
My appointment expires 5/2/2009

PROVINCE OF BRITISH COLUMBIA)

) ss.

On this 23rd day of September, 2008, before me, a Notary Public in and for the Province of British Columbia, personally appeared Baljit Mann, 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 Attorney-in-Fact of ROYAL BANK OF CANADA, as Agent, 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.

NOTARY PUBLIC in and for the Province of
British Columbia, residing at Vancouver, British
Columbia
Print Name: David Bain

DAVID R. BAIN
BARRISTER & SOLICITOR
BILL, HOUSSER & TUPPER LLP
#3000, 1055 WEST GEORGIA
VANCOUVER, B.C. V6E 3R3
(604) 641-4812

