

2009-000129

Klamath County, Oregon



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Fee: \$181.00

PREPARED BY,
RECORDING REQUESTED BY,
AND WHEN RECORDED MAIL TO:

Moore & Van Allen PLLC
Suite 4700
Charlotte, North Carolina 28203-4003
Attention: C. Wayne McKinzie, Esq.
CM#: 327000.011101

NJL 84010

SPACE ABOVE THIS LINE RESERVED FOR RECORDER'S USE

**DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND
LEASES, FIXTURE FILING, TIMBER FILING AND FINANCING STATEMENT**

by and from

JWTR TIMBER HOLDINGS, INC., an Oregon corporation, "Grantor"

to

CHICAGO TITLE INSURANCE COMPANY, "Trustee"

for the benefit of

BANK OF AMERICA, N.A., "Beneficiary"

Dated as of December 31, 2008

County: Klamath
State: Oregon

The maximum principal amount to be advanced pursuant to the Credit Agreement and promissory note(s) secured by this Trust Deed is \$73,339,423.68, which amount may be exceeded by advances to complete construction pursuant to ORS 86.155(2)(c). The maturity date of the Secured Obligations (as defined herein), exclusive of any option to renew or extend such maturity date, is December 31, 2009.

THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH ORS 79.0502(3).

ATTENTION: COUNTY RECORDER — This instrument covers goods that are or are to become fixtures on the real property described herein and is to be filed for record in the records where deeds of trust on real estate are recorded. Additionally, this instrument should be appropriately indexed, not only as a deed of trust, but also as a financing statement covering goods that are or are to become fixtures on the real property described herein. The mailing addresses of Grantor (Debtor) and Beneficiary (Secured Party) are set forth in the first paragraph of this Trust Deed.

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THIS DEED OF TRUST, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES, FIXTURE FILING, TIMBER FILING AND FINANCING STATEMENT (this "**Trust Deed**") is dated as of December 31, 2008 by and from **JWTR TIMBER HOLDINGS, INC.** (formerly known as JELD-WEN Timber Holdings, Inc.), an Oregon corporation ("**Grantor**"), whose address is 6400 Highway 66, Klamath Falls, Oregon 97601, to **CHICAGO TITLE INSURANCE COMPANY** ("**Trustee**"), whose address is 1211 SW 5th Avenue, Suite 2130, Portland, Oregon 97204, for the benefit of **BANK OF AMERICA, N.A.** (together with its successors and assigns, "**Beneficiary**"), having an address at 2001 Clayton Road, Concord, California 94520-2405. All capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement (as hereinafter defined).

RECITALS

WHEREAS, Beneficiary has made and agreed to make loans and make certain other credit facilities available to, or for the benefit of, Grantor pursuant to that certain Amended and Restated Credit Agreement, of even date herewith (as it may hereafter be amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"), among Grantor, certain subsidiaries of the Grantor from time to time party thereto, and the Beneficiary.

FOR THE PURPOSE OF SECURING payment and performance of the Secured Obligations (as such term is hereinafter defined), Grantor **GRANTS, BARGAINS, ASSIGNS, SELLS** and **CONVEYS**, to Trustee the Mortgaged Property, **IN TRUST, WITH POWER OF SALE**, for the benefit of Beneficiary and grants to Beneficiary a security interest in all of Grantor's right, title and interest in and to the following (collectively, the "**Mortgaged Property**") and Grantor does hereby bind itself, its successors and assigns to **WARRANT AND FOREVER DEFEND** the title to the Mortgaged Property unto Beneficiary, subject to Permitted Liens:

A. All the tracts or parcels of land particularly described in Exhibit A attached hereto and made a part hereof (the "**Land**");

B. All Improvements (as hereinafter defined) and all appurtenances, easements, rights and privileges thereof, including all thermal energy and other geothermal resources, all of Grantor's right, title and interest in Minerals (as such term is hereinafter defined), located in, on, under or pertaining to the Land, and any and all surface access and mining or drilling rights and any and all royalty, leasehold and other contractual rights of Grantor pertaining to any of the foregoing, and all air rights, water rights and development rights;

C. All crops and all trees, of any size, any age and any species, whether now located in or on or hereafter planted or growing in or on the Land, and all timber of any size, any age and any species (whether or not merchantable), whether severed or unsevered, including standing and downed timber, and stumps and cut timber remaining on the Land and all Forest Products (as such term is hereinafter defined) arising out of, generated by or from the Land, and any and all products or proceeds of any of the foregoing and wherever located (collectively the

"Timber"), subject to rights of Persons other than Grantor pursuant to any Cutting Rights Agreement or Timber Sales Agreement;

D. All of Grantor's right, title and interest under all Cutting Rights Agreements and Timber Sales Agreements (as such terms are hereinafter defined), whether now existing or hereinafter entered into by Grantor or any predecessor or successor in interest;

E. All Fixtures (as hereinafter defined), whether now or hereafter installed, being hereby declared to be for all purposes of this Trust Deed a part of the Land;

F. Any and all present or future leasehold interests of Grantor, as lessor, including subleases and tenancies following attornment, and other agreements providing for the use or occupancy of any portion of the Land (other than Cutting Rights Agreements, Timber Sales Agreements and agreements for access to, through or across the Land) and/or the Improvements, together with any amendments, modifications, renewals and extensions thereof, and all guaranties of the obligations of the party or parties thereof (other than Grantor) (the **"Leases"**) and the rents, issues and profits (including royalties, revenues and other income and including all accounts (as that term is defined in the UCC referred to in Section 1.01 below)) of, from and arising out of the Leases, the Cutting Rights Agreements, the Timber Sales Agreements, or the sale or lease of the Land, the Timber, the Minerals, the Improvements, the Forest Products and the Fixtures (the **"Rents"**);

G. All accounts (as defined in the UCC) arising from the sale of any of the Mortgaged Property (the **"Accounts"**);

H. All easements, permits, licenses, rights of way, road use agreements, Permits (as hereinafter defined), gores of land, streets, ways, alleys, passages, sewer rights, waters, water courses, water rights and powers, mineral and mining rights above and below the surface, and all estates, rights, titles, interests, privileges, liberties, tenements, hereditaments, and appurtenances whatsoever, in any way belonging, relating or appertaining to any of the property hereinabove described, or which hereafter shall in any way belong, relate or be appurtenant thereto, whether now owned or hereafter acquired by Grantor, and the reversion and reversions, remainder and remainders, rents, issues, and profits thereof, and all the estate, right, title, interest, property, possession, claim, and demand whatsoever at law, as well as in equity, of Grantor of, in and to the same; and

I. All proceeds of the foregoing, including all judgments, awards of damages and settlements hereafter made resulting from condemnation or the taking of the Mortgaged Property or any portion thereof under the power of eminent domain, any proceeds of any policies of insurance maintained with respect to the Mortgaged Property, or the proceeds of any sale, option or contract to sell the Mortgaged Property or any portion thereof.

All of the foregoing shall be conveyed by this Trust Deed.

TO HAVE AND TO HOLD the Mortgaged Property and all parts thereof unto Trustee, its successors and assigns forever subject, however, to the terms and conditions herein:

Grantor covenants and agrees with Beneficiary as follows:

ARTICLE I

1.01 Certain Defined Terms. As used in this Trust Deed the following terms shall have the following meanings:

Accounts: As defined in Granting Paragraph G. of this Trust Deed.

Appurtenant Easement: Such agreements, licenses, permits, easements, rights of way and other arrangements whereby Grantor, its successors, assigns, subsidiaries and affiliates, was granted access to portions of the Land over the land of other entities and/or persons.

Authorizations: Any and all permits, entitlements, licenses, orders, approvals, exemptions, authorizations, certifications, franchises, environmental approvals (including any environmental impact statement or report required under applicable law for Grantor's acquisition or disposition of the Land or harvesting of the Timber or for any other operations of Grantor) on the Land, water appropriative rights and permits, zoning and land use entitlements and other authorizations, whether now existing or hereafter issued to or obtained by or on behalf of Grantor relating to the development, occupancy, ownership, management and use of, and/or the Timber harvesting, cutting and sales operations conducted on or from, the Mortgaged Property.

Cutting Rights Agreements: Any and all agreements, contracts, arrangements or other contractual obligations, whereby Grantor or its predecessors in interest have granted, grant or will grant to another Person the right to cut, harvest or otherwise remove Timber from any of the Land for the use and benefit of Persons other than Grantor, including but not limited to stumpage agreements and severance agreements.

