

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For First Quarter and Three Months Ending March 31, 2000

OR

TRANSACTION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Commission File Number 1-9035

POPE RESOURCES, A DELAWARE  
LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

91-1313292

(IRS Employer  
Identification Number)

19245 10TH AVENUE NE, POULSB0, WA 98370

TELEPHONE: (360) 697-6626

(Address of principal executive offices including zip code)

(Registrant's telephone number including area code)

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15 (d) of the Securities Exchange Act  
of 1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days.

Yes  No

P A R T I

ITEM 1

FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

Pope Resources  
 March 31, 2000 and December 31, 1999

(Thousands)	2000 (Unaudited)	1999
-----		
Assets		
Current assets:		
Cash	\$ 4,880	\$ 4,922
Accounts receivable	2,911	1,583
Work in progress	12,195	12,033
Current portion of contracts receivable	311	587
Prepaid expenses and other	476	550
	-----	-----
Total current assets	20,773	19,675
	-----	-----
Properties and equipment at cost:		
Land and land improvements	16,296	15,611
Roads and timber (net of accumulated depletion)	12,309	12,391
Buildings and equipment (net of accumulated depreciation)	15,754	15,921
	-----	-----
	44,359	43,923
	-----	-----
Other assets:		
Contracts receivable, net of current portion	1,637	1,733
Unallocated amenities and project costs	1,342	1,356
Other	179	193
	-----	-----
	3,158	3,282
	-----	-----
	\$68,290	\$66,880
	=====	=====
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	\$ 1,129	\$ 1,084
Accrued liabilities	1,260	2,011
Current portion of long-term debt	415	406
Deposits	616	88
Minority interest	150	366
	-----	-----
Total current liabilities	3,570	3,955
	-----	-----
Long-term debt, net of current portion	13,163	13,282
Deferred profit	325	341
Partners' capital	51,232	49,302
	-----	-----
	\$68,290	\$66,880
	=====	=====

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Pope Resources  
 Three Months Ended March 31, 2000 and 1999

(Thousands, except per unit data)

	2000	1999
	-----	-----
Revenues	\$ 13,449	\$ 12,566
Cost of sales	(4,005)	(3,063)
Operating expenses	(4,625)	(4,244)
Selling general and administrative	(2,343)	(2,265)
	-----	-----
Income from operations	2,476	2,994
	-----	-----
Other income (expense):		
Interest expense	(310)	(324)
Interest income	91	30
	-----	-----
Net other expense	(219)	(294)
	-----	-----
Income before income taxes and minority interest	2,257	2,700
Income tax benefit (provision)	113	(116)
	-----	-----
Income before minority interest	2,370	2,584
Minority interest	(3)	(17)
	-----	-----
Net income	2,367	2,567
	=====	=====
Allocable to general partners	\$ 31	\$ 34
Allocable to limited partners	2,336	2,533
	-----	-----
	\$ 2,367	\$ 2,567
	=====	=====
Earnings per unit:		
Basic	\$ 0.52	\$ 0.57
	=====	=====
Diluted	\$ 0.52	\$ 0.57
	=====	=====
Weighted average units outstanding:		
Basic	4,528	4,519
	=====	=====
Diluted	4,532	4,536
	=====	=====

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources  
 Three Months Ended March 31, 2000 and 1999

(Thousands)	2000	1999
	-----	-----
Net cash flows from operating activities	\$ 1,735	\$ 1,116
Cash flows from investing activities:		
Capital expenditures	(1,024)	(1,971)
Net cash used in investing activities	(1,024)	(1,971)
	-----	-----
Cash flows from financing activities:		
Cash distributions to unitholders	(452)	(452)
Minority interest distribution	(212)	(208)
Repayment of long-term debt	(89)	(149)
Net cash used in financing activities	(753)	(809)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(42)	(1,664)
Cash and cash equivalents at beginning of period	4,922	2,666
	-----	-----
Cash and cash equivalents at end of the period	\$ 4,880	\$ 1,002
	=====	=====

POPE RESOURCES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)  
March 31, 2000

1. The consolidated financial statements as of March 31, 2000 and December 31, 1999 and for the 3 month periods ending March 31, 2000 and March 31, 1999 have been prepared by Pope Resources pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). The financial information for the quarters and three months ending March 31, 2000 and March 31, 1999 is unaudited, but, in the opinion of management, reflects all adjustments (consisting only of normal recurring adjustments and accruals) necessary for a fair presentation of the financial position, results of operations and cash flows for the interim periods. The financial information as of December 31, 1999, is derived from the Partnership's audited consolidated financial statements and notes thereto for the year ending December 31, 1999, and should be read in conjunction with such financial statements. Certain reclassifications of prior year's balances have been made to conform to the current format. The results of operations for the quarter and three months ending March 31, 2000 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year ending December 31, 2000.
2. The financial statements in the Partnership's 1999 annual report on Form 10-K include a summary of significant accounting policies of the Partnership and should be read in conjunction with this Form 10-Q.
3. Fully diluted earnings per unit include the dilutive impact of unit options outstanding.
4. Supplemental disclosure of cash flow information: Interest paid amounted to approximately \$325,000 and \$342,000 for the quarters and three months ending March 31, 2000 and 1999, respectively.
5. Revenues and operating income by segment for the quarters and three months ending March 31 is as follows:

(Thousands)	Timberland Resources	Real Estate	Administrative	Consolidated
-----				
2000				
Revenues	\$10,159	\$ 3,290	\$ -	\$13,449
Income (loss) from operations	4,745	(253)	(2,016)	2,476
1999				
Revenues	\$10,476	\$ 2,090	--	\$12,566
Income (loss) from operations	5,369	(443)	\$(1,932)	2,994

6. Certain reclassifications have been made to 1999 amounts to conform to 2000 presentation.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
(Unaudited)  
March 31, 2000

Note: Certain information in this report constitutes forward-looking statements within the meaning of federal securities laws. Forward-looking information is subject to risks, trends, and uncertainties that could cause actual results to differ materially from those projected. Those uncertainties include but are not limited to changes to regulations that affect the Partnership's ability to harvest timber and develop real estate and changes in economic conditions, which can have a significant effect on the price the Partnership can obtain for its timber and real estate.

This discussion should be read in conjunction with the Partnership's consolidated financial statements included with this report.

RESULTS OF OPERATIONS

TIMBERLAND RESOURCES

Timberland Resources' revenue sources are as follows: management and consulting fees earned from timberland management and forestry consulting activities performed for third-party owners of timberlands as well as harvest and sale of logs from the Partnership's 74,000-acre tree farm located in the Hood Canal area of Washington.

Olympic Resource Management LLC (ORMLLC), a subsidiary of the Partnership, is the western regional timberland manager for the Hancock Timber Resource Group (HTRG). The contract covering management services provided in the western United States runs for three years and commenced on January 1, 1998. In conjunction with the acquisition of Simons Reid Collins, ORM Resources Canada Ltd. (a subsidiary of ORMLLC) assumed management of additional HTRG timberlands in British Columbia. The current British Columbia contract ends December 31, 2000. Total acres under management for HTRG is subject to change as HTRG's client portfolios are adjusted.

Revenues and operating income for the Timberland Resources segment for the quarters ending March 31, 2000 and 1999, are as follows:

Year ended	Revenues	Operating income
March 31, 2000	\$ 10.2 million	\$ 4.7 million
March 31, 1999	10.5 million	5.4 million

The 3% decrease in revenues and 13% decrease in operating income in 2000 as compared to 1999 resulted primarily from a decrease in acres under management for HTRG. Two of HTRG's clients representing 319,000 acres under management as of March 31, 1999 decided to change investment managers during 1999. New investment managers took over the management of the timberlands for these two clients in September 1999 and February 2000. Acres under management for the majority of the first quarter of 2000 were reduced to 242,000 from 460,000 at December 31, 1999. As the acres under management declined, the Partnership was not able to reduce costs commensurately and the resultant reduction in economies of scale caused the operating income to decline more than the reduction in revenues.

In March 2000, the Partnership began managing 365,000 acres under a new management contract. The timberlands are located in Washington, Oregon, and California. Revenues and operating income from the new contract are expected to offset a portion of the decrease in revenues and operating income associated with the reduction in acres under

management for HTRG. As of March 31, 2000 the Partnership managed over 600,000 acres of timberlands in British Columbia, Washington, Oregon, and California on behalf of ORMLLC's timberland management clients, as compared to over 500,000 acres at March 31, 1999.

Forestry consulting revenues increased \$0.2 million to \$0.7 million for the three months ending March 31, 2000. Forestry consulting activities are the result of the Simons Reid Collins acquisition in December 1998. Revenues in the first quarter of 2000 improved as operations focused on expanding market share as opposed to working through the transition to Olympic Resource Management in the first quarter of 1999. In March of 2000 ORM Resources Canada entered into a province-wide agreement with the British Columbia Ministry of Forests to supply licenses for CRUISECOMP, ORM's cruise compilation software.

The Partnership benefited from an improvement in log prices realized in the first quarter of 2000. The Partnership harvested the following timber and realized the following average log prices for the three-month period ending March 31, 2000 and 1999:

Year	Softwood Sawlogs		Pulp and Hardwood		Totals	
	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF	Volume MMBF	Price \$/MBF
2000	10.1	\$647	3.0	\$292	13.1	\$573
1999	11.2	\$615	2.2	\$222	13.4	\$554

MMBF = million board feet  
MBF = thousand board feet

Log revenues from the Partnership's timberland ownership are significantly affected by export log market conditions. Prices realized from the sale of logs to the export market through domestic intermediaries increased to \$744 per MBF in the first quarter of 2000 from \$696 per MBF in the first quarter of 1999. The increase in price was offset by a decrease in volume sold to the export market from 4.8 MMBF in the first quarter of 1999 to 2.9 MMBF in the first quarter of 2000. The decrease in volume sold through the export market is due to a combination of harvesting timber stands with a lower percentage of logs suitable for the export market and changes in demand for larger, higher quality logs in the export market in the first quarter of 2000 relative to the first quarter of 1999.

Domestic sawlog volumes were 7.3 MMBF and 6.4 MMBF for the three months ending March 31, 2000 and 1999, respectively. Average domestic log prices per MBF were \$609 and \$553 for the three months ending March 31, 2000 and 1999, respectively. The increase in domestic log prices is the indirect result of export market conditions. During the first three months of 2000 export market prices were up from the first quarter of 1999 which put upward pressure on domestic prices.

Pulp and hardwood log volumes were 3.0 MMBF and 2.2 MMBF, for the three months ending March 31, 2000 and 1999, respectively. Harvest activities in the first three months of 2000 were from timber stands with a higher concentration of pulp and hardwood logs as compared to the prior year. The Partnership also benefited from an increase in pulp and hardwood log prices in the first quarter of 2000. The average price realized was \$292 and \$222 per MBF on pulp and hardwood logs for the three months ending March 31, 2000 and 1999, respectively.

In the operation and management of its tree farm, the Partnership is subject to federal, state and local laws that govern land use. Management's objective is to be in compliance with such laws and regulations at all times. On March 20, 2000, the Washington State Department of Natural Resources enacted new, temporary forest practice regulations. The regulations provide for wider riparian management zones, greater planning requirements for harvesting and road



construction and maintenance operations, and other restrictions on timber management activities. The Partnership is currently evaluating the effect of these rules on the Partnership's fee timberlands.

The risk of loss from fire, while possible on any timberland, is minimized on Partnership lands by maintaining a well-developed road system, and an established fire monitoring and suppression plan. The Washington State Department of Natural Resources is ultimately responsible for all fire suppression activities in the state.

## REAL ESTATE

Real Estate segment revenues are derived from residential development and income-producing properties. Residential development consists of the sale of single-family homes, developed lots, and undeveloped acreage. These activities span approximately 3,000 acres of the Partnership's ownership and are concentrated in Port Ludlow, Washington. Income-producing properties consist of the following properties in Port Ludlow: the 37-room Heron Beach Inn on Ludlow Bay, a 300-slip saltwater marina, a 27-hole championship golf course, a commercial center, an RV park, a restaurant/lounge and related facilities, and the water and sewer utilities serving the area. In addition, the Partnership manages residential and commercial properties in Port Gamble and Kingston, Washington.

Revenues and operating income/(loss) for the Real Estate segment for the three months ending March 31, 2000 and 1999, are as follows:

Year ended	Revenues	Operating income/(loss)
March 31, 2000	\$ 3.2 million	\$ (0.3) million
March 31, 1999	2.1 million	(0.4) million

The majority of the \$1.1 million increase in Real Estate revenues and \$0.1 million decrease in operating loss are due to an increase in homes sold during the quarter. In the first three months of 2000, the Partnership's flagship development at Port Ludlow generated revenues of \$1.8 million through the sale of two lots and five homes. This compares to 1999 revenues of \$0.4 million through the sale of one developed lot and two homes. During 1999, the Partnership began to focus more on the sale of homes at Port Ludlow as opposed to lots. The change in strategy is expected to build value in the Partnership's Port Ludlow properties, as the Partnership will have more control over the quality of homes in the community and additional residents are expected to positively affect revenues attributable to the Partnership's income-producing properties.

Prospective home and lot buyers often pay an earnest money deposit in anticipation of completing the eventual purchase. The Partnership does not record a sale when earnest money deposits are received, but does track the sales backlog which represents the total sales dollars expected to be recorded once these properties are sold. The residential development division's backlog of sales was approximately \$5.8 million and \$1.3 million as of March 31, 2000 and 1999, respectively. The sales backlog increase results from the Partnership's focus on home sales as opposed to lot sales. Management expects the majority of this backlog to become revenues by the end of the third quarter of 2000.

Income-producing property revenues in the first three months of 2000 increased 8% to \$1.4 million from \$1.3 million in the first three months of 1999. The increase in revenues is the result of additional residents moving into the area and the relatively mild weather experienced by Western Washington in the first quarter of 2000.

Land holdings throughout Washington State are affected by the state's Growth Management Act (GMA), which requires counties to submit comprehensive plans that identify the future direction of growth and stipulate where population densities are to be concentrated. In Jefferson County, where Port Ludlow is located, the GMA Hearings Board approved the County's Comprehensive Plan. In this plan, Port Ludlow was granted status as a Master Planned Resort facilitating future build-out and development of the resort. In July 1999, the Partnership successfully completed a mediation process with local residents that resulted in a proposed zoning ordinance necessary for completion and build-out of the resort. In October 1999, the Jefferson County Commissioners approved the zoning ordinance.

As part of its July 1999 GMA plan submission, Kitsap County designated Port Gamble as a "Rural Historic Town." This designation provides for substantial new commercial, industrial and residential development of the town utilizing historic land use patterns, densities and architectural character. The GMA Hearings Board has upheld the plan. The Partnership also initiated a legislative amendment to the GMA that will provide additional clarification and opportunities for designations involving national historic town sites. This legislation was signed into law in March of 2000. The Partnership is now in a position to evaluate potential opportunities and strategies for redevelopment of the Port Gamble town site.