Event of Default: As defined in Section 3.01 hereof.

Fixtures: All fixtures located upon or within the Improvements or now or hereafter installed in, or used in connection with any of the Improvements, whether or not permanently affixed to the Land or the Improvements, and all additions, substitutions and replacements thereof.

Forest Products: Any and all logs, timber, lumber, finished or milled lumber, bark, sawdust, logging and milling waste, hog fuel, wood chips, all timber and lumber subject to any manufacturing process, all raw material and work in progress, and all goods, inventory and other timber products, now or hereafter owned or acquired by Grantor or in which Grantor has an interest, in each case as derived from the Land.

Impositions: All real estate and personal property and other taxes and assessments, water and sewer rates and charges levied or assessed upon or with respect to the Mortgaged Property, all severance, Forest Products, harvesting, ad-valorem and any other additional or special taxes and assessments imposed or levied upon the Timber and/or Grantor's timber sales, severance and harvesting operations, and all other governmental charges and any interest or costs

or penalties with respect thereto, ground rent and charges for any easement or agreement maintained for the benefit of the Mortgaged Property, general and special, ordinary and extraordinary, foreseen or unforeseen, of any kind and nature whatsoever that at any time prior to or after the execution of the Loan Documents may be assessed, levied, imposed, or become a lien upon the Mortgaged Property or the rent or income received therefrom, or any use or occupancy thereof; and any and all other charges, expenses, payments, claims, mechanics', material suppliers', loggers, lumberman's, woodworkers' or timberland owners' liens or assessments of any nature, if any, which are or may become a lien upon the Mortgaged Property or the rent or income received therefrom.

Improvements: All buildings, structures and other improvements and appurtenances, located on the Land, and all improvements, additions, substitutions and replacements thereof, and other buildings and improvements, at any time hereafter constructed or placed upon the Land.

Land: As defined in Granting Paragraph A. of this Trust Deed.

Laws and Restrictions: All federal, state, regional, county, local and other laws, regulations, orders, codes, ordinances, rules, statutes and policies, restrictive covenants and other title encumbrances, and Authorizations.

Leases: As defined in Granting Paragraph F. of this Trust Deed.

Minerals: All oil, gas, hydrocarbons, gravel, sand, dirt, rock, phosphate, limerock, coal and other mineral resources and subterranean substances.

Permits: All permits, licenses, rights of way or easements and road use agreements, whereby Grantor, its successors, assigns, subsidiaries, or affiliates was (or were) granted access to certain portions of the Land by the United States and its various agencies and departments, any State in which any portion of the Mortgaged Property is located and its various agencies and departments (including its counties and municipalities, incorporated or unincorporated) or any third party.

Permitted Liens. All Liens (as defined in the Credit Agreement) expressly permitted under the terms of the Credit Agreement or this Trust Deed or which are listed as exceptions in the Mortgage Policy (as defined in the Credit Agreement).

Receiver: Any Beneficiary, receiver, custodian, fiscal agent, liquidator or similar officer.

Rents: As defined in Granting Paragraph F. of this Trust Deed.

Secured Obligations: All Obligations (as defined in the Credit Agreement) of any Loan Party (as defined in the Credit Agreement).

Timber: As defined in Granting Paragraph C. of this Trust Deed.

Timber Sales Agreements: All agreements and contracted obligations whereby a landowner, as seller, may become obligated to cut, harvest or otherwise remove Timber harvested from the Land of such landowner and to sell, exchange or deliver such Timber to Persons other than such landowner.

Transfer: Any direct or indirect sale, assignment, conveyance, transfer, pledge, hypothecation, encumbrance, security interest, exchange or other disposal of any beneficial interest in or any grant of any option, warrant, easement, restriction, covenant, reservation and right of way in or with respect to, all or any portion of the Mortgage Property, by any means whatsoever whether voluntary, involuntary, by operation of law or otherwise.

UCC: The Uniform Commercial Code of the State in which the Mortgaged Property is located or, if the creation, perfection and enforcement of any security interest herein granted is governed by the laws of a State other than the State in which the Mortgaged Property is located, then, as to the matter in question, the Uniform Commercial Code in effect in that State.

1.02 Terms Defined in the Credit Agreement. As set forth in the introductory paragraph of this Trust Deed, all capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

ARTICLE II

2.01 Performance of Loan Documents and Trust Deed. Grantor will perform, observe and comply or will cause the performance, observation, or compliance with all provisions of this Trust Deed and of the Loan Documents and duly and punctually will pay, or will cause payment to be made to Beneficiary of the sum of money expressed in the Loan Documents, with interest thereon and all other sums required to be paid by Grantor pursuant to the provisions of this Trust Deed or the Loan Documents, all without any deductions or credit for taxes or other similar charges paid by Grantor.

2.02 Other Taxes and Utilities.

(a) Grantor will pay prior to delinquency all taxes, assessments, water rates, dues, charges, fines and Impositions of every nature whatsoever imposed, levied or assessed or to be imposed, levied or assessed upon or against the Mortgaged Property or any part thereof, or upon the interest of Beneficiary in the Mortgaged Property, this Trust Deed, or the Loan Documents, as well as all income taxes, assessments and other governmental charges lawfully levied and imposed by the United States of America or any state, county, municipality, borough or other taxing authority upon Grantor or in respect of the Mortgaged Property or any part thereof, or any other charge which, if unpaid, would become a lien or charge upon the Mortgaged Property, in each case, except for those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. Upon reasonable request by Beneficiary and upon sufficient notice, Grantor shall promptly provide proof of payment of such Impositions.

(b) Grantor will pay promptly all charges by utility companies, whether public or private, for electricity, gas, water, sewer, or other utilities furnished to the Land.

2.03 Insurance.

(a) Grantor shall, at its sole cost and expense, maintain for the benefit of Beneficiary, Comprehensive General Liability in amounts and covering such risks and liabilities and with such deductibles as approved by Beneficiary as of the date hereof.

(b) All policies of insurance required by this Trust Deed (i) shall be in form reasonably satisfactory to Beneficiary and written with insurance companies reasonably satisfactory to Beneficiary, (ii) with respect to general liability insurance, shall name Beneficiary as an additional insured, (iii) with respect to property insurance, if any, maintained pursuant to this Trust Deed, shall name Beneficiary as a "Lender Loss Payee" and shall contain a Standard Beneficiary's Loss Payable endorsement and other non-contributory standard beneficiary protection clauses reasonably acceptable to Beneficiary, and, at Beneficiary's option, a waiver of subrogation rights by the insurer, (iv) shall contain an agreement by the insurer that such policy shall not be cancelled without at least thirty (30) days' prior written notice to Beneficiary, and (v) shall contain such other provisions as Beneficiary reasonably deems necessary to protect its interests. Grantor shall obtain such endorsements and increases in coverages, as requested by Beneficiary (provided the same are available at commercially reasonable rates) to prevent the application of any coinsurance contributions on a loss.

(c) In the event a blanket policy is used to satisfy Grantor's responsibilities under this Section 2.03, in addition to such other requirements set forth herein, Grantor shall deliver to Beneficiary a certificate of insurance from an authorized representative of such insurer indicating that Beneficiary is Additional Insured and/or Lender Loss Payee under such policies and designating the amount of such insurance applicable to the Mortgaged Property.

(d) Self-insurance (other than the applicable deductibles and/or self-insurance retentions, to the extent applicable, approved by Beneficiary) shall not be employed to satisfy the requirements of this Section 2.03.

2.04 Condemnation; Immaterial Transfers and Partial Releases.

(a) If all or any part of the Mortgaged Property shall be damaged or taken through condemnation (which term when used in this Trust Deed shall include any damage or taking by any Governmental Authority, and any transfer by private sale in lieu thereof), either temporarily or permanently, such action shall be treated as a sale of such Mortgaged Property for purposes of the Loan Documents. All compensation, awards, and other payments or relief therefor shall be applied in accordance with the applicable provisions of the Credit Agreement. If an Event of Default shall have occurred, Beneficiary shall be authorized, at its option, to commence, appear in and prosecute, in its own or Grantor's name, any action or proceedings relating to any condemnation, and to settle or compromise any claim in connection therewith.

(b) Except to the extent expressly permitted by the Credit Agreement, Grantor shall not, without the consent of Beneficiary, make or attempt to make any Transfer of all or any portion of the Mortgaged Property.

2.05 Care of the Mortgaged Property.

(a) Except for the harvesting of timber and the building of roads and Improvements consistent with such harvesting activity in the ordinary course of the Grantor's business, Grantor will preserve and maintain the Mortgaged Property in good condition and repair, normal wear and tear excepted, and will not commit or suffer any waste (which term does not include timber harvest or other timber operations in the ordinary course of business or forest fires, landslides, floods, or any other casualty losses or acts of God). Grantor will manage, and will cause Persons other than Grantor with rights in the Timber to manage, all Timber on the Land in a manner consistent with sound forestry practices. Grantor will conduct, and will cause Persons other than Grantor with rights in the Timber to conduct, all harvesting operations on the Land in accordance with generally accepted sound forestry practices and procedures and shall use reasonable care to avoid unnecessary damage to remaining Timber on the Land.

(b) If the Mortgaged Property or any part thereof is damaged by fire or any other cause which results in a loss in excess of \$1,000,000 per occurrence (or which results in aggregate losses in excess of \$10,000,000 over the term of the Secured Obligations), Grantor will give prompt written notice of the same to Beneficiary.

(c) Grantor will comply promptly in all material respects with all present and future laws, ordinances, rules and regulations of any Governmental Authority affecting the Mortgaged Property or any part thereof, including, without limitation, all laws, ordinances, rules and regulations relating to timber harvesting, zoning, building codes, set back requirements and environmental matters, and with all present and future restrictive covenants affecting the Mortgaged Property.

(d) If a part of the Mortgaged Property shall be physically damaged through condemnation, Grantor will restore promptly, repair or alter the remaining property in a manner reasonably satisfactory to continue Grantor's operations on the Mortgaged Property or to protect the value of the Mortgaged Property in accordance with prudent business practices in the timber industry.

(e) Grantor covenants that it will not commit any acts, and will take no action, that would release or materially impair either the Permits or Appurtenant Easements and will take all actions reasonably necessary to keep the Permits and Appurtenant Easements in full force and effect, except, in each case, to the extent such Permit or Appurtenant Easement solely serves Land that is disposed of in a transaction permitted by the Credit Agreement or to the extent such release or impairment does not have a Material Adverse Effect or materially affect the value, use or operation of all or any material portion of the Mortgaged Property.

2.06 Further Assurances; After Acquired Property. At any time, and from time to time, upon request by Beneficiary, Grantor will make, execute and deliver or cause to be made, executed and delivered, to Beneficiary and, where appropriate, to cause to be recorded and/or filed and from time to time thereafter to be rerecorded and/or refiled at such time and in such offices and places as shall reasonably be deemed desirable by Beneficiary any and all such other and further trust deeds, mortgages, instruments of further assurance, certificates and other documents as may, in the reasonable opinion of Beneficiary, be necessary or desirable in order to effectuate, complete, enlarge, or perfect, or to continue and preserve the obligation of Grantor under the Loan Documents and this Trust Deed, and the lien of this Trust Deed as a first and prior lien upon all of the Mortgaged Property, whether now owned or hereafter acquired by Grantor. Upon any failure by Grantor so to do within a reasonable time after Beneficiary's request, Beneficiary may make, execute, and record any and all such mortgages, instruments, certificates, and documents for and in the name of Grantor and Grantor hereby irrevocably appoints Beneficiary the agent and attorney-in-fact of Grantor so to do. The lien hereof will automatically attach, without further act, to all after acquired property attached to and/or used in the operation of the Mortgaged Property or any part thereof.

2.07 Timber Contracts Affecting Mortgaged Property. Grantor will comply with and observe its obligations as landlord under all Leases and its obligations, if any, under all contracts for sale and harvesting of timber affecting the Mortgaged Property or any part thereof. If requested by Beneficiary, Grantor will furnish Beneficiary with executed copies of all Cutting Rights Agreements and other timber contracts entered into by Grantor and its Affiliates now or hereafter created with respect to all or any part of the Mortgaged Property. If requested by Beneficiary, Grantor will separately assign to Beneficiary as additional security any and all such Cutting Rights Agreements and other timber contracts whether now existing or hereafter created, including, without limitation, all Rents, royalties, issues, and profits of the Mortgaged Property from time to time accruing. Grantor may enter into Cutting Rights Agreements, Timber Sales Agreements and other contracts affecting the Mortgaged Property without obtaining the consent of Beneficiary provided: (i) such agreements do not materially affect the value, use or operation of all or any material portion of the Mortgaged Property or constitute a Material Adverse Effect individually or in the aggregate and (ii) such agreements are either (a) with Southern Oregon Round Stock, Inc. or (b) in the ordinary course of Grantor's business for fair market consideration with unaffiliated third parties.

2.08 Performance by Beneficiary of Defaults by Grantor. If Grantor shall default in the payment of any tax, lien, assessment, charge or other Imposition levied or assessed against the Mortgaged Property; in the payment of any utility charge, whether public or private; in the payment of insurance premium; in the procurement of insurance coverage and the delivery of evidence of the insurance policies required hereunder; or in the performance or observance of any covenant, condition, or term of this Trust Deed, then subject to Grantor's right to contest and cure set forth in the applicable Loan Documents, Beneficiary, at its option, may perform or observe the same, and all payments made for costs or reasonably incurred by Beneficiary in connection therewith, shall be secured hereby and shall be immediately repaid, upon demand, by Grantor to Beneficiary with interest thereon at a rate equal to the Default Rate. Beneficiary, acting in a commercially reasonable manner, shall determine the legality, validity and priority of

any such tax, lien, assessment, charge, claim and premium; of the necessity for any such actions; and of the amount necessary to be paid in satisfaction thereof. Beneficiary is hereby empowered to enter and to authorize others, on its behalf, to enter upon the Mortgaged Property or any part thereof for the purpose of performing or observing any such defaulted covenant, condition or term, without thereby becoming liable to Grantor or any person in possession holding under Grantor except to the extent of the gross negligence or willful misconduct of Beneficiary or any person claiming through Beneficiary.

2.09 Indemnity and Attorneys' Fees. Grantor will indemnify, defend, protect and hold Beneficiary harmless from any and all liability, loss, claims, damage, cost or expense (including reasonable attorneys' fees whether incurred at the trial or appellate level, in an arbitration proceeding, in bankruptcy (including, without limitation, any adversary proceeding, contested matter or motion) or otherwise) that Beneficiary may or might incur hereunder, or in connection with the making or administering of the Secured Obligations, the enforcement of any of Beneficiary's rights or remedies hereunder or the other Loan Documents, any action taken by Beneficiary hereunder or thereunder, whether or not suit is filed, or by reason or in defense of any and all claims and demands whatsoever that may be asserted against Beneficiary arising out of the Mortgaged Property, or any part thereof or interest therein, or as to which it becomes necessary to defend or uphold the lien of this Trust Deed or other Loan Documents, except to the extent that such claim is the result of the bad faith, gross negligence or willful misconduct of Beneficiary or any person claiming through Beneficiary. Should Beneficiary incur any such liability, loss, claim, damage, cost or expense, Beneficiary shall give Grantor notice thereof and the amount thereof with interest thereon at the Default Rate shall be payable by Grantor immediately without demand, shall be secured by this Trust Deed, and shall be part of the obligations secured hereby.

2.10 Inspection of Mortgaged Property. Grantor hereby grants to Beneficiary, its agents, employees, consultants and contractors, the right to inspect Grantor's books, accounts, records and reports upon reasonable prior notice during regular business hours, and the right to enter upon the Mortgaged Property for the purpose of making any and all inspections, reports, tests, inquiries and reviews as Beneficiary may deem necessary to assess the then-current condition of the Mortgaged Property and Beneficiary agrees that the Mortgaged Property will not be disturbed as a result of such tests. Beneficiary shall exercise commercially reasonable business practices in coordinating inspections with Grantor's corporate office in a manner that does not unduly interfere with the conduct of Grantor's ordinary business operations.

2.11 Tax Receipts. Grantor will deliver to Beneficiary, upon sufficient notice after reasonable demand made therefor, bills showing the payment to the extent then due of all taxes, assessments (including those payable in periodic installments), or any Imposition that may have become a lien upon the Mortgaged Property or any part thereof.