The Partnership continues to work with officials in Gig Harbor regarding the development of a 320-acre mixed-use project located within the Gig Harbor city limits. Efforts in 1999 focused on a successful agreement to construct an arterial road through the property which in turn connects to a nearby freeway interchange. Construction of the road is expected to begin by summer of 2000.

The Partnership has two additional ongoing projects in Kitsap County: a 720-acre residential development in Kingston and a 185-acre residential development in Hansville. Development of these sites has been delayed pending resolution of a lawsuit (in which the Partnership is not a party) that will establish the appropriate zoning and development regulations applicable to projects pending throughout Kitsap County. In April 1999, the State Court of Appeals rendered a favorable decision, but the case has been appealed to the Washington Supreme Court for further review.

Voters in Washington State recently passed Initiative 695, which replaced the value-based vehicle license fees in the state with a low flat-rate license fee. This is expected to have a detrimental impact on state, county and local government budgets. Significant adverse impacts are also anticipated to the level of services provided by the Washington State Ferry System and funding of highway transportation projects. The reduction of governmental funding in these areas may affect the Partnership's real estate holdings, which are significantly reliant on ferry service, but the impact is unknown at this time.

OTHER

The following table sets forth expenses as a percentage of revenues for the three months ended March 31, 2000 and 1999:

	2000	1999
	----	----
Revenues	100%	100%
Cost of sales	30%	24%
Operating expenses	34%	34%
Selling, general, and administrative expenses	17%	18%
	----	----
Operating income	19%	24%
	====	====

Cost of sales includes the cost of purchasing and producing tangible goods for sale. Cost of sales for the Partnership will fluctuate due to the various methods for selling and harvesting timber, the basis of the land the Partnership sells, and the quantity of homes sold. The increase in the cost-of-sales ratio in 2000 is due to the sale of five homes in 2000 vs. two homes in 1999. Homes have a relatively high cost of sales ratio as compared to the Partnership's other revenue producing activities.

Operating expenses consist of salary and other costs directly attributable to a revenue-producing activity. Operating expenses as a percentage of revenues did not fluctuate in the first three months of 2000 relative to 1999. The selling, general, & administrative (SG&A) ratio decreased 1% for the first three months of 2000 relative to 1999 due to the increase in revenues generated in the first quarter of 2000 while SG&A expenses remained relatively stable.

Interest income increased \$61,000 in the first three months of 2000, as the Partnership's average short-term investments were higher in the first quarter of 2000. The Partnership's acquisition and debt retirement of the Heron Beach Inn in December of 1998 resulted in a relatively low balance of cash and short-term investments in the first quarter of 1999.

#### LIQUIDITY AND CAPITAL RESOURCES

Funds generated internally through operations and externally through financing will provide the required resources for the Partnership's real estate development and other capital expenditures. Management may also consider increasing the Partnership's debt-to-total capitalization ratio to participate in investments in real property, if the investments meet the Partnership's requirements of return and provide a good fit with the Partnership's portfolio of properties. Management considers its capital resources to be adequate for its current plans. At March 31, 2000, the Partnership had available an unused \$20 million bank loan commitment.

Management has considerable discretion to increase or decrease the level of logs cut and thereby may increase or decrease net income and cash flow, assuming log prices and demand remain stable. Management's current plan is to harvest approximately 38 million board feet of timber in 2000. Since harvest plans are based on demand and pricing, actual harvesting may vary subject to management's ongoing review.

For the three months ending March 31, 2000, cash provided by operating activities was \$1.7 million and overall cash and cash equivalents decreased \$42,000. Cash provided by operating activities was used for cash payments to unitholders of \$0.5 million, capital expenditures of \$1.0 million, and repayment of long-term debt of \$89,000.

The Partnership plans to continue making quarterly partnership distributions during 2000.

#### RECENT EVENT

Gary F. Tucker retired from his position as President and CEO effective May 8, 2000. Board members Peter Pope and Doug Norberg will play a more active role in day-to-day management while a search is conducted for Mr. Tucker's replacement.

#### SEASONALITY

Timberland Resources: The Partnership's tree farm is located in the Hood Canal region of Washington state. Most of the tree farm acreage owned by the Partnership is at a relatively low elevation where harvest activities are possible year around. As a result of this competitive advantage, the Partnership tends to harvest and sell a greater portion of the annual harvest in the first half of the year when the supply of logs tends to be lower. Towards the end of September or October, harvest activities taper off as the Partnership reaches the planned annual harvest volume. Other activities in the Timberland Resource segment are not significantly seasonal.

Real Estate: The Partnership's real estate operations tend to be highly seasonal. The income producing properties include a golf course, marina, and Inn located in Port Ludlow, Washington. The majority of the revenues from these activities are earned from June to September. The majority of the Partnership's real estate development revenues have also historically been generated during the summer months.

COMMITMENTS AND CONTINGENCIES

The Partnership's commitments consist of performance bonds, letters of credit, and operating leases entered in the normal course of business. The Partnership may from time to time be a defendant in lawsuits arising in the ordinary course of business. Management believes that loss to the Partnership, if any, will not have a material adverse effect to the Partnership's financial condition or results of operations.

FINANCIAL INFORMATION ABOUT SEGMENTS

Segment financial information is presented in Note 5 to the Partnership's Financial Statements included with this report.

ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES  
ABOUT MARKET RISK

As of March 31, 2000, the Partnership had \$13.5 million of fixed rate debt outstanding with a fair value of approximately \$14.0 million. Since the debt bears interest at a fixed rate the fair value of the debt is affected by changes in market interest rates. The following table presents principal cash payments (in thousands) for the fixed rate debt outstanding at March 31, 2000:

Long-term debt including current portion	2000	2001	2002	2003	2004	Thereafter	Interest Rate
Mortgage-Principal payments	289	405	446	491	541	11,047	9.65%
Local Improvement							6.5% to
District-Principal Payments	28	38	38	38	38	63	8%

PART II

ITEM 1: LEGAL PROCEEDINGS

From time to time, we may be subject to legal proceedings and claims which may have a material adverse effect on our business. We are not aware of any current legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, prospects, financial condition or results of operations.

ITEM 2: CHANGES IN SECURITIES AND USE OF PROCEEDS

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5: OTHER INFORMATION

None

ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K

REPORTS ON FORM 8-K: None.

EXHIBITS

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- 10.1 Management Agreement, dated March 22, 2000, between Pioneer Resources I, LLC and Olympic Resource Management LLC. (1)
- 10.2 Deed of Trust, Fixture Filing and Security Agreement with Assignment of Rents. (1)
- 27 Financial Data Schedule

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(1) Subject to a request for confidential treatment filed with the SEC contemporaneously with this quarterly report on Form 10-Q.

POPE RESOURCES

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

POPE RESOURCES,  
A Delaware Limited Partnership  
Registrant

Date: May 12, 2000

By: POPE MGP, Inc.  
Managing General Partner

Date: May 12, 2000

By: /s/Thomas M. Ringo

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Thomas M. Ringo  
Sr. Vice President Finance & Client Relations  
(Duly Authorized Signatory and  
Principal Financial Officer)

Date: May 12, 2000

By: /s/Meredith R. Green

-----  
Meredith R. Green  
Vice President Finance and Treasurer  
(Principal Accounting Officer)

MANAGEMENT AGREEMENT

MANAGEMENT AGREEMENT (the "Agreement") dated as of March 22, 2000, by and between PIONEER RESOURCES I, LLC, a Delaware limited liability company ("Pioneer"), and OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company ("ORM" or the "Manager").

RECITALS

A. ORM is an independent contractor engaged in the business of acquiring, operating, maintaining, managing, and disposing of timberland properties for third parties through its employees, agents and sub-contractors.

B. Pioneer is interested in engaging ORM to take over responsibility for all aspects of management of Pioneer, with primary emphasis on management and potential disposition of its Timberlands and, in connection therewith, Pioneer and Member are interested in appointing ORM as Manager of Pioneer under the Operating Agreement.

C. ORM is prepared to accept such engagement and appointment as Manager of Pioneer in accordance with the terms and conditions set forth below and in the Operating Agreement.

AGREEMENT

The parties agree as follows:

SECTION 1. DEFINITIONS.

1.1 "ADDITIONAL SERVICES" has the meaning set forth in Section 4.3 below.

1.2 "ADMINISTRATIVE SERVICES" has the meaning set forth in Section 3.1 below.

1.3 "AGREEMENT" means this Management Agreement between Pioneer and ORM, as it may be amended, supplemented or otherwise modified from time to time.

1.4 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.5 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.6 "CASH COLLATERAL ACCOUNT" has the meaning set forth in Section 9 below.



1.7 "CREDIT AGREEMENT" means the Replacement Credit Agreement dated as of October 9, 1998, among Pioneer, the Lenders, First Union National Bank as administrative agent, ABN AMRO Bank N.V. as syndication agent, and Bank of America, N.A., as documentation agent, as [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission].

1.8 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.9 "DISPOSITION SERVICES" has the meaning set forth in Section 5 below.

1.10 "FEES" means [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.11 "FRAUD" with respect to Manager means common law fraud, consisting of (i) an intentional misrepresentation by Manager of material information actually known by Manager to be false or (ii) material dishonesty or defalcation in the management of the affairs of Pioneer, which action was knowingly initiated, approved or permitted by Manager.

1.12 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.13 "LENDERS" means the several banks and other financial institutions from time to time parties to the Credit Agreement, and any successors and assigns thereof.

1.14 "LOAN DOCUMENTS" means the collective reference to the Loan Documents (as defined in the Credit Agreement), including without limitation, the Credit Agreement and [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission].

1.15 "LOGS" means logs of any size or class harvested from the Timberlands.

1.16 "MANAGER" means ORM.

1.17 "MEMBER" means Strategic Timber Partners II, LP, a Georgia limited partnership, the sole member of Pioneer.

1.18 "MISCONDUCT" with respect to Manager means the acts or omissions of Manager which constitute (i) gross negligence, (ii) willful misconduct (which shall include without limitation (A) subject to Section 2.5 hereof, the willful failure of Manager to cause Pioneer to comply with the terms of the Loan Documents, except to the extent it is outside the reasonable control of Manager to cause such compliance; it being understood that compliance with Section 2.6 hereof is within Manager's reasonable control and (B) the willful failure of Manager to comply with the terms of Section 9(e) below) or (iii) Fraud.

1.19 "OPERATING AGREEMENT" means the Fifth Amended and Restated Limited Liability Company Agreement of Pioneer dated as of March 22, 2000, between the Manager and the Member, as it may be amended, supplemented or otherwise modified from time to time.

1.20 "OPTIONAL SERVICES" has the meaning set forth in Section 4.4 below.

1.21 "ORM" means Olympic Resource Management LLC, a Washington limited liability company.

1.22 "PIONEER" means Pioneer Resources I, LLC, a Delaware limited liability company.

1.23 "PROPERTY MANAGEMENT SERVICES" has the meaning set forth in Section 4.2 below.

1.24 "REPORTING REQUIREMENTS" means those requirements for the delivery of periodic financial reports and other information as set forth in the Credit Agreement and the [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission].

1.25 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.26 [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

1.27 "TERMINATION FOR CAUSE" shall have the meaning set forth in Section 8.2(c) below.

1.28 "TIMBER" means the timber located on or harvested from the Timberlands, whether standing or down and irrespective of size.

1.29 "TIMBERLANDS" means the entire Timberlands set forth in Exhibit 1, and Timberland refers to an individual designated portion of the entire Timberlands described in Exhibit 1.

## SECTION 2. APPOINTMENT OF MANAGER.

2.1 ENGAGEMENT OF ORM AS MANAGER; SCOPE OF AUTHORITY. (a) Pioneer hereby appoints ORM as manager of Pioneer in accordance with the terms of this Agreement, and ORM accepts such appointment and agrees to act as manager of Pioneer in accordance with, and comply in all respects with, the terms of this Agreement and the Operating Agreement.

(b) As manager of Pioneer, Manager shall have the exclusive authority and duty to direct, supervise, manage and operate the business, affairs and properties of Pioneer, and Manager shall perform such duties in an efficient and economical manner and in accordance with the terms of this Agreement and the Operating Agreement. Except as otherwise provided in this Agreement or the Operating Agreement, and subject to any non-waivable provisions of applicable law, Manager shall have full, complete, and plenary authority, power and discretion to manage and control the business, affairs and property of Pioneer, and to make all decisions regarding those matters (including, without limitation, the right to make and implement all decisions concerning the business and affairs of Pioneer in the ordinary course of business and to make and implement

any and all decisions on behalf of Pioneer regarding all major actions outside the ordinary course of business) and to perform any and all acts or activities customary or incident to the management of Pioneer's business, affairs and property. Except as otherwise expressly provided herein or in the Operating Agreement, Manager's authority shall include, but not be limited to, the following specific authority to: bind Pioneer to obligations with third parties; enforce Pioneer's rights under any contract, agreement, law, or otherwise, including by legal action if necessary; pay and discharge debts and obligations of Pioneer from any Pioneer funds available to pay and discharge such debts and obligations; collect and deposit in Pioneer bank accounts all amounts owing to Pioneer from any source; cause Pioneer to comply with the terms of this Agreement, the Operating Agreement, the Loan Documents and any other agreement or instrument to which Pioneer is a party; in Pioneer's name, hire, pay, oversee, direct the conduct of, and fire employees, agents, subcontractors, legal, accounting, and other professionals, and other service providers; and otherwise act on Pioneer's behalf without restriction or qualification except as limited by law or as otherwise provided in this Agreement, the Operating Agreement or the Loan Documents. Other than Manager, no person (including without limitation, the Member), shall have any power or authority to bind Pioneer unless such person has been authorized to do so by this Agreement, the Operating Agreement or Manager.

(c) Manager shall manage, operate, maintain and supervise the business, affairs and properties of Pioneer with due care, in good faith, and in a manner normally associated with ORM's management, operation, maintenance and supervision of timberlands and timberland businesses of a similar size, type and location as that of Pioneer. Manager shall at all times exercise diligent efforts to manage and operate the business, affairs and properties of Pioneer in compliance with (i) this Agreement, (ii) the Operating Agreement, (iii) the Loan Documents, (iv) all other agreements and instruments to which Pioneer is a party, and (v) all applicable governmental rules, regulations, requirements, orders, notices, determinations and ordinances and requirements of law (including without limitation all environmental laws and all regulations concerning timberlands). Without in any way limiting the foregoing, in its management of the business, affairs and properties of Pioneer, Manager shall provide to Pioneer (w) the Administrative Services in accordance with the provisions of Section 3 of this Agreement, (x) the Property Management Services in accordance with the provisions of Section 4.2 of this Agreement, (y) the Additional Services and Optional Services that Manager performs pursuant to Sections 4.3 and 4.4 of this Agreement, and (z) such other services that are reasonably required to perform its obligations hereunder.