2.12 Reimbursement. Any amount paid by Beneficiary for any tax, stamp tax, assessment, water rate, sewer rate, insurance premium, repair, rent charge, debt, claim, inspection or lien having priority over this Trust Deed, shall (a) bear interest at the Default Rate from the date of payment by Beneficiary, (b) constitute additional indebtedness secured by this

Trust Deed, prior to any right, title or interest in or claim upon the Mortgaged Property attaching or accruing subsequent to the lien of this Trust Deed, (c) be secured by this Trust Deed, and (d) be payable by Grantor to Beneficiary upon demand.

2.13 Restrictive Uses. Grantor will not initiate, join in, or consent to any change in the current use of the Mortgaged Property or in any zoning ordinance, private restrictive covenant, assessment proceedings or other public or private restriction limiting or restricting the uses that may be made of the Mortgaged Property or any part thereof or any timber harvesting operations thereon without the prior written consent of Beneficiary except such changes as are permitted under the Loan Documents.

2.14 Authorizations. Grantor hereby agrees not to amend, supplement, cancel, surrender, allow to expire (other than expiration of the term thereof), terminate, release or waive any material Authorization or any material provision thereof, issued to it and required for the use, occupancy, operation, management, repair or maintenance of the Mortgaged Property or for the management, cutting, harvesting, or other disposition of the Timber, or permit any of the foregoing without the prior written consent of Beneficiary if such action is reasonably likely to have a Material Adverse Effect. Consent to one amendment, supplement, cancellation, surrender, expiration, termination, release or waiver shall not be deemed to be a waiver of the right to require consent to other, further or successive amendments, supplements, cancellations, surrenders, expirations, terminations, releases or waivers. Any such amendment, supplement, cancellation, surrender, expiration, termination, release or waiver, whether oral or in writing, made without the prior written consent of Beneficiary shall, to the extent permitted by law, not be valid or effective against Beneficiary. Grantor shall not take any action or omit to take any action which would adversely affect, or permit the suspension, expiration, termination, non-renewal or revocation, of any Authorizations which would reasonably be expected to have a Material Adverse Effect. Grantor agrees promptly to notify Beneficiary in writing with respect to any default or alleged default by Grantor under any such Authorization or the commencement of any investigations, hearings or proceedings that specifically involve any such Authorization and could reasonably be likely to lead to modification, suspension, termination, nonrenewal or revocation of any such Authorization if such action would reasonably be expected to have a Material Adverse Effect. Grantor shall also promptly deliver to Beneficiary copies of all notices, demands, complaints or other communications received or given by it with respect to any such default or alleged default or such investigation, hearing or proceeding.

2.15 Leasing. Grantor will not further assign the Leases or pledge, transfer, mortgage or otherwise encumber or assign future payments of Rents except in connection with a disposition of the Mortgaged Property encumbered by such Lease which is permitted under the Loan Documents. Except for Leases for communications equipment and facilities, recreational leases, hunting leases and such other leases made in the ordinary course of business by Grantor consistent with prior practice which do not have a Material Adverse Effect on the use of the Mortgaged Property for commercial timber management, a Material Adverse Effect upon the value or marketability of the Mortgaged Property or a Material Adverse Effect on legal or physical access to the Mortgaged Property, or as otherwise permitted under the Loan Documents, Grantor shall not, without the prior written consent of Beneficiary, which will not be

unreasonably withheld, (a) enter into any Leases of or relating to all or any part of the Mortgaged Property or renew or extend any such agreements or (b) amend, modify or alter in any material manner any Leases.

ARTICLE III

3.01 Event of Default. The term "Event of Default", wherever used in this Trust Deed, shall mean (a) an Event of Default as defined in the Credit Agreement, or (b) Grantor defaults in the performance of or compliance with any term contained herein and such default is not remedied within thirty (30) days after the earlier of (i) a Responsible Officer (as defined in the Credit Agreement) of Grantor becoming aware of the existence of a default; and (ii) Grantor having received written notice of the same from Beneficiary; provided, however, with respect to defaults of Sections 2.05(a), 2.05(c), 2.05(d) or 2.06 of this Trust Deed, if such default is of such a nature that it cannot with reasonable effort be completely cured within such 30-day period, then such 30-day cure period may be extended for such additional period of time as may be reasonably necessary to cure such default, so long as Grantor commences such cure within such 30-day period and diligently prosecutes same until a complete cure, but in no event shall such cure period exceed a total of ninety (90) days (including the initial 30-day period).

3.02 Acceleration of Maturity. If an Event of Default shall have occurred, then the entire principal amount of the Secured Obligations secured hereby with interest accrued thereon shall, at the option of Beneficiary and subject to the provisions of the applicable Loan Documents, become due and payable without notice or demand, time being of the essence; and any omission on the part of Beneficiary to exercise such option when entitled to do so shall not be considered as a waiver of such right.

3.03 Right of Beneficiary to Enter and Take Possession.

(a) If an Event of Default shall have occurred and be continuing, Grantor, upon demand of Beneficiary, shall forthwith surrender to Beneficiary the actual possession, and if and to the extent permitted by law, Beneficiary may enter and take possession, of all or any portion of the Mortgaged Property, and may exclude Grantor and its agents and employees wholly therefrom.

(b) Upon every such entering upon or taking of possession, Beneficiary may hold, store, use, operate, manage, and control the Mortgaged Property and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments, and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty, and other property to the extent any of the aforementioned are applicable to Timber properties; (ii) insure or keep the Mortgaged Property insured; (iii) manage and operate the Mortgaged Property and exercise all the rights and powers of Grantor in Grantor's name (in the event a receiver is appointed) or otherwise (including, without limitation, selling and harvesting timber), with respect to the same; (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted Beneficiary, all as Beneficiary from time to time may determine to be to its best advantage; and

Beneficiary may collect and receive all the income, revenues, rents, issues and profits of the same including those past due as well as those accruing thereafter, and, after deducting (A) all reasonable expenses of taking, holding, managing, and operating the Mortgaged Property (including compensation for the services of all persons employed for such purposes); (B) the reasonable cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases, and acquisitions; (C) the cost of such insurance; (D) such taxes, assessments, and other charges prior to the lien of this Trust Deed as Beneficiary may determine to pay; (E) other proper charges upon the Mortgaged Property or any part thereof; and (F) the reasonable compensation, expenses, and disbursements of the attorneys and agents of Beneficiary; shall apply the remainder of the moneys so received by Beneficiary to the payment of accrued interest, and to the payment of overdue installments of principal, all in such order and priority as Beneficiary may determine in accordance with the terms of the Loan Documents.

(c) Whenever all such Events of Default have been cured and satisfied, Beneficiary may, at its option, surrender possession of the Mortgaged Property to Grantor, its successors or assigns. The same right of taking possession, however, shall exist if any subsequent Event of Default shall occur and be continuing.

3.04 Receiver.

(a) If an Event of Default shall have occurred and be continuing, Beneficiary, upon application to a court of competent jurisdiction, shall be entitled, without notice and without regard to the adequacy of any security for the indebtedness hereby secured or the solvency of any party bound for its payment, to appoint a Receiver to take possession of and to operate the Mortgaged Property and to collect the rents, profits, issues, and revenues thereof.

(b) Grantor will pay to Beneficiary upon demand all reasonable expenses, including receiver's fees, attorney's fees and costs, and agent's compensation, incurred pursuant to the provisions contained in this Section 3.04; and all such expenses shall be secured by this Trust Deed.

3.05 Beneficiary's Power of Enforcement. If an Event of Default shall have occurred and be continuing, Beneficiary may, either with or without entry or taking possession as hereinabove provided or otherwise, proceed by suit or suits at law or in equity or any other appropriate proceeding or remedy (a) to enforce payment of the Loan Documents or the performance of any term thereof or any other right, (b) to foreclose this Trust Deed and to sell the Mortgaged Property, in accordance with applicable law, and (c) to pursue any other remedy available to it, all as Beneficiary shall deem most effectual for such purposes. Beneficiary shall take action either by such proceedings or by the exercise of its powers with respect to entry or taking possession, as Beneficiary may determine.