2.2 FEES. [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

2.3 LOAN DOCUMENTS. (a) Subject to Section 2.5 of this Agreement, and to the extent reasonably within the control of Manager, Manager shall manage Pioneer consistent with, and cause Pioneer to comply with, the terms and conditions of, the Loan Documents so as to avoid the occurrence of an Event of Default by Pioneer under the Loan Documents (other than Scheduled Defaults (as defined in [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission])), including without limitation, terms regarding (i) the preparation of financial forecasts and a "disposition plan", (ii) Reporting Requirements and (iii) the entering into, amending or terminating any stumpage agreement, timber contract or any

other agreement for the sale of any Timber, Logs or Timberlands (including pursuant to timber purchase agreements), cutting rights or other real property of Pioneer.

(b) If the Lenders (or any nominee thereof), pursuant to the exercise of remedies under the Loan Documents, become the direct or indirect owners of the membership interests in Pioneer (or otherwise exercise the voting rights with respect thereto in accordance with the terms of the applicable Loan Documents) or of all or substantially all of the Timberlands, or the Lenders (or any such nominee) shall otherwise exercise Pioneer's rights under this Agreement in accordance with the terms of the applicable Loan Documents, in any such case such Lenders (or any such nominee) shall have the right to terminate this Agreement, subject to (i) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission], and (ii) the payment of any other unpaid Fees and other fees, charges and reimbursements due and payable (or accrued but not yet billed to Pioneer) hereunder through the date of termination.

(c) (i) If the Lenders (or any nominee thereof), pursuant to the exercise of remedies under the Loan Documents, become the direct or indirect owners of the membership interests in Pioneer, or otherwise exercise the voting rights with respect thereto in accordance with the terms of the applicable Loan Documents, this Agreement, subject to the termination right referenced in Section 2.3(b) above, shall remain in full force and effect; provided however, in such circumstances, Manager and Pioneer shall use good faith efforts to agree to an amendment to this Agreement to provide Pioneer and its members with consent, approval and other rights commensurate with such rights customarily afforded to owners and their members in similar transactions.

(ii) If the Lenders (or any nominee thereof), pursuant to the exercise of remedies under the Loan Documents, become the direct or indirect owners of the Timberlands, at the request of the Lenders, Manager shall enter into a new management agreement with the Lenders (or any such nominee) to operate the Timberlands upon substantially same terms as provided herein, except that (A) Manager shall provide the Lenders (or such nominee) with consent, approval and other rights commensurate with such rights customarily afforded to owners and their members in similar transactions, and (B) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

2.4 BANK ACCOUNTS; INCOME AND EXPENSES. Manager shall maintain Pioneer's bank accounts in accordance with the terms of the Loan Documents and shall deposit receipts of operations and pay expenses from such accounts in accordance with the terms of the Loan Documents.

2.5 LIMITATION OF DUTIES. Notwithstanding any other provision of this Agreement or the Operating Agreement, Manager shall not at any time have the obligation or responsibility to expend or risk its own funds in the conduct of Pioneer's business or the discharge of Manager's duties hereunder, and Manager may decline or omit to take any action involving expenditures chargeable to Pioneer for which funds of Pioneer are not readily available. However, Manager shall provide Pioneer with notice promptly after Manager becomes aware of any potential shortage of available funds of Pioneer. Under no circumstances shall Manager be responsible for the raising of additional equity capital or the arranging of additional financing on behalf of Pioneer. Manager shall not be required to act in its own name or for its own account in conducting the affairs and business of Pioneer, and need act only in the name of Pioneer, in such activity and in discharging its responsibilities under this Agreement. Manager shall not be

required to take any action or make any commitment that could, absent any Misconduct of Manager, result in the personal liability or financial obligation of Manager to any third party.

2.6 LIMITATION ON AUTHORITY WITH RESPECT TO THIS AGREEMENT AND TRANSACTIONS WITH AFFILIATES. The Manager and Pioneer hereby expressly acknowledge that Pioneer may not (and Manager shall not cause Pioneer to), without the prior written consent of the Required Lenders (as defined in the Credit Agreement), (a) change the compensation payable to Manager hereunder or otherwise amend, supplement or otherwise modify this Agreement or the Operating Agreement in any material respect, (b) waive any material provision of this Agreement, (c) extend the term or terminate this Agreement, (d) consent to any assignment of the rights or obligations of Manager under this Agreement, or assign any rights or obligations under this Agreement, (e) (i) enter into any contract, agreement or other arrangement with Manager (except as otherwise expressly provided herein (including without limitation in Sections 4.3 and 4.4)), or any affiliate of Manager or (ii) except in the ordinary course of business, knowingly enter into any contract, agreement or other arrangement with any direct or indirect owner of any portion of Pioneer or any entity controlling, controlled by or under common control with any such direct or indirect owner, (f) consent to the entering into of any contract under Sections 4.3 and 4.4 hereof for which Pioneer's consent is required, (g) consent to the entering into of any contract under Section 5 hereof or (h) consent, pursuant to Section 9 hereof, to the selection of any replacement Manager Mortgaged Property (as defined in Section 9 below) or the arrangements with respect to the establishment of the Cash Collateral Account (or any amendment of such arrangements).

### SECTION 3. ADMINISTRATIVE SERVICES.

3.1 GENERAL SERVICES. Manager shall manage, supervise, conduct and/or carry out all of the business activities of Pioneer and provide such general administrative and organizational services as shall be required by Pioneer's assets and business (collectively, the "Administrative Services"). The Administrative Services shall include, without limitation, administration of the following: accounting, income tax accounting, financial reporting, filing of any tax returns on behalf of Pioneer, capital expenditures, cash management, collection of revenues, payment of expenses, public relations and communications, legal matters, human resources, information services, insurance pertaining to the assets and activities of Pioneer in accordance with the terms of this Agreement, inventory of Pioneer's assets, estimate of the aggregate value of Pioneer's assets and business, and other general and administrative services necessary to manage and operate the business, affairs and properties of Pioneer in accordance with the terms of this Agreement, the Operating Agreement and, subject to the terms hereof, the Loan Documents. At Pioneer's expense and for Pioneer's account, Manager may subcontract for, oversee, and monitor the provision of Administrative Services of a type which, in Manager's reasonable judgment (in light of the term of this Agreement and the anticipated preparation of a disposition plan), a manager of a business similar in size and nature to the business of Pioneer would not typically personally perform.

3.2 OPERATIONS IN THE ABSENCE OF BUDGET APPROVAL. Prior to approval of any forecast or budget for Pioneer in accordance with the terms of the Loan Documents, Manager shall have the full power and authority to manage Pioneer in accordance with its good faith exercise of its judgment and discretion (and in a manner no less favorable to Pioneer than Pioneer's historical

practice) to the same extent as it may pursuant to an approved forecast or budget. To the extent Manager deems feasible in the good faith exercise of its judgment and discretion, during a period in which there is no approved forecast or budget for Pioneer, Manager shall seek to limit capital expenditures and optional activities of Pioneer that require expenditure of funds.

#### SECTION 4. TIMBERLAND SERVICES.

4.1 PROPERTIES UNDER MANAGEMENT. Manager shall manage and operate the Timberlands in accordance with the terms of this Agreement.

4.2 PROPERTY MANAGEMENT SERVICES. With respect to the Timberlands, Manager's primary duties and responsibilities include the following services (collectively, the "Property Management Services"):

(a) Manager shall prepare and administer budgets for the Timberlands, including without limitation, causing Pioneer to timely prepare and deliver budgets and forecasts as required pursuant to the terms of the Loan Documents.

(b) Manager shall maintain regular surveillance of the Timberlands to detect weather damage, fire damage, insect infestation and disease, timber trespass or any other detrimental occurrences.

(c) Manager shall manage matters affecting ownership interests in and obligations with respect to the Timberlands, including the land, Timber (whether growing or harvested), minerals, other commercial uses, and related matters such as unauthorized cuttings, trespass, entries, encroachments, adverse possession claims, right-of-way disputes, or any disputes respecting taxes, charges, or assessments associated with the Timberlands.

(d) Manager shall manage and administer the sale of all Timber and Logs from the Timberlands. All such sales shall be made pursuant to timber sale contracts or log sale contracts between Pioneer and the Timber or Log buyer. Manager's services in connection with Timber or Log sales shall include advertising, processing and handling bids, control of contract compliance of Timber harvested, inspection of cutting and logging operations, collection of scale tickets, accounting for all Timber and Logs sold, and the following timber sale layout services: marking cutting lines, engineering and marking roads, and obtaining necessary permits (surveying is not included). Manager shall also conduct a credit check on each Timber or Log purchaser. Manager shall collect and maintain log scaling data from log grading and scaling bureaus.

(e) Manager shall manage and administer the sale of all minerals, oil, rock, forest products and gravel from the Timberlands. All such sales shall be directly between Pioneer and the buyer. Manager's services in connection with the mineral, oil or gravel sales shall include, as appropriate, the following services: obtaining valuation opinions from appropriate consultants, advertising, processing and handling bids, oversight of contract compliance, inspection of mining and gravel, mineral and oil removal and extraction, collection of scale tickets, and accounting for such contracted sales.

(f) Manager shall monitor the activities of third parties who have a fee, leasehold, license, mineral, or other interest in the Timberlands, Timber, or Logs. Manager shall be responsible for processing all documentation which is required or desirable with respect to the rights and obligations of said third parties, including with respect to pipeline easements; conditional and other land use permits, licenses, and rights-of-way necessary for oil, gas or mineral exploration; permanent easements; conservation easements; rights-of-way; and mineral or other conveyances on behalf of Pioneer.

(g) Manager shall be responsible for administration of any hunting, grazing, camping and other leases or licenses to which Pioneer is, or may become, a party.

(h) Manager shall be responsible for administering, facilitating, and monitoring all timberland management functions described in this Section 4.

(i) Manager shall maintain the property records supplied to it and shall update them in accordance with activities occurring after the date of this Agreement; provided, however, that Manager shall have no responsibility for the accuracy, completeness or condition of the records received or for changes occurring prior to the date of this Agreement not properly reflected in the records, and Manager shall not be obligated to undertake any comprehensive review to locate and correct errors in the records that Manager receives.

(j) Manager shall be responsible for management of the property tax records for each Timberland and, shall ensure that all taxes (including without limitation ad valorem or other real property taxes, timber harvest taxes, and personal property taxes) on the Timberlands are paid in a timely manner. Manager shall ensure that all lease or other contractual payments required to be made by Pioneer with respect to the Timberlands are made in a timely manner.

(k) Manager shall develop a harvest strategy for the Timberlands, including without limitation, determining whether an Option A plan for all or a portion of the Timberlands located in California is appropriate or desirable.

(l) Manager shall (i) subcontract for, oversee, and monitor the provision of Additional Services and Optional Services in accordance with Sections 4.3 and 4.4, (ii) solicit, receive and award suitable bids for Additional Services and Optional Services, (iii) enter into, monitor and enforce contracts for Additional Services and Optional Services, (iv) oversee the completion of Additional Services and Optional Services and (v) oversee, monitor and enforce any contract for disposition services entered into by Pioneer and cooperate with any party engaged to perform such disposition services.

(m) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

(n) Manager shall maintain existing and subsequently developed forest inventory data, GIS data and land records.

(o) Manager shall provide an overall inventory assessment based on existing data and assess any additional inventory needs.

(p) Manager shall be responsible for such other property management services typically personally performed by a property manager of timberlands similar in size, nature and location to the Timberlands in light of the term of this Agreement and the anticipated preparation of a disposition plan.

4.3 ADDITIONAL SERVICES. At Pioneer's expense and for Pioneer's account, Manager shall subcontract for, oversee, and monitor the provision of necessary or desirable contractual services of the type which, in Manager's reasonable judgment (in light of the term of this Agreement and the anticipated preparation of a disposition plan), a property manager of property similar in size, nature and location to the Timberlands would not typically personally perform (collectively, the "Additional Services"). Manager may not subcontract for Additional Services that are not within the scope of the applicable approved forecast or budget without Pioneer's prior consent. As set forth in Section 4.2(1) above, Manager's responsibilities with respect to Additional Services shall include soliciting, receiving and awarding suitable bids, entering into, monitoring and enforcing contracts in conformity with budgetary allocations, and overseeing the completion of the work to be performed. Although Manager's responsibility in connection with Additional Services shall be as monitor and overseer in nature, Manager may determine from time to time that it is more feasible or economical for Manager or its affiliates to perform certain Additional Services; provided however, that Pioneer's prior consent shall be required to permit Manager or any affiliate of Manager to perform any Additional Services project which Manager reasonably estimates will cost more than \$75,000 to complete. In the event that Manager or any affiliate of Manager, to the extent permitted hereunder, shall perform such Additional Services, Pioneer shall pay Manager for such Additional Services as additional fees at the billing rates set forth in Exhibit 3 hereto pursuant to the terms of the form Professional Services Agreement attached as Exhibit 4 hereto. Additional Services include, without limitation, the following:

- (a) Site preparation and planting.
- (b) Road, bridge, gate and culvert construction and maintenance.
- (c) Plowing and maintenance of firebreaks.
- (d) Property boundary line maintenance (marking) and surveys.
- (e) Vegetation management, chemical or mechanical.
- (f) Prescribed burning.
- (g) Hardwood control, chemical or mechanical.
- (h) Insect and disease control.
- (i) Aerial surveillance.
- (j) Slash burning and fire suppression.
- (k) Contract logging and trucking.
- (l) Fertilization.



- (m) Stocking control.
- (n) Animal control.
- (o) Appraisals of mineral, oil, rock and gravel sales.
- (p) Monitoring of oil and gas activities.
- (q) Surveying for threatened and endangered species.
- (r) Archeological or other specialized surveys outside the scope of services customarily provided by professional timberland managers in the area in question.
- (s) Processing of harvesting or other permits, licenses, and entitlements.
- (t) Timber marking.
- (u) California timber harvest plan preparation and implementation.
- (v) Stream survey preparation.
- (w) Road plan preparation.
- (x) Habitat assessment preparation.
- (y) All other subcontract work described in a budget or forecast for which Pioneer has obtained approval in accordance with the terms of the Loan Documents.

4.4 SPECIAL OPTIONAL SERVICES. In the event that Manager believes that certain special services (collectively, the "Optional Services") are necessary or desirable for the benefit of Pioneer, then such services may be performed by Manager or under Manager's direction and supervision; provided however that Pioneer's prior consent shall be required for any Optional Services project which Manager reasonably estimates will cost more than \$75,000 to complete. Manager's fee with respect to Optional Services provided by Manager shall be billed at the billing rates set forth in Exhibit 3 hereto or as otherwise mutually agreed in writing between Pioneer and Manager. The fee for Optional Services performed by parties other than Manager shall be as agreed between Pioneer and such other parties. Optional services may include, but are not limited to:

- (a) Development and updating of long-term harvest modeling and planning.
- (b) Development of new forest inventory data or enhancement of current forest inventory data.
- (c) Development of new land record information or data and enhancement of existing land record information or data
- (d) Development of new GIS data or enhancement of existing GIS data.
- (e) Timber cruising, appraisal, or other special evaluations.