3.06 Power of Sale.

(a) If an Event of Default shall have occurred and be continuing, Beneficiary may institute proceedings for the foreclosure of this Trust Deed, either by judicial action or by power

of sale, in which case the Mortgaged Property may be sold for cash or credit in one or more parcels as Beneficiary may determine. At any such sale by virtue of any judicial proceedings, power of sale, or any other legal right, remedy or recourse, the title to and right of possession of any such property shall pass to the purchaser thereof, and to the fullest extent permitted by law, Grantor shall be completely and irrevocably divested of all of its right, title, interest, claim, equity, equity of redemption, and demand whatsoever, either at law or in equity, in and to the property sold and such sale shall be a perpetual bar both at law and in equity against Grantor, and against all other Persons claiming or to claim the property sold or any part thereof, by, through or under Grantor. Beneficiary or any holder of the Secured Obligations may be a purchaser at such sale and if Beneficiary is the highest bidder, Beneficiary may credit the portion of the purchase price that would be distributed to Beneficiary against the Secured Obligations in lieu of paying cash. Following the completion of a judicial foreclosure or a trustee's sale of all or a portion of the security for the obligations secured hereby, to the fullest extent permitted by law, Beneficiary may seek and obtain a deficiency judgment.

(b) If any Event of Default shall have occurred and be continuing, Beneficiary may exercise in respect of the Mortgaged Property, in addition to all other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the UCC, and also may (i) enter onto the property where any Mortgaged Property is located and take possession thereof with or without judicial process, (ii) prior to the disposition of the Mortgaged Property, store, process, repair or recondition the Mortgaged Property or otherwise prepare the Mortgaged Property for disposition in any manner to the extent Beneficiary reasonably deems appropriate to the extent any of the aforementioned are applicable to Timber properties, (iii) take possession of any of the Mortgaged Property or place custodians in exclusive control thereof, remain on such premises and use the same and any of Grantor's equipment for the purpose of completing any work in process, and/or (iv) without notice except as specified below, sell the Mortgaged Property or any part thereof in one or more parcels at public or private sale, at any of Beneficiary's offices or elsewhere, for cash, on credit or for future delivery, at such time or times and at such price or prices and upon such other terms as Beneficiary may deem commercially reasonable. Each purchaser at any such sale shall hold the property sold absolutely free from any claim or right on the part of Grantor, and Grantor hereby waives (to the extent permitted by applicable law) all rights of redemption, stay and/or appraisal which it now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted. Beneficiary shall not be obligated to make any sale of Mortgaged Property regardless of notice of sale having been given. With respect to any notices required or permitted under the UCC, Grantor agrees that ten (10) days' prior written notice shall be deemed commercially reasonable. Beneficiary may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned. Grantor hereby waives any claims against Beneficiary arising by reason of the fact that the price at which any Mortgaged Property may have been sold at such a private sale was less than the price which might have been obtained at a public sale, even if Beneficiary accepts the first offer received and does not offer such Mortgaged Property to more than one offeree. If the proceeds of any sale or other disposition of the Mortgaged Property, together with all other Collateral (as defined in the Credit Agreement) are insufficient to pay all the Secured Obligations, Grantor shall be liable for the deficiency and

the reasonable fees of any attorneys employed by Beneficiary to collect such deficiency. Grantor further agrees that a breach of any of the covenants contained in this Section will cause irreparable injury to Beneficiary, that Beneficiary has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section shall be specifically enforceable against Grantor, and Grantor hereby waives and agrees not to assert any defenses against an action for specific performance of such covenants except for a defense that no default has occurred giving rise to the Secured Obligations becoming due and payable prior to their stated maturities.

3.07 Postponement of Sale. Trustee or the attorney for Trustee, or any agent designated by Trustee or the attorney conducting the sale, may postpone sale of all or any portion of the Mortgaged Property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at such subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale; provided, however, that such postponement shall not exceed the time periods set forth in ORS 86.755(2).

3.08 Application of Foreclosure Proceeds. The proceeds of any foreclosure sale pursuant to Section 3.06 shall be applied as follows:

(a) First, to the expenses of making the sale, including a reasonable attorneys' fee for such services as may be necessary in the collection of said indebtedness or the foreclosure of this Trust Deed;

(b) Second, to the repayment of any money, with interest thereon at a rate equal to the Default Rate, which Beneficiary may have paid, or become liable to pay, or which it may then be necessary to pay for taxes, insurance, assessments or other charges, liens, or debts as hereinabove provided;

(c) Third, to the payment and satisfaction of the Secured Obligations in the manner set forth in the Credit Agreement; and

(d) Fourth, the balance, if any, shall be paid to the party or parties appearing of record to be the owner of the Mortgaged Property at the time of the sale entitled to such surplus after deducting any reasonable expense of ascertaining who is such owner.

3.09 Beneficiary's Option on Foreclosure. At the option of Beneficiary, this Trust Deed may be foreclosed as provided by law or in equity, in which event a reasonable attorney's fee shall, among other costs and expense, be allowed and paid out of the proceeds of the sale. In the event Beneficiary exercises its option to foreclose the Trust Deed in equity, Beneficiary may, at its option, foreclose this Trust Deed subject to the rights of any tenants of the Mortgaged Property, and the failure to make any such tenants party defendants to any such foreclosure proceeding and to foreclose its rights will not be, nor be asserted to be by Grantor, a defense to any proceedings instituted by Beneficiary to collect the sum secured hereby, or any deficiency remaining unpaid after the foreclosure sale of the Mortgaged Property.

3.10 Waiver of Exemption. Grantor waives, to the extent permitted by law, all rights of exemption pertaining to real or personal property as to any indebtedness secured by or that may be secured by this Trust Deed, and Grantor waives the benefit of any statute regulating the obtaining of a deficiency judgment.

3.11 Suits to Protect the Mortgaged Property. Beneficiary shall have power (a) to institute and maintain such suits and proceedings as it may deem expedient to prevent any material impairment of the Mortgaged Property by any acts which may be unlawful or any violation of this Trust Deed, (b) to preserve or protect its interest in the Mortgaged Property and in the income, revenues, rents, and profits arising therefrom, and (c) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule, or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would materially impair the security hereunder or be materially prejudicial to the interest of Beneficiary.

3.12 Delay or Omission No Waiver. No delay or omission of Beneficiary to exercise any right, power, or remedy accruing upon any default shall exhaust or impair any such right, power, or remedy or shall be construed to be a waiver of any such default, or acquiescence therein; and every right, power, and remedy given by this Trust Deed to Beneficiary may be exercised from time to time and as often as may be deemed expedient by Beneficiary.

3.13 No Waiver of One Default to Affect Another, etc. No waiver of any default hereunder shall extend to or shall affect any subsequent or any other then existing default or shall impair any rights, powers, or remedies consequent thereon. If Beneficiary (a) grants forbearance on or an extension of time for the payment of any sums secured hereby; (b) takes other or additional security for the payment thereof; (c) waives or does not exercise any right granted herein or in the Loan Documents; (d) releases any part of the Mortgaged Property from the lien of this Trust Deed or otherwise changes any of the terms of the Loan Documents or this Trust Deed; (e) consents to the filing of any map, plat, or replat thereof; (f) consents to the granting of any easement thereon; or (g) makes or consents to any agreement subordinating the lien or charge hereof, any such act or omission shall not release, discharge, modify, change, or affect the original liability under the Loan Documents, this Trust Deed or otherwise of Grantor or any subsequent purchaser of the Mortgaged Property or any part thereof, or any maker, co-signer, endorser, surety, or guarantor; nor shall any such act or omission preclude Beneficiary from exercising any right, power, or privilege herein granted or intended to be granted in the event of any other default then made or of any subsequent default, nor, except as otherwise expressly provided in an instrument or instruments executed by Beneficiary, shall the lien of this Trust Deed, be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Mortgaged Property without the release thereof from this Trust Deed, Beneficiary, at its option, without notice to any person or corporation hereby is authorized and empowered to deal with any such vendee or transferee with reference to the Mortgaged Property or the indebtedness secured hereby, or with reference to any of the terms or conditions hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any of the liabilities or undertakings hereunder.

3.14 Discontinuance of Proceedings - Position of Parties, Restored. In case Beneficiary shall have proceeded to enforce any right or remedy under this Trust Deed by foreclosure, entry, or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to Beneficiary, then and in every such case Grantor and Beneficiary shall be restored to their former positions and rights hereunder, and all rights, powers, and remedies of Beneficiary shall continue as if no such proceeding has been taken. Beneficiary shall have all rights, remedies and recourses granted in the Loan Documents and available at law or equity (including the UCC), which rights (a) shall be cumulated and concurrent, (b) may be pursued separately, successively or concurrently against Grantor or others obligated under the Loan Documents, or against the Mortgaged Property, or against any one or more of them, at the sole discretion of Beneficiary, (c) may be exercised as often as occasion therefor shall arise, and the exercise or failure to exercise any of them shall not be construed as a waiver or release thereof or of any other right, remedy or recourse, and (d) are intended to be, and shall be, nonexclusive. No action by Beneficiary in the enforcement of any rights, remedies or recourses under the Loan Documents or otherwise at law or equity shall be deemed to cure any Event of Default.

3.15 Remedies Cumulative. No right, power, or remedy conferred upon or reserved to Beneficiary by this Trust Deed is intended to be exclusive of any right, power, or remedy, but each and every such right, power, and remedy shall be cumulative and concurrent and shall be in addition to any other right, power, and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

3.16 Waivers. Grantor waives (a) any right to require Beneficiary to (i) proceed against any Person, (ii) proceed against or exhaust the Mortgaged Property or (iii) pursue any other remedy in its power; and (b) any defense arising by reason of any disability or other defense of Grantor or any other Person, or by reason of the cessation from any cause whatsoever (other than payment in full of the Secured Obligations secured hereby) of the liability of Grantor or any other Person. Until the Secured Obligations shall have been paid in full, Grantor shall not have any right to subrogation, and Grantor waives any right to enforce any remedy which Beneficiary now has or may hereafter have against Grantor or against any other Person and waives any benefit of and any right to participate in the Mortgaged Property or security whatsoever now or hereafter held by Beneficiary.

3.17 General Powers and Duties of Trustee. At any time or from time to time, without liability therefor and without notice and without affecting the liability of any person for the payment of the Secured Obligations secured hereby, upon written request of Beneficiary, payment of its own fees and presentation of this Trust Deed for endorsement (in case of full reconveyance, for cancellation or retention), Trustee shall:

- (a) Consent to the making of any map or plat of the Land;
- (b) Join in granting any easement or creating any restriction thereon;

(c) Join in any subordination or other agreement affecting this Trust Deed or the lien or charge thereof;

(d) Reconvey, without warranty, all or any part of the Mortgaged Property; or

(e) Confirm Grantor's rights under Section 2.04.

3.18 Acceptance of Trust. Trustee accepts this trust when this Trust Deed, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto except Beneficiary of pending sale under any other deed of trust or of any action or proceeding in which Grantor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

3.19 Reliance. Trustee, upon presentation to it of an affidavit signed by Beneficiary setting forth facts showing a default by Grantor under this Trust Deed, is authorized to accept as true and conclusive all facts and statements therein, and to act thereon hereunder.

3.20 Replacement of Trustee. Beneficiary may, from time to time, as provided by statute, appoint another trustee in place and stead of trustee herein named, and thereupon Trustee herein named shall be discharged and the trustee so appointed shall be substituted as trustee hereunder, with the same effect as if originally named trustee herein.

3.21 Choice of Law. Grantor agrees that (a) whether or not deficiency judgments are available under the laws of the State in which the Mortgaged Property is located after a foreclosure (judicial or nonjudicial) of the Mortgaged Property, or any portion thereof, or any other realization thereon by Beneficiary or Trustee, Beneficiary and Trustee shall have the right to seek such a deficiency judgment against Grantor in other states or foreign jurisdictions; (b) to the extent Beneficiary or Trustee obtain a deficiency judgment in any other state or foreign jurisdiction then such party shall have the right to enforce such judgment in the State in which the Mortgaged Property is located, as well as in other states or foreign jurisdictions; (c) Grantor and Beneficiary will submit to non-exclusive jurisdiction and the laying of venue for any suit on this Trust Deed in such state; (d) without limiting the generality of the foregoing, Grantor hereby waives, to the maximum extent permitted by law, any rights it may have under applicable law with respect to the Mortgaged Property and the enforcement or realization by Beneficiary or Trustee of their respective rights and remedies under this Trust Deed or with respect to the Mortgaged Property, without limitation, including, any laws limiting the availability of deficiency judgments, limiting remedies or the order of exercising remedies or requiring that Beneficiary or Trustee foreclose prior to bringing suit on the Indebtedness; and (e) no action, proceeding or judgment initiated, pursued or obtained by Beneficiary or Trustee with respect to the Mortgaged Property or this Trust Deed shall be considered a "judgment" or an "action" for the purposes of any "one-action rule."

3.22 Waiver of Rights. Grantor waives, to the full extent permitted by law, (a) all rights of redemption, stay of execution, notice of election to mature or declare due the Indebtedness and the right to require marshaling in the event of foreclosure of the liens hereby

created; and (b) all rights and remedies that Grantor may have or be able to assert by reason of the laws of the State in which the Mortgaged Property is located pertaining to the rights and remedies of sureties.

ARTICLE IV

4.01 Warranty of Title. Grantor is lawfully seized of an indefeasible estate in fee simple in the Land and real property hereby mortgaged and has good and absolute title to (a) the Timber, subject to the rights of Persons other than Grantor under Cutting Rights Agreements and Timber Sales Agreements and (b) to all existing personal property hereby mortgaged, and has good right, full power and lawful authority to sell, convey and mortgage the same in the manner and form aforesaid; that, except for Permitted Liens, the same is free and clear of all liens, charges, and encumbrances relating to or affecting the Land and the Timber whatsoever, including, as to the personal property and fixtures, conditional sales contracts, chattel mortgages, security agreements, financing statements, and anything of a similar nature, and that Grantor shall and will warrant and forever defend such title thereto unto Beneficiary, its successors and assigns, against the lawful claims of all persons whomsoever, other than holders of the Permitted Liens. This Trust Deed creates a valid, enforceable first priority lien and security interest against the Mortgaged Property, subject to the lien of taxes not yet due and payable and other Permitted Liens. Grantor has and will continue to have full power and lawful authority to grant, release, convey, assign, transfer, mortgage, pledge, hypothecate and otherwise create the liens on the Mortgaged Property as provided herein.

4.02 Other Property Rights. All easements (including without limitation, the Appurtenant Easements), leasehold and other property interests, utility and other services, means of transportation, facilities, other materials and other rights, that are reasonably necessary for the operation of the Mortgaged Property in accordance with applicable requirements of law have been procured or are commercially available to the Mortgaged Property at commercially reasonable rates and, to the extent appropriate, arrangements have been made on commercially reasonable terms for such easements, interests, services, means of transportation, facilities, materials, and rights. The Land is taxed separately without regard to any other property and has been subdivided from all other property in compliance with applicable laws. No subdivision or other approval is necessary with respect to the Land in order for Grantor to mortgage, convey, or otherwise deal with the Land as a separate lot or parcel.

4.03 First Lien Status. Grantor shall preserve and protect the first lien and security interest status of this Trust Deed. If any lien or security interest other than the Permitted Liens is asserted against the Mortgaged Property, Grantor shall promptly, and at its expense, (a) give Beneficiary a detailed written notice of such lien or security interest (including origin, amount and other terms), and (b) pay the underlying claim in full or take such other action so as to cause it to be released or contest the same in compliance with the requirements of the Loan Documents (including the requirement of providing a bond or other security satisfactory to Beneficiary).

4.04 Peaceable Possession. Grantor's possession of the Mortgaged Property has been peaceable and undisturbed and, to Grantor's actual knowledge, the title thereto is not disputed or

questioned, and Grantor does not know of any facts by reason of which any material adverse claim to any part of the Mortgaged Property or to any undivided interest therein might be set up or made.

ARTICLE V

5.01 Successors and Assigns Included in Parties. Whenever in this Trust Deed one of the parties hereto is named or referred to, the successors and assigns of such party shall be included, and all covenants and agreements contained in this Trust Deed by or on behalf of Grantor or by or on behalf of Beneficiary shall bind and inure to the benefit of its respective successors and assigns, whether so expressed or not.

5.02 Headings, etc. The headings of the articles, sections, paragraphs, and subdivisions of this Trust Deed are for convenience of reference only, are not to be considered a part hereof, and shall not limit or otherwise affect any of the terms hereof.

5.03 Invalid Provisions to Affect No Others. In case any one or more of the covenants, agreements, terms, or provisions contained in this Trust Deed or in the Loan Documents shall be invalid, illegal, or unenforceable in any respect, the validity of the remaining covenants, agreements, terms, and provisions contained herein and in the Loan Documents shall in no way be affected, prejudiced, or disturbed thereby.