(f) Development of habitat conservation plans.

(g) Development of special regulatory implementation programs, including without limitation the preparation, submission and implementation of an Option A development plan in California, if applicable.

4.5 OPERATION AND MANAGEMENT RECORDS. Subject to Section 7.2 hereof with respect to records received by Manager, Manager shall maintain full and accurate records covering the operation and management of the Timberlands, which records shall be sufficient to satisfy ordinary and necessary tax and accounting reporting requirements, and the Reporting Requirements. Upon termination of this Agreement, all records pertaining to the Timberlands and the other assets and properties of Pioneer kept by Manager shall become or remain the property of Pioneer and shall be turned over to Pioneer forthwith. Any custom investment models or other custom computer software developed or used by Manager shall be deemed the property of Manager, but any information on such models relating to Pioneer or its business or properties shall be turned over to, and become the property of, Pioneer. The reasonable costs incurred by Manager in preparing and delivering such information shall be for the account of Pioneer.

SECTION 5. DISPOSITION SERVICES. If Pioneer determines to sell some of its Timberlands Pioneer may, but shall not have any obligation to, request the assistance of Manager in connection with such sales. In the event that Pioneer requests such assistance of Manager and Manager and Pioneer agree on the scope of the services to be performed by Manager in connection with such sales (the "Disposition Services") and the fees to be paid to Manager for its performance of the Disposition Services (the "Disposition Fee"), Pioneer shall engage Manager, and Manager shall agree, to provide the Disposition Services, all in accordance with the terms of an amendment or supplement of this Agreement. Manager shall comply with all applicable laws and governmental regulations in carrying out Disposition Services, and Manager may, if directed by Pioneer, engage qualified and licensed brokers and other professionals in connection with the Disposition Services. [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

SECTION 6. CONFIDENTIALITY AND CONFLICTS OF INTEREST.

6.1 CONFIDENTIALITY. The parties acknowledge and agree that matters set forth in this Agreement, and certain information that the parties obtain as a result of this Agreement, are strictly confidential, and Pioneer and Manager shall make every reasonable effort to ensure that, without the consent of each of the parties hereto, the information contained herein or the confidential information obtained as a result of this Agreement is not disclosed to any other person or entity other than as required by law or the Loan Documents (including without limitation, [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]), or to any person or entity who needs to know such information to carry out the provisions of this Agreement. The provisions of this Section 6.1 shall not limit the rights and obligations of Manager (including to disclose certain otherwise confidential information which Manager reasonably determines would not be detrimental to Pioneer to disclose) with respect to public relations services to be performed in accordance with this Agreement. Notwithstanding the foregoing, but without disclosure of the financial terms of its management

arrangement, ORM may disclose that it has been appointed the manager of Pioneer and the scope of ORM's authority under this Agreement.

6.2 CONFLICTS OF INTEREST. Pioneer acknowledges that Manager is in the business of acquiring, managing, and disposing of timberlands for its own account and for the account of others as well as the business of forestry consulting services, and is actively involved in the business of harvesting and marketing timber, logs, timberlands and other products, in both the domestic and export markets. Pioneer acknowledges that the markets for Manager and affiliates and third parties for whom Manager acts may include the same markets as those into which Pioneer may desire to sell its Timberlands, Timber, and Logs. These activities of Manager may create a conflict of interest with respect to the services which Manager is to provide under this Agreement. Pioneer recognizes the existence of such conflict of interest and acquiesces to it. Notwithstanding the foregoing, Manager agrees that it will at all times act in good faith toward Pioneer with respect to any such conflict or potential conflict in performing Manager's obligations hereunder. Manager further agrees that, Manager, acting on its own behalf as ORM, shall not (i) enter into any contract, agreement or other arrangement with Pioneer (except as otherwise expressly provided herein (including without limitation Sections 4.3 and 4.4 hereof)), or (ii) knowingly enter into any contract, agreement or other arrangement with any affiliate of Pioneer, any direct or indirect owner of any portion of Pioneer or any entity controlling, controlled by, or under common control with, such direct or indirect owner. This Agreement shall not otherwise limit or restrict in any way Manager's ability to engage in timberland acquisition, management, or disposition and/or the sale of logs and/or stumpage on its own behalf or on behalf of others, or to engage in forestry consulting services on behalf of any party, and, except to the extent expressly set forth in this Agreement, Pioneer shall not assert that this Agreement or Manager's status as Manager of Pioneer imposes limitations on Manager's ability to engage in activities that are similar to and/or in competition with Pioneer. Further, in the absence of Misconduct by Manager in the performance of Manager's duties under this Agreement, Pioneer shall not assert at any time that any such activity of Manager constitutes a breach of this Agreement and Manager shall not be held liable for, or enjoined from, engaging in any competing activity or for the manner in which such competing activity was conducted.

## SECTION 7. INSURANCE, STANDARD OF PERFORMANCE, INDEMNITY.

### 7.1 INSURANCE AND BONDING.

(a) During the term of this Agreement, and subject to any additional requirements which may be contained in the Loan Documents, Manager shall maintain in full force and effect at least the following minimum levels of insurance with carriers determined by Manager in the good faith exercise of discretion to be financially stable insurance carriers:

(i) Manager shall maintain a policy of commercial general liability insurance insuring Manager and Pioneer against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Agreement, in the minimum amount of \$500,000 for each occurrence, \$500,000 general aggregate, plus umbrella coverage of \$2,000,000. The premiums and other costs of such

general liability insurance shall be paid by ORM as a cost associated with the operations of Manager under this Agreement.

(ii) Manager shall maintain on behalf of Pioneer and at Pioneer's expense a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring Manager and Pioneer against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with Manager's operations under this Agreement, in the minimum of \$1,000,000 for bodily injury per accident and \$500,000 for property damage.

(iii) Manager shall maintain on behalf of Pioneer and at Pioneer's expense Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of \$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Pioneer and their respective agents or employees, to the full extent allowed by law.

Manager may also acquire and maintain insurance and bonding on behalf of Pioneer and at Pioneer's expense such other and additional insurance and bonding as it shall deem prudent and appropriate.

(b) Manager shall require and use reasonable efforts to verify that all contractors or subcontractors hired to perform any work relating to the Timberlands acquire and maintain the following insurance requirements, provided, that Pioneer hereby authorizes Manager, of its own volition and in the exercise of good-faith discretion, to waive or adjust such insurance requirements as Manager deems appropriate:

(i) Contractors or subcontractors shall maintain a policy of commercial general liability insurance insuring contractor or subcontractor, as the case may be, and Pioneer and Manager against liability for bodily injury or property damage claimed to have resulted from or be in any way connected with contractor's or subcontractor's operations under this Agreement, in the minimum amount of \$500,000 for each occurrence and \$1,000,000 general aggregate. The premiums and other costs of such general liability insurance shall be paid for by the contractor or subcontractor as a cost associated with their operations. All other insurance required under this Section 7.1(b) shall also be the obligation of contractor or subcontractor and shall be paid for by contractor or subcontractor.

(ii) Contractors or subcontractors shall maintain a policy of automobile liability insurance, including coverage for scheduled autos, hired autos and non-owned autos, insuring contractor or subcontractor and Pioneer and Manager against any liability for bodily injury or property damage claimed to have resulted from or be in any way connected with contractor's or subcontractor's operations as contemplated by this Agreement, in the minimum of \$500,000 for bodily injury per accident and \$250,000 for property damage.

(iii) Contractors or subcontractors shall maintain Workers' Compensation Liability coverages as required by law and Employer's Liability Insurance in the amount of

\$500,000. Said policies shall contain a provision under which the insurer waives any right of subrogation as against Pioneer and its employees and Manager and its employees.

(c) During the term of this Agreement, Manager may also acquire and maintain, at Pioneer's expense, a policy of insurance insuring Manager and Pioneer against any liability on account of errors and omissions by Manager, which policy shall provide such coverage as is reasonably acceptable to Manager, but in no event shall the cost of any such policy exceed \$60,000 per year; PROVIDED that Manager may also acquire and maintain, at Pioneer's expense, "tail" coverage on such policy that extends beyond the term of this Agreement, but in no event shall the cost to Pioneer of any such "tail" coverage exceed \$30,000.

7.2 LIMITATION OF LIABILITY. Notwithstanding any other provision of this Agreement, Manager shall have no liability to Pioneer, the Member or the Lenders (as intended third party beneficiaries of this Agreement) for a breach of this Agreement or otherwise with respect to its management of the business, affairs and properties of Pioneer pursuant to this Agreement or the Operating Agreement except to the extent resulting from the Misconduct of Manager. Manager shall have no liability or responsibility for any acts or omissions of Pioneer or any prior manager of Pioneer, or any circumstances applicable to Pioneer, in each case that occurred or existed prior to the date of this Agreement; provided however that, subject to the limitations on its liabilities set forth in this Section 7.2, Manager's duties under this Agreement shall be applicable to any such situation after Manager becomes aware thereof. Manager shall not be responsible for the condition of any records or other information maintained by Pioneer prior to the date of this Agreement and, further, shall have no responsibility or liability for errors, omissions, or other failures, shortcomings, or defaults in the management and administration of the business and affairs of Pioneer that result in whole or in part from the inaccuracy, inadequacy, or other deficiency in the records or other information received by Manager from Pioneer, the prior manager, and/or any other party unless, subject to the limitations on its liabilities set forth in this Section 7.2, Manager discovered, or was notified of, such errors, omissions, failures, shortcomings or defaults. Manager shall be justified in reliance on the provisions of Section 2.5 as a basis for refusing or failing to take action on behalf of Pioneer and shall not be subject to liability to any party for any such refusal or failure.

7.3 INDEMNITY. (a) To the maximum extent permitted by law, Pioneer shall indemnify and hold harmless Manager and every employee, officer, director, shareholder, partner, member and agent of Manager from and against any and all claims, demands, liabilities, judgments, settlements, penalties, fines, or expenses (including reasonable attorneys' fees and other costs) (collectively, "Manager Claims") suffered or incurred in any manner directly or indirectly as a result of Manager's status as Manager or performance in the role of Manager pursuant to this Agreement or the Operating Agreement, including performance of any and all activities conducted in the exercise of Manager's authority and the discharge of Manager's responsibilities under this Agreement and the Operating Agreement, except if resulting from the Misconduct of Manager (including of any employee, officer, director, shareholder, partner, member or agent of Manager); provided, this indemnification of the employees, officers, directors, shareholders, partners, members and agents of Manager shall not be applicable to any claim asserted or proceeding maintained by Manager against any such person. This indemnification and hold harmless commitment of Pioneer shall include as a separate obligation the commitment of Pioneer to pay all

of the expenses (including reasonable attorneys' fees and other costs) incurred by Manager and any employee, officer, director, shareholder, partner, member and agent of Manager in any proceeding for Manager Claims as incurred and in advance of the final disposition of such proceeding (and despite any allegation of the Misconduct of Manager or any such other party), provided such indemnified party commits in writing to reimburse Pioneer for the amounts Pioneer has paid to such indemnified party under this sentence if a court of competent jurisdiction determines in a final, non-appealable judgment that such Manager Claims are a result of the Misconduct of Manager (including of any employee, officer, director, shareholder, partner, member or agent of Manager), and thus, such indemnified party was not entitled to indemnification hereunder.

(b) To the maximum extent permitted by law, Manager shall indemnify and hold harmless Pioneer and every employee, officer, director, shareholder, partner, member and agent of Pioneer from and against any and all claims, demands, liabilities, judgments, settlements, penalties, fines, or expenses (including reasonable attorneys' fees and other costs) (collectively, "Pioneer Claims") suffered or incurred in any manner directly or indirectly as a result of the Misconduct of Manager (including of any employee, officer, director, shareholder, partner, member or agent of Manager).

#### SECTION 8. TERM AND TERMINATION.

8.1 TERM. [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

8.2 TERMINATION OF MANAGER. (a) Subject to the required consent under the Loan Documents, Pioneer may terminate this Agreement and Manager's rights and obligations hereunder at any time and for any reason whatsoever upon no less than 10 days prior written notice to Manager; provided that in the event of a Termination For Cause, no advance notice to Manager shall be required and this Agreement shall terminate when directed by Pioneer.

(b) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

(c) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

8.3 TERMINATION BY MANAGER. In the event that, (i) as a result of a shortage of funds available to Pioneer (after consideration of any amounts on deposit in the Cash Collateral Account, but without consideration of [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]), Pioneer fails to pay to Manager any due and payable Fees, fees for Additional Services or fees for Optional Services, in each case within 45 days after Pioneer has received notice of such failure, and (ii) Manager is not in default of its obligations under this Agreement, Manager may terminate this Agreement and resign as Manager, [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission] and all other Fees and other fees, charges and reimbursements due and payable hereunder at the time of such termination. Except as expressly provided in this Section 8.3,

Manager shall not be entitled to terminate this Agreement or resign as Manager at any time prior to the Termination Date.

8.4 OBLIGATIONS FOLLOWING TERMINATION. Upon the expiration or termination of this Agreement for any reason whatsoever, Manager shall do, execute and/or deliver to Pioneer the following promptly after termination or as soon thereafter as reasonably practicable:

(a) a final accounting of the business of Pioneer during the period from the date hereof through the date of termination;

(b) any monies of Pioneer held by Pioneer or Manager;

(c) all books, records, contracts, leases, bills, papers and documents of Pioneer and its business;

(d) all documents necessary to transfer to Pioneer all licenses, permits, leases, contracts, warranties and other items, instruments and agreements of Pioneer or its business or properties which may be in Manager's name; and

(e) such further actions as Pioneer may reasonably request to assure an orderly transition of the business, affairs and properties of Pioneer.

The reasonable costs incurred by Manager in performing the foregoing obligations in this Section 8.4 shall be for the account of Pioneer.

SECTION 9. SENIOR LIEN FOR PIONEER SECURED OBLIGATIONS. For purposes of this Agreement and this Section 9, the following terms shall have the following meanings:

"CASH COLLATERAL ACCOUNT" has the meaning set forth in Section 9(b) below.

"FEE RELEASE DATE" means the date on which all Pioneer Secured Fee Obligations are paid in full.

"INDEMNITY RELEASE DATE" means the first anniversary of the date of termination of this Agreement, unless written notice of potential indemnity obligations under Section 7.3(a) hereof (together with a copy of a third party lawsuit or threatened claim) has been delivered by Manager to Pioneer on or prior to such first anniversary, in which case the Indemnity Release Date shall be the date upon which the claims against Manager giving rise to the potential indemnity obligations referenced in any such notice are dismissed or resolved entirely in the Manager's favor by final judgment(s) (after expiration of all applicable appeal periods), or such indemnity obligations are paid to Manager up to the amount of the Pioneer Secured Indemnity Obligations on the date of such payment

"MANAGER MORTGAGE" means a deed of trust or mortgage in favor of Manager, substantially in the form attached hereto as Exhibit 5 (including any replacement mortgage referenced in Section 9(b) below) encumbering the Manager Mortgaged Property,

"MANAGER MORTGAGED PROPERTY" means certain real property owned by Pioneer and located in the State of California, and constituting a portion of the property commonly known as "Commander" tract, which shall be encumbered by the Manager Mortgage pursuant to Section 9(a) below, or upon any sale or other disposition of such property, any other real property owned by Pioneer which may be substituted therefor and encumbered by the Manager Mortgage pursuant to such Section 9(b) below.