5.04 Notices. All notices, demands, requests, consents, statements, satisfactions, waivers, designations, refusals, confirmation or denials that may be required or otherwise provided for or contemplated under the terms of this Trust Deed shall be in writing, and shall be deemed to have been properly given (a) upon delivery, if delivered in person or by facsimile transmission with receipt acknowledged, or (b) one (1) business day after having been deposited for overnight delivery with Federal Express or another comparable overnight courier service, addressed as follows:

If to Grantor:

JWTR, LLC
6400 Highway 66
Klamath Falls, Oregon 97601
Attention: Thomas C. Ludlow
Facsimile: (541) 880-5481

with a copy to:

Foster Pepper PLLC
1111 Third Avenue
Seattle, Washington 98101-3299
Attention: Robert Kunold, Jr.
Facsimile: (206) 749-1984

If to Beneficiary:

Bank of America, N.A.
Credit Services Representative
2001 Clayton Road
Concord, California 94520-2405
Attention: Marti Egner
Facsimile: (888) 969-9145

with a copy to:

Moore & Van Allen PLLC
Suite 4700
100 North Tryon Street
Charlotte, North Carolina 28202-4003
Attention: C. Wayne McKinzie, Esq.
Facsimile: (704) 378-2061

or addressed to each respective party at such other address as such party may from time to time designate by written notice to the other parties.

5.05 Interpretation. Terms defined in the Credit Agreement shall have the same meanings when used in this Trust Deed, unless the context otherwise requires or unless otherwise defined in this Trust Deed.

5.06 Subordination. At the option of Beneficiary, this Trust Deed shall become subject and subordinate in whole or in part (but not with respect to priority of entitlement to any insurance proceeds, damages, awards, or compensation resulting from damage to the Mortgaged Property or condemnation or exercise of power of eminent domain), to any and all contracts of sale and/or any and all Leases upon the execution by Beneficiary and recording thereof in the records of mortgages of the county where the Land is situated of a unilateral declaration to that effect.

5.07 WAIVER OF RIGHTS TO TRIAL BY JURY. THE RIGHT TO A JURY TRIAL IN ANY ACTION UNDER OR RELATING TO THE LOAN DOCUMENTS IS HEREBY WAIVED, TO THE FULLEST EXTENT ALLOWED BY LAW.

5.08 CHOICE OF LAW. WITH RESPECT TO MATTERS RELATING TO THE CREATION, PERFECTION AND PROCEDURES RELATING TO THE ENFORCEMENT OF THE LIENS AND SECURITY INTERESTS CREATED PURSUANT TO THIS TRUST DEED, THIS TRUST DEED SHALL BE GOVERNED BY, AND BE CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE MORTGAGED PROPERTY IS LOCATED, IT BEING AGREED THAT EXCEPT AS EXPRESSLY SET FORTH ABOVE IN THIS SECTION AND TO THE FULLEST EXTENT PERMITTED BY THE LAWS OF SUCH STATE, THE LAW OF

THE STATE OF NEW YORK (WITHOUT GIVING EFFECT TO CONFLICTS-OF-LAWS RULES AND PRINCIPLES) SHALL GOVERN ALL MATTERS RELATING TO THIS MORTGAGE AND THE OTHER LOAN DOCUMENTS AND ALL OF THE SECURED OBLIGATIONS.

5.09 Partial Release. Beneficiary shall, upon any transfer or disposition of portions of the Land or Timber as permitted herein or in the Credit Agreement and upon reasonable advance notice from Grantor and at Grantor's expense, promptly execute and deliver, and cause the Trustee to execute and deliver, such deeds of reconveyance, UCC partial releases and other documents necessary to fully release such Land and Timber and the Mortgaged Property relating thereto, from the liens and security interests created hereby.

5.10 Full Reconveyance. Upon the payment or satisfaction of all obligations secured hereby and upon Grantor's request and at Grantor's expense, Beneficiary shall request Trustee to reconvey the Mortgaged Property and shall surrender this Trust Deed and other evidences of Secured Obligations to the Trustee, and shall within a reasonable time execute and deliver, or cause Trustee to execute and deliver, such deeds of reconveyance, UCC releases, and other documents necessary to fully release the Mortgaged Property from the liens and security interests created hereby.

ARTICLE VI

6.01 Security Interest. This Trust Deed constitutes a "security agreement" with respect to personal property within the meaning of the UCC and other applicable law and with respect to the Mortgaged Property. To this end, Grantor grants to Beneficiary a first and prior security interest in the Mortgaged Property which is personal property or fixtures to secure the payment of the Secured Obligations and performance of the Secured Obligations, and agrees that Beneficiary shall have all the rights and remedies of a secured party under the UCC with respect to such property. Any notice of sale, disposition or other intended action by Beneficiary with respect to the Mortgaged Property which is personal property or fixtures sent to Grantor at least ten (10) days prior to any action under the UCC shall constitute reasonable notice to Grantor.

6.02 Financing Statements. Grantor shall deliver to Beneficiary, in form and substance satisfactory to Beneficiary, such financing statements and such further assurances as Beneficiary may, from time to time, reasonably consider necessary to create, perfect and preserve Beneficiary's security interest hereunder and Beneficiary may cause such statements and assurances to be recorded and filed, at such times and places as may be required or permitted by law to so create, perfect and preserve such security interest. Grantor's exact name and its state of organization set forth in the first paragraph of this Trust Deed.

6.03 Fixture and Timber Filing. For purposes of the UCC, this Trust Deed shall also constitute a "fixture filing" against all of the Mortgaged Property which is or is to become fixtures and a financing statement covering timber to be cut located on the Land. Information concerning the security interest herein granted may be obtained at the addresses of Debtor (Grantor) and Secured Party (Beneficiary) as set forth in the first paragraph of this Trust Deed.

Grantor's exact name and state of organization are set forth in the first paragraph of this Trust Deed. Grantor's organizational identification number is 247024-90.

6.04 Perfection. Grantor represents and warrants that (a) upon the filing of a UCC financing statement (i) with respect to all personal property (other than timber to be cut and goods that are or are to become fixtures), in the office of the Secretary of State of the State of Grantor's organization and (ii) with respect to timber to be cut and goods that are or are to become fixtures, in the office designated for the filing or recording of a record of a mortgage on the related real property, in each case naming Grantor as "debtor," naming Beneficiary as "secured party" and describing the Mortgaged Property, the security interests in the Mortgaged Property constituting personal property granted to Beneficiary will constitute perfected security interests therein prior to all other liens (except for liens expressly permitted under the Loan Documents), and (b) all filings and other actions necessary or desirable to perfect and protect such security interest have been or substantially contemporaneously herewith will be duly made or taken. Grantor will notify Beneficiary of any change in Grantor's name or jurisdiction of organization within fifteen (15) days of such change.

6.05 Further Assurances. Grantor agrees that from time to time, at the expense of Grantor, Grantor will promptly execute and deliver all further instruments and documents, and take all further action, that may be necessary or desirable, or that Beneficiary may reasonably request, in order to perfect and protect any security interest granted or purported to be granted hereby or to enable Beneficiary to exercise and enforce its rights and remedies hereunder with respect to any Mortgaged Property. Without limiting the generality of the foregoing, Grantor will: (a) if an Event of Default shall have occurred, furnish to Beneficiary from time to time statements and schedules further identifying and describing the Mortgaged Property and such other reports in connection with the Mortgaged Property as Beneficiary may reasonably request, all in reasonable detail, (b) at any reasonable time, upon request by Beneficiary, exhibit the Mortgaged Property to and allow inspection of the Mortgaged Property by Beneficiary, or persons designated by Beneficiary, (c) at Beneficiary's request, appear in and defend any action or proceeding that may affect Grantor's title to or Beneficiary's security interest in all or any part of the Mortgaged Property, and (d) use commercially reasonable efforts to obtain any necessary consents of third parties to the assignment and perfection of a security interest to Beneficiary with respect to any Mortgaged Property. Grantor hereby authorizes Beneficiary to file one or more financing or continuation statements, and amendments thereto, relative to all or any part of the Mortgaged Property without the signature of Grantor. Grantor agrees that a carbon, photographic or other reproduction of this Trust Deed shall be sufficient as a financing statement and may be filed as a financing statement in any and all applicable jurisdictions accepting same.