"PIONEER SECURED FEE OBLIGATIONS" means (without duplication) the collective reference to Pioneer's obligations to the Manager under, and in accordance with the terms of, this Agreement on account of (i) all accrued and unpaid Fees (including the Termination Fee if applicable), (ii) any amounts to be (but not yet) billed to Pioneer for services performed by Manager pursuant to Sections 4.3 or 4.4 and, to the extent applicable, Section 5 hereof, and (iii) all other fees, charges and reimbursements from time to time payable by Pioneer to Manager.

"PIONEER SECURED INDEMNITY OBLIGATIONS" means, as determined from time to time, Pioneer's indemnity obligations to Manager under Section 7.3(a) hereof up to an amount which shall not exceed (i) prior to the first anniversary of the date of termination of this Agreement, [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission], and (ii) after such date, the lesser of (A) [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission] and (B) an amount equal to Manager's reasonable estimate of Pioneer's potential indemnity obligations owing to Manager in respect of the claims or other matters described in the notice(s) delivered by Manager to Pioneer as contemplated by the definition of "Indemnity Release Date."

"PIONEER SECURED OBLIGATIONS" means the collective reference to the Pioneer Secured Fee Obligations and the Pioneer Secured Indemnity Obligations.

"PIONEER SECURED OBLIGATIONS AMOUNT" means, as of the date of determination thereof, an amount reasonably determined by Manager to be equal to the sum (without duplication) of (i) the Pioneer Secured Fee Obligations as of such date, (ii) the aggregate amount of all Incentive Fees which may become payable to Manager after such date, (iii) the maximum potential amount of Pioneer Secured Indemnity Obligations as of such date, and (iv) the aggregate amount of all Base Fees scheduled to accrue after such date.

"RELEASE DATE" means the later of (i) the Fee Release Date and (ii) the Indemnity Release Date.

(a) In order to secure the full and timely payment of the Pioneer Secured Obligations, Pioneer shall execute and deliver to Manager, on or within 10 days after the date hereof, a Manager Mortgage encumbering the Manager Mortgaged Property. Pioneer shall pay the cost of the preparation and recording of the Manager Mortgage and provide at its sole cost a standard form mortgagee's title policy in respect thereof in the amount of the Pioneer Secured Obligations Amount as of the date of the Manager Mortgage and otherwise insuring the lien of the Manager Mortgage subject only to such title exceptions (and with endorsements) as may be in form and substance reasonably satisfactory to Manager.



(b) In connection with any sale or other disposition of the Manager Mortgaged Property prior to the Release Date, the net cash proceeds thereof shall be paid to Manager to the extent of any Pioneer Secured Obligations then due and payable. In addition, on or prior to the consummation of any sale or other disposition of the Manager Mortgaged Property, Pioneer shall execute and deliver to Manager, in substitution and replacement of the initial Manager Mortgage, a new Manager Mortgage (substantially in the form of the initial Manager Mortgage, and with the payment by Pioneer of the costs of preparation, recording and title insurance obtained in respect thereof in the manner set forth in paragraph (a) above) covering a new Manager Mortgaged Property selected by Manager and Pioneer and which, in the reasonable judgment of Manager, has a value equal to or greater than the Pioneer Secured Obligations Amount at such time; provided that if the Manager reasonably determines that Pioneer's then remaining real property does not have a value equal to or greater than the Pioneer Secured Obligations Amount at such time (or if Manager and Pioneer are unable to agree on the selection of a new Manager Mortgaged Property), then the net cash proceeds from the sale or other disposition of the existing Manager Mortgaged Property (remaining after payment of any Pioneer Secured Obligations then due and payable) shall be deposited by Manager into a cash collateral account (the "CASH COLLATERAL ACCOUNT"), pursuant to customary cash collateral arrangements reasonably satisfactory to Manager and Pioneer, to secure first, the Pioneer Secured Obligations and second, the Obligations (as defined in the Credit Agreement).

(c) To the extent that, on any determination date, the amount on deposit in the Cash Collateral Account exceeds the Pioneer Secured Obligations Amount on such date (which determination will be made on the date of the funding of the Cash Collateral Account, from time to time thereafter (no less often than monthly), and on the Fee Release Date and the Indemnity Release Date), Manager and Pioneer will transfer the amount of any such excess to the administrative agent under the Credit Agreement for application in accordance with the terms thereof. If Pioneer fails to pay any of the Pioneer Secured Obligations when due, and such failure continues unremedied for 30 days following written notice thereof to Pioneer, Manager shall be entitled to immediately withdraw such amount from the Cash Collateral Account and apply it to the payment of such unpaid amount of the Pioneer Secured Obligations.

(d) Pioneer and Manager acknowledge that [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission] (and the related lien Subordination Agreement in recordable form to be executed by the Lenders in respect of any Manager Mortgage) will evidence the agreement of the Lenders that (i) any Manager Mortgage (and, if applicable, the Manager's lien on the Cash Collateral Account) shall be senior and shall have priority over any mortgage or deed of trust in favor of the Lenders encumbering the Manager Mortgaged Property (and, if applicable, the Lenders' lien on the Cash Collateral Account) regardless of the time or order of recording of any Manager Mortgage, the execution or delivery of any security agreement or any other applicable law or rule for determining the relative priorities of secured creditors and (ii) the Lenders will not exercise any remedies against the Cash Collateral Account until after the Release Date. In the event that the Lenders subordinate, pursuant to clause (ii) of Section 13.3 of the Credit Agreement, their lien on the Manager Mortgaged Property to easements, possessory rights, cutting rights or permitted sales of stumpage and timber rights, the lien of the Manager Mortgage shall be automatically subordinated to such matters, and Manager shall execute such subordination documents reasonably requested

by Pioneer or the Lenders to evidence such subordination. On the Release Date, the lien of the Manager Mortgage and any security interest of the Manager in the Cash Collateral Account shall be deemed to have been released, provided, however, that the lien shall be reinstated automatically at the time, and to the extent, that any Pioneer Secured Obligations which have been paid to Manager are recovered from Manager as a result of an action in bankruptcy.

(e) Subject to Manager's prior and superior rights to receive payment of the Pioneer Secured Obligations from the net cash proceeds of any sale or other disposition of the Manager Mortgaged Property, Manager acknowledges and agrees solely for the benefit of the Lenders that (i) Manager shall not take any action to enforce any Manager Mortgage or otherwise exercise any right or remedy in respect thereof, including without limitation, any judicial, nonjudicial or similar proceedings unless Pioneer fails to pay any Pioneer Secured Obligations when due and such failure continues unremedied for at least twelve months following written notice thereof to Pioneer and the administrative agent under the Credit Agreement and (ii) as between Manager and the Lenders, the Lenders shall have the sole right to consent to any proposed sale or other disposition of any Manager Mortgaged Property, whether at private sale or pursuant to foreclosure, bankruptcy or other judicial or non-judicial proceedings (provided that the Lenders' consent shall not be required in connection with any sale pursuant to a foreclosure proceeding commenced by Manager in respect of the Manager Mortgaged Property), and Manager shall be deemed to have consented to any such sale or other disposition and the Manager Mortgage shall be automatically extinguished upon such sale or other disposition so long as (A) the Lenders have consented thereto in accordance with the terms of the Loan Documents; and (B) the net cash proceeds thereof are applied first to pay any Pioneer Secured Obligations then due and payable.

SECTION 10. NOTICES. All notices required or permitted under this Agreement shall be in writing and shall be effective at the earlier of the time when actually received by the other party, regardless of the method of delivery, or one (1) day after mailing if by reputable overnight courier or three (3) days after mailing if by certified United States mail, to the parties at the following addresses (or to such other addresses as either party may designate from time to time in a writing delivered to the other):

AS TO PIONEER: Pioneer Resources, LLC  
c/o Olympic Resource Management LLC, its Manager  
19245 Tenth Avenue NE  
P. O. Box 1780  
Poulsbo, Washington 98370  
Attention: Senior Vice President-Finance

AS TO MANAGER: Olympic Resource Management LLC  
19245 Tenth Avenue NE  
P. O. Box 1780  
Poulsbo, Washington 98370  
Attention: Senior Vice President-Finance

In the event that the last day for giving any notice hereunder falls upon a Sunday or legal holiday, the last day shall be deemed to be the next business day which is neither a Sunday nor a legal holiday. Any party may change its notice address by notice to all of the parties hereto pursuant to this Agreement. For so long as the Loan Documents remain in effect, no notice hereunder shall be deemed delivered or received by any party hereto unless such notice has also been delivered to First Union National Bank, as administrative agent under the Credit Agreement, in the manner specified in this Section 10 for notices to the parties, at the following address: First Union National Bank, 301 South College Street, 5th Floor, Charlotte, North Carolina 28288-0737, Attention: Scott Santa Cruz and Tom Cambern.

SECTION 11. TITLE TO TIMBERLANDS AND TIMBER. Manager shall not by reason of this Agreement acquire title to the Timberlands or any Timberland or any timber or other asset associated therewith.

SECTION 12. MISCELLANEOUS.

12.1 This Agreement shall be governed by the laws of the State of Delaware, without regard to principles of conflicts of law thereof.

12.2 This Agreement shall be binding upon the parties hereto and their successors and permitted assigns.

12.3 Neither party may assign this Agreement or any part thereof without the express written consent of the other party, which consent shall not be unreasonably withheld.

12.4 This Agreement may not be changed orally but may only be modified by an Agreement in writing executed by the parties hereto.

12.5 The headings in this Agreement are for purposes of reference only and shall not limit or define the meaning of this Agreement.

12.6 If any term of this Agreement shall be held to be invalid, illegal or unenforceable, the validity of the other terms of this Agreement shall in no way be affected thereby.

12.7 This Agreement and the Operating Agreement constitute the entire Agreement between Pioneer and Manager and supersede (i) all previous agreements between Pioneer and Manager relating to the subject matter hereof, and (ii) all prior drafts of and negotiations relating to this Agreement. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute but one instrument.

12.8 In the event legal action shall be commenced by either party to enforce or interpret the provisions of this Agreement, the parties agree that venue shall lie exclusively in the state and federal courts located in King County, Washington, and that such action must be brought in such courts. Each party hereby irrevocably submits and consents to the personal jurisdiction of such courts.

12.9 In the event of any conflict between the provisions of this Agreement and the Operating Agreement, the terms of this Agreement shall control.

SECTION 13. NON-DISCRIMINATION. During the term of this Agreement, Manager shall not unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age, or sex.

SECTION 14. THIRD PARTY BENEFICIARY. The Manager and Pioneer acknowledge and agree that the Lenders shall be and are intended third party beneficiaries of this Agreement. The Manager and Pioneer hereby further acknowledge and agree that all of the rights of Pioneer under this Agreement constitute Contract Rights (as defined in the applicable Loan Documents) and, therefore, all such rights are subject to being exercised by the Lenders at the times and in the manner set forth in the Loan Documents.

IN WITNESS WHEREOF, the undersigned have duly executed this Agreement as of the date first written above.

PIONEER RESOURCES I, LLC,  
a Delaware limited liability company

OLYMPIC RESOURCE MANAGEMENT LLC,  
a Washington limited liability company

By: Strategic Timber Partners II, LP,  
its sole member

By: /s/ Gary F. Tucker  
-----  
Gary F. Tucker  
Its President & Chief  
Executive Officer

By: Strategic Timber Two Operating Co., LLC,  
a Georgia limited liability company,  
its general partner

By: Strategic Timber Trust II, LLC, a Georgia  
limited liability company, its sole member

By: /s/  
-----

Name:  
Its:

EXHIBIT A  
WORK AUTHORIZATION

1. PROFESSIONAL SERVICES AGREEMENT.

This Work Authorization Number \_\_\_\_\_ is issued pursuant to the Professional Services Agreement between Olympic Resource Management LLC ("Contractor") and Pioneer Resources I, LLC ("Company") dated as of \_\_\_\_\_, 2000.

2. EFFECTIVE DATE OF THIS WORK AUTHORIZATION.

This Work Authorization is effective upon execution by both parties.

3. REFERENCE TITLE FOR SERVICES UNDER THIS WORK AUTHORIZATION.

The reference title for Services under this Work Authorization is \_\_\_\_\_.

4. SERVICES TO BE PERFORMED:

5. DELIVERABLES AND SCHEDULE OF PERFORMANCE.

Detailed descriptions of the deliverables for the Services performed under this Work Authorization are set forth below:

6. COMPENSATION AND PAYMENT SCHEDULE FOR SERVICES:

7. ACCEPTANCE CRITERIA.

The Acceptance Criteria that will be used to determine if the Contractor has satisfactorily delivered the specified Deliverables are set forth below:

8. CHANGES.

Any amendment or modification of this Work Authorization shall be agreed in writing by both parties ("Change Order").

Agreed to and accepted by:

COMPANY

Pioneer Resources I, LLC

By

Title

Date

CONTRACTOR

Olympic Resource Management LLC

By

Title

Date

## PIONEER PROPERTY DESCRIPTION

## A. FEE OWNERSHIP

The major portion of the Subject Property is located within the following Geographic areas: eastern Oregon, western Washington, and northern California. A brief description of each of the various timberland tracts within these general areas is as follows:

## EASTERN OREGON

## KINZUA

This timberland is generally located south of the towns of Heppner and Condon, primarily in Wheeler and Morrow Counties. Pioneer currently owns an estimated 116,554 acres. The Kinzua property has been divided into three tracts as follows: (1) Block 2; 60,491 acres; (2) Block 3; 41,112 acres; and (3) Johnson Creek; 14,951 acres.

## PILOT ROCK

This property is approximately 92,000 acres. The tract is located in Umatilla, Grant and union Counties, south of Pendleton on both sides of Highway 395. The Pilot Rock Block has been divided into eleven tracts as follows: Brush Creek, Buckaroo, Desolation, Elk Grove, Indian Creek, Ritter, Texas Bar, River, Tip Top, Ukiah, and Wilkins.

## ROGABELL TRACT

This property is 5,804 acres in size and is located in Wheeler County, approximately 20 miles southeast of the town of Fossil. The parcel is continuous with Kinzua Block 2.

## BLAKE RANCH

The Blake Ranch contains 1,523 acres and is located in Morrow County, Oregon.

## BAPTIST

The Baptist tract is 280 acres in size and is located in Walla Walla County, Washington. It is the only Pioneer property located in southeastern Washington.

## BURNS RANCH

The ranch is located in Morrow County, Oregon, and approximately 20 miles south of Heppner and adjoins Pioneer's ownership in Kinzua Block 3. The property contains 4,552 acres located in two main blocks and five additional closely separated parcels.

## WESTERN WASHINGTON

## RIFFE LAKE

The Riffe Lake tract is 4,900 acres in size and is located in Lewis County, Washington, approximately five to eight miles south of the town of Morton. It is also just south of Riffe Lake, a reservoir on the Cowlitz River.

## ALOHA TRACT

The Aloha tract is 5,777 acres in size and is located in the northwest of Aberdeen in Grays Harbor County, Washington. All the property lies within five miles of the Pacific Ocean.

## NORTHERN CALIFORNIA

## COMMANDER

The 43,313 acre Commander tract is located in the Mendocino Mountains of the coast range and is divided into three administrative blocks. The southern block is located primarily in Glenn County, however, there is a minor amount in Lake County to the south and Mendocino County to the west. The south block is relatively contiguous and generally surrounded by National Forest (Mendocino N.F.). The central block is a narrow band of scattered parcels located primarily in Tehama County and is also nearly surrounded by national forest land. The northern tract is in Tehama County, is comprised of small contiguous units and scattered parcels. The northwestern corner of the block

is adjacent

to the Yolla Bolla Middle Eel Wilderness area. Much of this block is also bordered by National Forest. However, the northern portion is bordered by other private land, primarily that of Crane Mills Co.

#### WILLITS WOODS/WILLIAMS RANCH

The Willits Woods and Williams Ranch tracts are located in Mendocino County, California southwest of the town of Willits. The two tracts contain a total of 18,718 acres.

#### LONGVIEW

The Longview tract is located in Mendocino and Sonoma Counties, California, generally west of the town of Cloverdale. The tract contains a total of 60,308 acres.

#### B. TIMBER DEEDS

The subject appraisal includes 7 timber deeds.

All the deeded timber is located in Eastern Oregon with the exception of the Lucas deed, which is located in Walla Walla County, Washington. The largest of the deeds, Cherry Ranch, is approximately 20,655 acres in size. The ranch is located in Wheeler County south of Fossil, Oregon. The Murray Howard parcel is located west of the Cherry Ranch tract. The termination dates for several of the timber deeds are listed below:

Dean Forth	10/31/2011
Seeger Ranch	12/31/2018
Catherine Cr.	12/31/2018
Devin/Harvey	12/31/2047

The termination dates for the others are unknown.



EXHIBIT 2

[Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

EXHIBIT 3  
ORM BILLING RATES FOR PIONEER RESOURCES, LLC

1. COMPENSATION FOR TIME:

POSITION CLASS	HOURLY BILLING RATE
Clerk I/Technician I	[Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]
Clerk II/Technician II	
Clerk III/Technician III	
Clerk IV/Technician IV/Admin Assistant I	
Clerk V/Technician V/Admin Assistant II	
Exec Assistant I/Technician VI/Professional I	
Technician VII/Professional II	
Professional III/Manager I	
Professional IV/Manager II	
Professional V/Manager III	
Professional VI/Manager IV	
Professional VII/Manager V	
Professional VIII/Manager VI	
Manager VII	
Executive	

2. COMPENSATION FOR COSTS OF MATERIALS AND CONTRACTED SERVICES OTHER THAN  
WORK CONTRACTED OUT THROUGH A BID PROCESS: 1.2 times actual cost

3. MILEAGE CHARGES: \$0.325 per mile

4. WORK CONTRACTED OUT THROUGH A BID PROCESS: 1.0 times actual cost

EXHIBIT 4

PROFESSIONAL SERVICES AGREEMENT

This AGREEMENT FOR PROFESSIONAL SERVICES ("Agreement") made and entered into this day \_\_\_\_\_ of \_\_\_\_\_, 2000, is between PIONEER RESOURCES I, LLC, a Delaware limited liability company ("COMPANY") and OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company ("CONTRACTOR"). COMPANY and CONTRACTOR agree as follows:

1. SERVICES. CONTRACTOR is currently the manager of the COMPANY pursuant to a Management Agreement, dated \_\_\_\_\_, 2000 (the "Management Agreement"). Pursuant and subject to the Management Agreement, CONTRACTOR may from time-to-time provide Additional Services and/or Optional Services as defined therein ("Services"). During the term of this Agreement, CONTRACTOR shall make itself available to perform the Services in accordance with executed Work Authorizations entered into from time-to-time, which Work Authorizations shall be in the form attached hereto as Exhibit A and incorporated herein by reference ("Work Authorization"). Rates charged for services shall be as set forth in the applicable Work Authorization or, if applicable, in accordance with the rate schedule attached to the Management Agreement as Exhibit 3 ("Rate Schedule"), if applicable. The rates shown on the Rate Schedule shall apply, without change, for the term of this Agreement unless otherwise specifically provided in this Agreement. All requests for services shall be accompanied by a completed and executed Work Authorization. Upon execution by both parties, each Work Authorization shall be deemed incorporated herein by reference.
2. TERM. CONTRACTOR shall make itself available to perform the Services for a period commencing on the date this Agreement is executed by both parties and ending on the date that the Management Agreement is terminated, unless extended in writing by mutual agreement of the parties or terminated as provided herein. COMPANY may terminate this Agreement at any time, with or without cause, upon three (3) business days advance written notice to CONTRACTOR. Upon termination, COMPANY shall not be obligated to CONTRACTOR, its successors or assigns, for any payment hereunder other than for services actually performed or authorized expenses incurred prior to the date of termination.
3. PAYMENT. Payment for services and expenses shall be in accordance with the applicable Work Authorization.
4. TRAVEL AND MISCELLANEOUS EXPENSES. CONTRACTOR will be reimbursed by COMPANY for reasonable travel expenses incurred directly in connection with the performance of Services only to the extent that all such travel expenses have been approved in advance by COMPANY or the travel expenses are provided for in the Work Authorization. CONTRACTOR shall provide COMPANY with a detailed monthly statement of travel and miscellaneous expenses incurred.
5. INDEPENDENT CONTRACTOR. CONTRACTOR, in performing the services pursuant to this Agreement, shall act solely as an independent contractor. CONTRACTOR, and any employees or agents of CONTRACTOR, shall under no circumstances be treated as, or deemed to be, employees of COMPANY. Nothing in this Agreement shall be construed to create a partnership, agency, joint venture or employer-employee relationship between the parties. CONTRACTOR understands that COMPANY has no federal, state, or local obligations regarding employee liability or insurance or otherwise with respect to CONTRACTOR's employees.
6. TAXES. CONTRACTOR shall be responsible for and pay all costs associated with governmental compliance of its business, including, but not limited to, city, county, state or federal licenses, permits, taxes or assessments of any kind. CONTRACTOR shall be responsible for payment of its income taxes, employment taxes and employee withholding, Social Security taxes and workers' compensation premiums. CONTRACTOR shall indemnify COMPANY and hold it harmless from paying such business costs or taxes.
7. COMPLIANCE WITH LAW. In the event that rendition of the Services provided for herein requires CONTRACTOR to be located at facilities of COMPANY, CONTRACTOR shall comply with all applicable federal or state laws and regulatory requirements and all safety and health regulations prescribed

by COMPANY for its own personnel. CONTRACTOR shall comply with all applicable federal, state and local laws and regulations with regard to the services rendered hereunder.

8. NOTICES. All notices authorized or required to be given hereunder shall be in writing and shall be deemed effective when delivered to the parties as follows:

COMPANY:	Pioneer Resources I, LLC c/o Olympic Resource Management LLC 19245 Tenth Avenue NE P.O. Box 1780 Poulsbo, Washington 98370 Attention: Senior Vice President - Finance
CONTRACTOR:	Olympic Resource Management LLC  19245 Tenth Avenue NE P.O. Box 1780 Poulsbo, Washington 98370 Attention: Senior Vice President - Finance

In the event that the last day for giving any notice hereunder falls upon a Sunday or legal holiday, the last day shall be deemed to be the next business day which is neither a Sunday nor a legal holiday. Any party may change its notice address by notice to all of the parties hereto pursuant to this Agreement. For so long as the Management Agreement remains in effect, no notice hereunder shall be deemed delivered or received by any party hereto unless such notice has also been received by First Union National Bank, 301 South College Street, 5th Floor, Charlotte, North Carolina 28288-0737, Attention: Scott Santa Cruz and Tom Cambern.

9. SEVERABILITY. If any provision of this Agreement is invalid or unenforceable by a court of competent jurisdiction, such invalidity or unenforceability shall not affect any other provision of this Agreement.

10. GOVERNING LAW AND VENUE. This Agreement shall be interpreted in accordance with Delaware law. Venue for any litigation shall be the Superior Court of King County, Washington.

11. ENTIRE AGREEMENT. This Agreement, including executed Work Authorizations, constitutes the entire agreement between the parties rendered pursuant to this Agreement. Any changes to this Agreement must be agreed to by both parties in writing.

IN WITNESS WHEREOF, the parties have executed this Agreement on or about the date set forth above.

COMPANY	CONTRACTOR
Pioneer Resources I, LLC	Olympic Resource Management LLC
By _____	By _____
Title _____	Title _____
Date _____	Date _____
_____	_____

This Instrument Prepared By,  
Recording Requested By and  
After Recording Return to:

Craig L. Jones, Esq.  
Olympic Resource Management LLC  
19245 Tenth Avenue NE  
P.O. Box 1780  
Poulsbo, Washington 98370

Until further notice all tax notices  
shall be sent to:  
Pioneer Resources I, LLC  
c/o Olympic Resource Management LLC  
19245 Tenth Avenue NE  
P.O. Box 1780  
Poulsbo, Washington 98370

SPACE ABOVE THIS LINE RESERVED FOR  
RECORDER'S USE ONLY

-----  
DEED OF TRUST, FIXTURE FILING AND SECURITY AGREEMENT WITH  
ASSIGNMENT OF RENTS

This DEED OF TRUST, FIXTURE FILING AND SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS (the "DEED OF TRUST") is made as of April 7, 2000 by PIONEER RESOURCES I, LLC, a Delaware limited liability company (who acquired title as Pioneer Resources LLC, an Oregon limited liability company) with its mailing address at c/o Olympic Resource Management LLC, its Manager, 19245 Tenth Avenue NE, P.O. Box 1780, Poulsbo, Washington 98370, Attention: Senior Vice President Finance (hereinafter referred to as "GRANTOR") to OREGON TITLE INSURANCE COMPANY with its principal place of business and mailing address at 450 Country Club Rd., Suite 150, Eugene, OR 97440, as Trustee ("TRUSTEE"), and in trust for the benefit of OLYMPIC RESOURCE MANAGEMENT LLC, 19245 Tenth Avenue NE, P.O. Box 1780, Poulsbo, Washington 98370 ("BENEFICIARY");

W I T N E S S E T H T H A T :

WHEREAS, Grantor and Beneficiary have entered into a Management Agreement dated March 22, 2000 (the "Management Agreement," which term shall include all written amendments thereto), pursuant to which Grantor engaged and appointed Beneficiary to take over responsibility for certain management functions as described more fully therein;

WHEREAS, Grantor agreed to grant Beneficiary security interests in certain property in order to secure the Pioneer Secured Obligations (as that term is defined in the Management Agreement);

NOW, THEREFORE, the parties agree as follows:

SECURING CLAUSE

The "INDEBTEDNESS HEREBY SECURED" shall refer to all of the following indebtedness, obligations and liabilities:

- (i) payment and performance of the Pioneer Secured Obligations;
- (ii) payment of any costs and expenses incurred by Beneficiary pursuant to and in accordance with Sections 13 and 52 of this Deed of Trust which Beneficiary reasonably determines are appropriate to preserve the value of the Mortgaged Premises described below (such costs and expenses incurred by Beneficiary being collectively referred to as the "PRESERVATION COSTS"), together with interest thereon at the Interest Rate (as hereafter defined) from when incurred until paid; and
- (iii) (A) payment of any costs and expenses (other than Preservation Costs) incurred by Beneficiary in enforcing its rights or remedies under this Deed of Trust, including, without limitation, Sections 19, 21, and 25 hereof; (B) payment of any amounts due from Grantor under any indemnities contained hereunder, including, without limitation, under Sections 32 and 50 hereof; and (C) the performance of all other covenants and agreements contained herein and not covered in subsection (i) or (ii) above; PROVIDED, HOWEVER, that the amounts described in this subsection (iii), when combined with the Pioneer Secured Indemnity Obligations (as that term is defined in the Management Agreement), shall not exceed the maximum permissible amount of the Pioneer Secured Indemnity Obligations as such amount is determined pursuant to Section 9 of the Management Agreement from time to time.

In order to secure the indebtedness hereby secured, Grantor hereby irrevocably GRANTS, TRANSFERS, BARGAINS, SELLS, CONVEYS, MORTGAGES, WARRANTS, ASSIGNS AND PLEDGES to Trustee, IN TRUST WITH POWER OF SALE AND RIGHT

OF ENTRY AND POSSESSION, a security interest in all and singular all of Grantor's rights, title, interests and privileges in and to the properties described in Granting Clauses I, II, III, IV, V, VI, VII and VIII below, all of the same being collectively referred to herein as the "Mortgaged Premises":

GRANTING CLAUSE I

All right, title and interest of the Grantor in respect of that certain real property located, lying and being in the State of California, as more particularly described in Schedule I attached hereto and made a part hereof, including, but not limited to, all standing trees (both merchantable and pre-merchantable) and all downed trees, in either case now or hereafter growing, grown or located on said real property.

GRANTING CLAUSE II

All buildings and improvements of every kind and description heretofore or hereafter erected or placed on the property described in Granting Clause I and all materials intended for construction, reconstruction, alteration and repairs of the buildings and improvements now or hereafter erected thereon, all of which materials shall be deemed to be included within the premises immediately upon the delivery thereof to the said real estate, and all fixtures, machinery, apparatus, equipment, fittings, and articles of personal property of every kind and nature whatsoever now or hereafter attached to said real estate and the buildings and improvements now or hereafter located thereon and the operation, maintenance and protection thereof, and all proceeds thereof; it being mutually agreed, intended and declared that all the aforesaid property shall, so far as permitted by law, be deemed to form a part and parcel of the real estate and for the purpose of this Deed of Trust to be real estate and covered by this Deed of Trust; and as to the balance of the property aforesaid, this Deed of Trust is hereby deemed to be as well a Security Agreement under the provisions of the California Commercial Code for the purpose of creating hereby a security interest in said property (including, without limitation, all timber located thereon or severed therefrom), which is hereby granted by Grantor as debtor to Beneficiary as secured party, securing the indebtedness hereby secured. The addresses of Grantor (debtor) and Beneficiary (secured party) appear at the beginning hereof.