6.06 Accounts. Except as otherwise provided in this Section 6.06, Grantor shall continue to collect, at its own expense, all amounts due or to become due to Grantor as Accounts. In connection with such collections, Grantor may take (and, at Beneficiary's direction, shall take) such action as Grantor or Beneficiary may deem necessary or advisable to enforce collection of amounts due or to become due under the Accounts; provided, however, that Beneficiary shall have the right at any time, upon the occurrence and during the continuation of an Event of Default and upon written notice to Grantor of its intention to do so, to notify the parties owing

funds to Grantor of the assignment of such claims to Beneficiary and to direct such account debtors or obligors to make payment of all amounts due or to become due to Grantor thereunder directly to Beneficiary, and, upon such notification and at the expense of Grantor, to enforce collection of any amounts due and owing under such Accounts and to adjust, settle or compromise the amount or payment thereof, in the same manner and to the same extent as Grantor might have done. After receipt by Grantor of the notice from Beneficiary referred to in the proviso to the preceding sentence, (a) all amounts and proceeds received by Grantor in respect of the Accounts shall be received in trust for the benefit of Beneficiary hereunder, shall be segregated from other funds of Grantor and shall be forthwith paid over or delivered to Beneficiary in the same form as so received (with any necessary endorsement) to be held as cash collateral, and (b) Grantor shall not adjust, settle or compromise the amount or payment of any Accounts, or release wholly or partly any account debtor or obligor thereof, or allow any credit or discount thereon.

6.07 Standard of Care. The powers conferred on Beneficiary hereunder are solely to protect its interest in the Mortgaged Property and shall not impose any duty upon it to exercise any such powers. Except for the exercise of reasonable care in the custody of any Mortgaged Property in its possession and the accounting for moneys actually received by it hereunder, Beneficiary shall have no duty as to any Mortgaged Property or as to the taking of any necessary steps to preserve rights against prior parties or any other rights pertaining to any Mortgaged Property. Beneficiary shall be deemed to have exercised reasonable care in the custody and preservation of Mortgaged Property in its possession if such Mortgaged Property is accorded treatment substantially equal to that which Beneficiary accords its own property.

ARTICLE VII

7.01 Assignment of Rents. Grantor absolutely and unconditionally assigns and transfers the Rents to Beneficiary, whether now due, past due or to become due, and gives to and confers upon Beneficiary the right, power and authority to collect, after the occurrence and during the continuance of an Event of Default, such Rents, and apply the same in accordance with the Credit Agreement. Grantor irrevocably appoints Beneficiary its agent to, at any time, demand, receive and enforce payment, to give receipts, releases and satisfactions, and to sue, either in the name of Grantor or in the name of Beneficiary, for all such Rents. Neither the foregoing assignment of Rents to Beneficiary or the exercise by Beneficiary of any of its rights or remedies under this Trust Deed shall be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Mortgaged Property or the use, occupancy, enjoyment or operation of all or any part thereof, unless and until Beneficiary, in person or by its own agent, assumes actual possession thereof, nor shall appointment of a Receiver for the Mortgaged Property by any court at the request of Beneficiary or by agreement with Grantor or the entering into possession of the Mortgaged Property or any part thereof by such Receiver be deemed to make Beneficiary a "mortgagee-in-possession" or otherwise responsible or liable in any manner with respect to the Mortgaged Property or the use, occupancy, enjoyment or operation of all or any part thereof.

7.02 Collection of Rents. Notwithstanding anything to the contrary contained herein or in any of the Loan Documents, so long as no Event of Default shall have occurred and be continuing, Grantor shall have a license, revocable upon the occurrence and during the continuance of an Event of Default to collect all Rents, and to first apply the same to the Secured Obligations as and when due and thereafter to retain, use and enjoy the same and to otherwise exercise all rights with respect thereto, subject to the terms hereof. Upon the occurrence of an Event of Default, Beneficiary shall have the right, on written notice to Grantor, to terminate and revoke the license hereinafter granted to Grantor and shall have the complete right and authority then or thereafter to exercise and enforce any and all of its rights and remedies provided herein.

ARTICLE VIII

8.01 Statutory Warning.

WARNING

(a) Unless Grantor provides Beneficiary with evidence of insurance coverage as required by this Trust Deed, Beneficiary may purchase insurance at Grantor's expense to protect Beneficiary's interest. This insurance may, but need not, also protect Grantor's interest. If the Mortgaged Property becomes damaged, the coverage Beneficiary purchases may not pay any claim Grantor makes or any claim made against Grantor. Grantor may later cancel this coverage by providing evidence that Grantor has obtained coverage elsewhere.

(b) Grantor is responsible for the cost of any insurance purchased by Beneficiary. The cost of this insurance may be added to the Secured Obligations. If the cost is added to the Secured Obligations, the interest rate on the Secured Obligations will apply to this added amount. The effective date of coverage may be the date Grantor's prior coverage lapsed or the date Grantor failed to provide proof of coverage. The coverage Beneficiary purchases may be considerably more expensive than insurance Grantor can obtain on its own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

8.02 Warranty of Business Purpose. Grantor warrants that this Trust Deed is not and will at all times continue not to be a residential trust deed (as that term is defined in ORS 86.705(3))

8.03 Notice Pursuant to ORS 41.580.

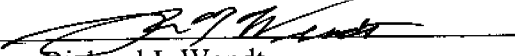
UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY THE BENEFICIARY CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY THE BENEFICIARY TO BE ENFORCEABLE.

[Remainder of this Page Intentionally Left Blank; Signatures on Next Page]

IN WITNESS WHEREOF, Grantor has caused this Trust Deed to be executed under seal, on the day and year first above written.

GRANTOR:

JWTR TIMBER HOLDINGS, INC., an Oregon
corporation

By: 
Name: Richard L. Wendt
Title: Chairman, President

[Deed of Trust Signature Page – KLAMATH COUNTY]

STATE OF Oregon)
COUNTY OF Klamath)

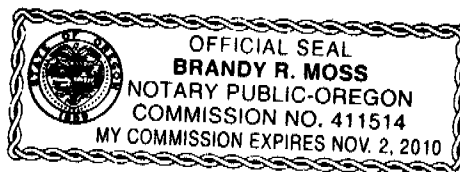
I, the undersigned Notary Public in and for said County, in said State, hereby certify that Richard L. Whit whose name as Chairman President of JWTR Timber Holdings, Inc., an Oregon corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, that being informed of the contents of the instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said limited liability company.

Given under my hand and official seal, this 31 day of December, 2008.

Brandy R. Moss
NOTARY PUBLIC

My Commission Expires:

November 2, 2010



[SEAL]

EXHIBIT A

Legal Description of Property
("Land")

(Klamath County, Oregon)

In the County of Klamath, State of Oregon, as follows:

DEEP CREEK PARCEL

PARCEL 1:

Section 3 - S1/2
Section 4 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
Section 5 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2
Section 6 - Government Lots 1 and 2, S1/2 NE1/4, SE1/4
Section 7 - E1/2 NE1/4
Section 8 - N1/2, SE1/4, NE1/4 SW1/4
Section 9 - All
Section 10 - All
Section 11 - All
Section 12 - All
Section 13 - All
Section 14 - All
Section 15 - All
Section 16 - All
Section 17 - E1/2
Section 20 - NE1/4, E1/2 SE1/4
Section 21 - All
Section 22 - All
Section 23 - All
Section 24 - All
Section 25 - All
Section 26 - All
Section 27 - All
Section 28 - All
Section 29 - E1/2 E1/2
Section 32 - E1/2 E1/2
Section 33 - All
Section 34 - All
Section 35 - All

Section 36 - All

All being in Township 31 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.

PARCEL 2:

Section 1 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2

Section 2 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2

Section 3 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2

Section 4 - Government Lots 1, 2, 3 and 4, S1/2 N1/2, S1/2

Section 5 - Government Lot 1, SE1/4 NE1/4, E1/2 SE1/4

Section 8 - E1/2 E1/2

Section 9 - All

Section 10 - All

Section 11 - All

Section 12 - All

Section 13 - All

Section 14 - All

Section 15 - All

Section 16 - All

Section 17 - E1/2 E1/2

Section 20 - E1/2 E1/2

Section 21 - All

Section 22 - All

Section 23 - All

Section 24 - All

Section 25 - All

Section 26 - All

Section 27 - All

Section 28 - All

Section 33 - All

Section 34 - All

Section 35 - All

Section 36 - All

All being in Township 32 South, Range 11 East of the Willamette Meridian, Klamath County, Oregon.