GRANTING CLAUSE III

All right, title and interest of Grantor now owned or hereafter acquired in and to all and singular the estates, tenements, hereditaments, privileges, easements, licenses, franchises, appurtenances and royalties, timber, logs, mineral, oil, and water rights belonging or in any wise appertaining to the property described in the preceding Granting Clause I and the buildings and improvements now or hereafter located thereon and the reversions, rents, issues, revenues and profits thereof, including all interest of Grantor in all rents, issues and profits of the aforementioned property and all rents, issues, profits, revenues, royalties, bonuses, rights and benefits due, payable or accruing (including all deposits of money as advanced rent or for

security) under any and all leases or subleases and renewals thereof of, or under any contracts or options for the sale of all or any part of, said property (including during any period allowed by law for the redemption of said property after any foreclosure or other sale), together with the right, but not the obligation, to collect, receive and receipt for all such rents and other sums and apply them to the indebtedness hereby secured and to demand, sue for and recover the same when due or payable; PROVIDED that the assignments made hereby shall not impair or diminish the obligations of Grantor under the provisions of such leases or other agreements nor shall such obligations be imposed upon Trustee or Beneficiary. By acceptance of this Deed of Trust, Trustee agrees, that until an Event of Default shall occur which, subject to Section 52 hereof, gives Trustee the power of sale or the right to foreclose this Deed of Trust, Grantor may collect, receive and enjoy all such rents, issues, profits, revenues, royalties, bonuses, rights and benefits.

#### GRANTING CLAUSE IV

All judgments, awards of damages, settlements and other compensation heretofore or hereafter made resulting from condemnation proceedings or the taking of the property described in Granting Clause I or any part thereof or any building or other improvement now or at any time hereafter located thereon or any easement or other appurtenance thereto under the power of eminent domain or any similar power or right (including any award from the United States Government at any time after the allowance of the claim therefor, the ascertainment of the amount thereof and the issuance of the warrant for the payment thereof), whether permanent or temporary, or for any damage (whether caused by such taking or otherwise) to said property or any part thereof or the improvements thereon or any part thereof, or to any rights appurtenant thereto, including severance and consequential damage, and any award for change of grade of streets (collectively, "CONDEMNATION AWARDS").

#### GRANTING CLAUSE V

All property and rights, if any, which are by the express provisions of this Deed of Trust required to be subjected to the lien hereof and any additional property and rights that may from time to time hereafter, by installation or writing of any kind, be subjected to the lien hereof by Grantor or by anyone in Grantor's behalf.

#### GRANTING CLAUSE VI

All rights in and to common areas and access roads on adjacent properties heretofore or hereafter granted to Grantor and any after-acquired title or reversion in and to the beds of any ways, roads, streets, avenues and alleys adjoining the property described in Granting Clause I or any part thereof.



#### GRANTING CLAUSE VII

All Contract Rights, whether now existing or hereafter arising, or in which Grantor now has or hereafter acquires any rights (the term "CONTRACT RIGHTS" means and includes, without limitation, all Grantor's right, title and interest in, to and under all contracts for the purchase, sale, harvest or transportation of timber or related inventory now or hereafter growing, grown or located on the real property described in Granting Clause I (as each and any of such contracts or agreements may be amended, supplemented or otherwise modified from time to time) together with all rights of Grantor to receive monies due and to become due under or pursuant to said contracts or agreements, all rights of Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to said contracts or agreements or to the return of amounts deposited with others, all claims of Grantor for damages arising out of or for breach of or default under said contracts or agreements, and all rights of Grantor to terminate, amend, supplement or modify said contracts or agreements, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder), PROVIDED that until an Event of Default shall occur which, subject to Section 52 hereof, gives Trustee the power of sale or the right to foreclose this Deed of Trust, Trustee shall not exercise any rights included in or relating to the Contract Rights and Grantor shall be entitled to exercise all such rights, including, but not limited to, the right to collect, receive and enjoy any and all amounts due or to become due under or pursuant to any of said contracts or agreements.

#### GRANTING CLAUSE VIII

All proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or other liquidated claims, including, without limitation, all proceeds of insurance.

TO HAVE AND TO HOLD the Mortgaged Premises and the properties, rights and privileges hereby granted, bargained, sold, conveyed, mortgaged, warranted, pledged and assigned, and in which a security interest is granted, or intended so to be, unto Trustee, its successors and assigns, forever; PROVIDED, HOWEVER, that this Deed of Trust is upon the express condition that if the conditions set forth in both of clauses (a) and (b) below have been met or the condition precedent set forth in clause (c) below has been met, then this Deed of Trust and the estate and rights hereby granted shall cease, terminate and be void and this Deed of Trust shall be released by Trustee upon the written request and at the expense of Grantor, otherwise to remain in full force and effect: (a) more than one (1) year has passed since the expiration or termination of the Management Agreement; and (b) the Pioneer Secured Obligations and all other indebtedness hereby secured has been fully paid and performed or, in the case of the Pioneer Secured Indemnity Obligations, the Indemnity Release Date (as that term is defined in the Management Agreement) shall have occurred; or (c) the Mortgaged Premises are subject to a Transfer (as defined in Section 12 hereof) in accordance with Section 9 of the Management Agreement, but only after all of the conditions precedent and conditions

concurrent to the termination of this Deed of Trust as set forth in such Section 9 shall have been satisfied.

Grantor hereby covenants and agrees with Trustee and Beneficiary as follows (it being understood that (a) the exercise of rights and remedies by the Trustee or the Beneficiary under this Deed of Trust are subject to certain limitations solely for the benefit of the Lenders, and not for the benefit of Grantor, as described in Section 52 hereof and more fully set forth in Section 9 of the Management Agreement and (b) in its capacity as Manager under the Management Agreement, Beneficiary has agreed, subject to the terms, conditions, standards, limitations, exceptions, and other provisions set forth in the Management Agreement, and only so long as Beneficiary serves as Manager thereunder, to cause Grantor to comply with its covenants and other obligations under this Deed of Trust):

1. PAYMENT OF THE INDEBTEDNESS. The indebtedness hereby secured will be promptly paid as and when the same becomes due.

2. FURTHER ASSURANCES. Grantor will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purpose of this Deed of Trust and, without limiting the foregoing, to make subject to the lien hereof any property agreed to be subjected hereto or covered by the Granting Clauses hereof or intended so to be.

3. OWNERSHIP OF THE MORTGAGED PREMISES. Grantor covenants and warrants that it is lawfully seized of and has good and marketable fee title to the Mortgaged Premises free and clear of all liens, charges and encumbrances whatsoever except for (a) those matters existing on the date hereof and set forth on Schedule II attached hereto; (b) any such liens, charges, or encumbrances permitted under Section 9 of the Management Agreement; and (c) the junior liens on the Mortgaged Premises to be granted pursuant to the Bridge Consent (as defined in the [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission] referred to in Section 40 below) (collectively, the "PERMITTED ENCUMBRANCES") and Grantor has good title, full power and authority to convey, transfer and mortgage the same to Trustee for the uses and purposes set forth in this Deed of Trust; and Grantor will warrant and defend the title to the Mortgaged Premises against all claims and demands whatsoever except Permitted Encumbrances.

4. POSSESSION. Provided no Event of Default has occurred and is continuing hereunder which, subject to Section 52 hereof, gives Trustee and Beneficiary the right to exercise rights and remedies under this Deed of Trust, Grantor shall be suffered and permitted to remain in full possession, enjoyment and control of the Mortgaged Premises, subject always to the observance and performance of the terms of this Deed of Trust.

5. PAYMENT OF TAXES. Grantor shall pay before delinquent all general and special taxes and assessments, all water, drainage and sewer charges and all other charges of any kind whatsoever, ordinary or extraordinary, which may be levied, assessed, imposed or charged on

or against the Mortgaged Premises or any part thereof, except that, unless and until foreclosure, distraint, sale or other similar proceedings shall have been commenced, no such charge or claim need be paid if being contested (except to the extent any full or partial payment shall be required by law), after notice to Beneficiary, by appropriate proceedings which shall operate to prevent the collection thereof or the sale or forfeiture of the Mortgaged Premises or any part thereof to satisfy the same, conducted in good faith and with due diligence and if Grantor shall have furnished such security, if any, as may be required in the proceedings or as may be reasonably requested by Trustee or Beneficiary. Grantor shall, upon written request, exhibit to Beneficiary official receipts evidencing payments of all taxes and charges that Grantor is required to pay under this Deed of Trust.

6. [Intentionally deleted.]

7. RECORDATION AND PAYMENT OF TAXES AND EXPENSES INCIDENT THERETO.

Grantor will cause this Deed of Trust, all trust deeds supplemental hereto and any financing statement or other notice of a security interest required by Trustee or Beneficiary at all times to be kept, recorded and filed at its own expense in such manner and in such places as may be required by law for the recording and filing or for the rerecording and refileing of a mortgage, security interest, assignment or other lien or charge upon the Mortgaged Premises, or any part thereof, in order fully to preserve and protect the rights of Trustee and Beneficiary hereunder and, without limiting the foregoing, Grantor will pay or reimburse Trustee or Beneficiary for the payment of any and all taxes, fees or other charges incurred in connection with any such recordation or rerecording, including any documentary stamp tax or tax imposed upon the privilege of having this Deed of Trust or any instrument issued pursuant hereto recorded.

8. [Intentionally deleted.]

9. [Intentionally deleted.]

10. EMINENT DOMAIN. Grantor acknowledges that Condemnation Awards have been assigned to Trustee and Beneficiary. Grantor shall, immediately upon learning of the actual or threatened institution of any proceeding for the condemnation or other taking of any of the Mortgaged Premises (including any easement therein or appurtenance thereof or severance or consequential damage and change in grade of streets), notify Trustee and Beneficiary of the pendency of such proceeding and deliver to Trustee and Beneficiary copies of any and all papers served in connection with any such proceedings, and Grantor agrees that Beneficiary may participate in any such proceeding, and Grantor from time to time will deliver to Trustee and Beneficiary all instruments reasonably requested by Trustee or Beneficiary to permit such participation. Beneficiary is authorized to collect the proceeds of any condemnation claim or award, and shall apply the same as follows: (a) first, to pay any then due and payable amounts owing on account of any Pioneer Secured Obligations or other indebtedness hereby secured in such order of application as the Beneficiary may elect, and (b) the remainder shall be deposited into the Cash Collateral Account described in Section 9 of the Management Agreement, and shall be held and disbursed in accordance therewith.

Grantor further covenants and agrees to make, execute and deliver to Beneficiary, at any time or times upon request, free, clear and discharged of any encumbrances of any kind whatsoever, any and all further assignments and/or instruments deemed necessary by Beneficiary for the purpose of validly and sufficiently assigning all awards and other compensation heretofore and hereafter to be made to Grantor for any taking, either permanent or temporary, under any such proceeding.

11. [Intentionally deleted.]

12. SALES, TRANSFERS AND ENCUMBRANCES. Grantor shall be permitted to Transfer (as defined below) the Mortgaged Premises to the extent permitted by, and subject to full compliance with all of the conditions, requirements, and limitations of, the terms of Section 9 of the Management Agreement. Except to such extent, and except in the case of Permitted Encumbrances, Grantor will not, directly or indirectly, whether voluntarily, involuntarily or by operation of law do any of the following (hereinafter, a "TRANSFER"): sell, transfer, lease, exchange, convey, assign, mortgage, hypothecate, pledge or otherwise encumber or dispose of the Mortgaged Premises or any portion thereof or legal or equitable interest therein, and shall not enter into any agreement or arrangement therefor, including, without limitation, any contract sale, installment sale or sale under articles of agreement for deed. Any Transfer in violation of this Section 12 shall constitute an immediate Event of Default hereunder.

13. RIGHT OF TRUSTEE OR BENEFICIARY TO PERFORM GRANTOR'S COVENANTS, ETC. Subject to Section 52 hereof, if Grantor shall fail to make any payment or perform any act required to be made or performed hereunder, Trustee or Beneficiary, without waiving or releasing any obligation or default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of Grantor, and may enter upon the Mortgaged Premises or any part thereof for such purpose and take all such action thereon as, in the reasonable opinion of Trustee or Beneficiary, may be necessary or appropriate therefor. All sums so paid by Trustee or Beneficiary and all costs and expenses (including without limitation attorneys' fees and expenses) so incurred, together, to the extent such sums, costs, and expenses constitute Preservation Costs, with interest thereon from the date of payment or incurrence at the Interest Rate, shall constitute so much additional indebtedness hereby secured and shall be paid by Grantor to the party who made such payment on demand. Trustee or Beneficiary in making any payment authorized under this Section relating to taxes or assessments may do so according to any bill, statement or estimate procured from the appropriate public office without inquiry into the accuracy of such bill, statement or estimate or into the validity of any tax assessment, sale, forfeiture, tax lien or title or claim thereof. Trustee or Beneficiary, in performing any act hereunder, shall be the sole judge (acting, at all times, in good faith) of whether Grantor is required to perform same under the terms of this Deed of Trust.

14. AFTER-ACQUIRED PROPERTY. Any and all property hereafter acquired with respect to the property described in Granting Clauses I-VIII above and which is of the kind or nature

herein provided, or intended to be and become subject to the lien hereof, shall IPSO FACTO, and without any further conveyance, assignment or act on the part of Grantor, become and be subject to the lien of this Deed of Trust as fully and completely as though specifically described herein; but nevertheless Grantor shall from time to time, if requested by Trustee or Beneficiary, execute and deliver any and all such further assurances, conveyances and assignments as Trustee or Beneficiary may reasonably require for the purpose of expressly and specifically subjecting to the lien of this Deed of Trust all such property.

15. INSPECTION BY TRUSTEE OR BENEFICIARY. Trustee and Beneficiary shall have the right to inspect the Mortgaged Premises (including, without limitation, the right to have a cruise of all timber on the Mortgaged Premises by an independent timber cruiser) at all reasonable times, and access thereto shall be permitted for that purpose.

16. [Intentionally deleted.]

17. SUBROGATION. Grantor acknowledges and agrees that Trustee and Beneficiary shall be subrogated to any lien discharged out of any advance by Trustee or Beneficiary hereunder, irrespective of whether or not any such lien may have been released of record.

18. EVENTS OF DEFAULT. Time is of the essence of the Management Agreement and this Deed of Trust (collectively, as the same may be amended in writing from time to time, the "ORM DOCUMENTS". The occurrence of any of the following, without further demand or notice, shall be an "Event of Default":

(a) Failure by Grantor to pay the Pioneer Secured Obligations or any other indebtedness hereby secured as and when due; or

(b) A Transfer other than as permitted in Section 12 hereof occurs, whether voluntary, involuntary or by operation of law, and whether or not Beneficiary has waived or failed to assert its rights in connection with any previous Transfer. In the event of a Transfer other than as permitted in Section 12, Beneficiary may, without notice to Grantor, deal with the transferee with respect to this Deed of Trust, the indebtedness hereby secured and the other ORM Documents, as if the transferee were Grantor, and such dealing shall neither satisfy nor discharge Grantor's liability for the indebtedness hereby secured or under the ORM Documents, nor constitute Beneficiary's consent to the Transfer.

19. REMEDIES. Subject to any applicable limitations on the exercise of rights and remedies as set forth in Section 52 hereof (such limitations being solely for the benefit of Lenders, and not for the benefit of Grantor), when any Event of Default has occurred and is continuing, in addition to such other rights as may be available under applicable law, but subject at all times to any mandatory legal requirements:

(a) UNIFORM COMMERCIAL CODE. Trustee shall, with respect to any part of the Mortgaged Premises constituting property of the type in respect of which realization on a

lien or security interest granted therein is governed by the Uniform Commercial Code, have all the rights, options and remedies of a secured party under the California Commercial Code, including without limitation, the right to the possession of any such property, or any part thereof, and the right to enter without legal process any premises where any such property may be found. Any requirement of said California Commercial Code for reasonable notification shall be met by delivery of written notice to Grantor at its address above set forth at least five (5) days prior to the sale or other event for which such notice is required. The costs and expenses of retaking, selling, and otherwise disposing of said property, including attorneys' fees and expenses incurred in connection therewith, shall constitute so much additional indebtedness hereby secured and shall be payable upon demand. In connection with any sale or sales hereunder, Beneficiary may elect to treat any of the Mortgaged Premises which consists of a right in action or which is property that can be severed from the real property covered hereby or any improvements thereon without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with applicable law, separate and apart from the sale of real property. Any sale of any personal property hereunder shall be conducted in any manner permitted by Section 9501 or any other applicable section to the California Commercial Code. Where the Mortgaged Premises consists of real and personal property or fixtures, whether or not such personal property is located on or within the real property, Beneficiary may elect in its discretion to exercise its rights and remedies against any or all of the real property, personal property, and fixtures in such order and manner as is now or hereafter permitted by applicable law. Without limiting the generality of the foregoing, Beneficiary may, in its sole and absolute discretion without regard to the adequacy of its security, elect to proceed against any or all of the real property, personal property and fixtures in any manner permitted under Section 9501(4)(a) of the California Commercial Code; and if Beneficiary elects to proceed in the manner permitted under Section 9501(4)(a)(ii) of the California Commercial Code, the power of sale herein granted shall be exercisable with respect to all or any of the real property, personal property and fixtures covered hereby, as designated by Beneficiary, and the Trustee is hereby authorized and empowered to conduct any such sale of any real property, personal property and fixtures in accordance with the procedures applicable to real property. Where the Mortgaged Premises consists of real property and personal property, any reinstatement of the indebtedness hereby secured following default which is made by Grantor or any other person or entity permitted to exercise the right of reinstatement under Section 2924c of the California Civil Code or any successor statute, shall not, in accordance with the terms of California Commercial Code Section 9501(4)(c)(iii), prohibit Beneficiary from conducting a sale or other disposition of any personal property or fixtures or from otherwise proceeding against or continuing to proceed against any personal property or fixtures in any manner permitted by the California Commercial Code; nor shall any such reinstatement invalidate, rescind or otherwise affect any sale, disposition or other proceedings held, conducted or instituted with respect to any personal property or fixtures prior to such reinstatement or pending at the time of such reinstatement. Any sums paid to Beneficiary in effecting any reinstatement pursuant to Section 2924c of the California Civil Code shall be applied to the indebtedness hereby secured and to Beneficiary's and Trustee's reasonable costs and expenses in the manner

required by Section 2924c. Should Beneficiary elect to sell any portion of the Mortgaged Premises which is real property or which is personal property or fixtures that Beneficiary has elected under Section 9501(4)(a)(ii) of the California Commercial Code to sell together with real property in accordance with the laws governing a sale of real property, Beneficiary or Trustee shall give such notice of default and election to sell as may then be required by law. Any requirement of the California Commercial Code for reasonable notification shall be met by mailing written notice to Grantor at its address above set forth at least 10 days prior to the sale or other event for which such notice is required.

(b) FORECLOSURE. Trustee or Beneficiary may proceed to protect and enforce the rights of Trustee or Beneficiary hereunder (i) by any action at law, suit in equity or other appropriate proceedings, whether for the specific performance of any agreement contained herein, or for an injunction against the violation of any of the terms hereof, or in aid of the exercise of any power granted hereby or by law, or (ii) by the foreclosure of this Deed of Trust or (iii) by Trustee's sale under the power of sale. Grantor agrees that the agreements of Grantor herein contained shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purpose of any suit brought under this subparagraph, Grantor hereby waives the defense of laches and any applicable statute of limitations. In the event of foreclosure, Grantor authorizes and empowers Trustee or Beneficiary to effect insurance upon the Mortgaged Premises in amounts aforesaid for a period covering the time of redemption from foreclosure sale provided by law, and if necessary therefor, to cancel any or all existing insurance policies.

(c) TRUSTEE'S SALE. Upon the occurrence of an Event of Default, Beneficiary may deliver to Trustee a written declaration of default and demand for sale and of written notice of default and of election to cause the Mortgaged Premises to be sold, which notice Trustee shall cause to be filed for record. After Trustee shall have given and recorded such other notice as the law then requires as a condition precedent to a Trustee's sale under power of sale, after the lapse of such time as may then be required by law following the recordation of said notice of default and notice of sale having been given as then required by law, Trustee, without notice to or demand upon Grantor except as otherwise required by law, may sell the Mortgaged Premises at the time and place of sale fixed by it in the notice of sale, either as a whole or in separate parcels and in such order as it or Beneficiary may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale (the indebtedness hereby secured being the equivalent of cash for purposes of said sale). Grantor shall have no right to direct the order in which the Mortgaged Premises are sold. Trustee may postpone sale of all or any portion of the Mortgaged Premises 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 time fixed by the preceding postponement. Trustee shall deliver to the purchaser at such sale a deed conveying the Mortgaged Premises or portion thereof so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof absent manifest error. Any person, including Grantor or Beneficiary may

purchase at such sale. After deducting all costs, fees and expenses of Trustee, and of this Trust, including, without limitation, cost of evidence of title and attorneys' fees in connection with sale, all as provided in this Section 19 and Section 21 hereof, Trustee shall apply the proceeds of sale as prescribed in Section 22 hereof. Before any such Trustee's sale under power, Beneficiary may rescind such notices of default and of election to cause the Mortgaged Premises or any part thereof to be sold by delivering to Trustee a written notice of rescission, which notice, when recorded, shall cancel any prior declaration of default and demand for sale. The exercise of such right of rescission shall not constitute a waiver of any default then existing or subsequently occurring, or impair the right of Beneficiary to deliver to Trustee other declarations of default and demands for sale or notices of default and of election to cause the Mortgaged Premises or any part thereof to be sold, or otherwise affect any provision of this Deed of Trust or any of the rights, obligations or remedies of Beneficiary or Trustee hereunder.

(d) APPOINTMENT OF RECEIVER. Trustee or Beneficiary shall, as a matter of right, without notice or without giving bond to Grantor or anyone claiming by, under or through it, and without regard to the solvency or insolvency of Grantor or the then value of the Mortgaged Premises, be entitled to have a receiver appointed of all or any part of the Mortgaged Premises and the rents, issues and profits thereof, with such power as the court making such appointment shall confer, and the Grantor hereby consents to the appointment of such receiver and shall not oppose any such appointment. Any such receiver may, to the extent permitted under applicable law, without notice, enter upon and take possession of the Mortgaged Premises or any part thereof by force, summary proceedings, ejectment or otherwise, and may remove Grantor or other persons and any and all property therefrom, and may hold, operate and manage the same and receive all earnings, income, rents, issues and proceeds accruing with respect thereto or any part thereof, whether during the pendency of any foreclosure or until any right of redemption shall expire or otherwise.

(e) TAKING POSSESSION, COLLECTING RENTS, ETC. Trustee or Beneficiary or their agent may enter and take possession of the Mortgaged Premises or any part thereof and manage, operate, insure, repair and improve the same and take any action which, in Trustee's or Beneficiary's judgment, is necessary or proper to conserve the value of the Mortgaged Premises, including, but not limited to, the harvest and sale of timber from the Mortgaged Premises. Beneficiary may also take possession of, and for these purposes use, any and all personal property contained in the Mortgaged Premises and used in the operation, rental or leasing thereof or any part thereof. Trustee or Beneficiary or their agent shall be entitled to collect and receive all earnings, revenues, rents, issues and profits of the Mortgaged Premises or any part thereof, including, but not limited to, all earnings, revenues, and profits arising from the harvest and sale of timber from the Mortgaged Premises (and for such purpose Grantor does hereby irrevocably constitute and appoint Beneficiary its true and lawful attorney-in-fact for it and in its name, place and stead to receive, collect and receipt for all of the foregoing, Grantor irrevocably acknowledging that any payment made to Beneficiary hereunder shall be a good receipt and acquittance against Grantor to the extent so made) and



to apply same to the reduction of the indebtedness hereby secured. The right to enter and take possession of the Mortgaged Premises and use any personal property therein, to manage, operate and conserve the same, and to collect the rents, issues and profits thereof, shall be in addition to all other rights or remedies of Trustee or Beneficiary hereunder or afforded by law, and may be exercised concurrently therewith or independently thereof. Trustee, at Beneficiary's sole discretion without notice thereof to Grantor, and without taking possession of the Mortgaged Premises may notify any or all of the obligors of the leases and subleases of the Mortgaged Premises that such leases and subleases have been assigned to Trustee, and Trustee, in the name of Trustee, Grantor or in both names, may direct such obligors thereafter to make all payments due from them under such leases and subleases directly to Trustee. Grantor, immediately upon demand by Trustee, irrevocably shall direct all obligors of the leases and subleases then and thereafter to make all payments then and thereafter due from them under the leases and subleases directly to Trustee. The costs and expenses (including any receiver's fees and expenses, attorneys' fees and expenses and agent's compensation) incurred pursuant to the powers herein contained shall be so much additional indebtedness hereby secured which Grantor promises to pay upon demand. Trustee or Beneficiary shall not be liable to account to Grantor for any action taken pursuant hereto other than to account for any rents actually received by Trustee or Beneficiary. Without taking possession of the Mortgaged Premises, Trustee or Beneficiary may, in the event the Mortgaged Premises becomes vacant or is abandoned, take such steps as it deems appropriate to protect and secure the Mortgaged Premises (including hiring watchmen therefor) and all costs incurred in so doing shall constitute so much additional indebtedness hereby secured payable upon demand and, to the extent such costs constitute Preservation Costs, with interest thereon at the Interest Rate.

20. WAIVER OF RIGHT TO REDEEM FROM SALE - WAIVER OF APPRAISEMENT, VALUATION, ETC. Grantor shall not and will not apply for or avail itself of any appraisement, valuation, stay, extension or exemption laws, or any so-called "MORATORIUM LAWS", now existing or hereafter enacted in order to prevent or hinder the enforcement or foreclosure of this Deed of Trust, but hereby waives the benefit of such laws. Grantor for itself and all who may claim through or under it waives any and all right to have the property and estates comprising the Mortgaged Premises marshaled upon any foreclosure of the lien hereof and agrees that any court having jurisdiction to foreclose such lien may order the Mortgaged Premises sold as an entirety. In the event of any sale made under or by virtue of this Deed of Trust, the whole of the Mortgaged Premises may be sold in one parcel as an entirety or in separate lots or parcels at the same or different times, all as the Beneficiary may determine. Beneficiary shall have the right to become the purchaser at any sale made under or by virtue of this Deed of Trust and Beneficiary so purchasing at any such sale shall have the right to be credited upon the amount of the bid made therefor by Beneficiary with the amount payable to Trustee by Grantor out of the net proceeds of such sale. To the extent permitted by applicable law, Grantor hereby waives any and all rights of redemption from any sale under any order or decree of foreclosure pursuant to rights herein granted, on behalf of Grantor, and each and every person acquiring any interest in, or title to the Mortgaged Premises described herein

subsequent to the date of this Deed of Trust, and on behalf of all other persons to the extent permitted by applicable law.

21. COSTS AND EXPENSES OF FORECLOSURE. Subject to any limitations thereon imposed by applicable law, in case of any sale of the Mortgaged Premises, or any part thereof, pursuant to any judgment or decree of any court or pursuant to the power of sale herein contained or in connection with the enforcement of any of the terms of this Deed of Trust or otherwise under or by virtue of this Deed of Trust, there shall be allowed and included as so much additional indebtedness hereby secured to be paid out of the proceeds of such sale, reasonable Trustee's fees incurred in connection with any exercise of the power of sale granted hereunder for all services rendered by Trustee, its agents, attorneys and counsel in and about foreclosure, enforcement or other protection of this Deed of Trust and all reasonable expenditures and expenses which may be paid or incurred by or on behalf of Trustee and/or Beneficiary for attorneys' fees, appraisers' fees, environmental auditors' fees, outlays for documentary and expert evidence, stenographic charges, publication costs and costs (which may be estimated as the items to be expended after such Trustee's sale or the entry of any foreclosure order or decree) of procuring all such abstracts of title, title searches and examination, guarantee policies, Torrens certificates and similar data and assurances with respect to title as Trustee or Beneficiary may deem to be reasonably necessary either to prosecute any foreclosure or sale proceeding or to evidence to the bidder at any sale pursuant thereto the true condition of the title to or the value of the Mortgaged Premises, all of which compensation and expenditures shall become so much additional indebtedness hereby secured which Grantor agrees to pay and all of such shall be immediately due and payable upon demand.

22. APPLICATION OF PROCEEDS. The proceeds of any foreclosure or other sale of the Mortgaged Premises or of any sale of property pursuant to Section 19 hereof shall be distributed in the following order of priority: FIRST, on account of all costs and expenses incident to the foreclosure or other proceedings including all such items as are mentioned in Sections 19 and 21 hereof; and SECOND, to the reduction of Pioneer Secured Obligations and the other indebtedness hereby secured in such order as Beneficiary shall elect, with any surplus to the Lenders or whomsoever shall be lawfully entitled to same.

23. DEFICIENCY DECREE. If at any foreclosure proceeding the Mortgaged Premises shall be sold for a sum less than the total amount of indebtedness for which judgment is therein given, the judgment creditor shall be entitled to the entry of a deficiency decree against Grantor and against the property of Grantor for the amount of such deficiency; and Grantor does hereby irrevocably consent to the appointment of a receiver for the Mortgaged Premises and the property of Grantor and of the rents, issues and profits thereof after such sale and until such deficiency decree is satisfied in full.

24. TRUSTEE'S AND BENEFICIARY'S REMEDIES CUMULATIVE - NO WAIVER. No remedy or right of Trustee or Beneficiary shall be exclusive of but shall be cumulative and in addition to

every other remedy or right now or hereafter existing at law or in equity or by statute or otherwise. No delay in the exercise or omission to exercise any remedy or right accruing on any default shall impair any such remedy or right or be construed to be a waiver of any such default or acquiescence therein, nor shall it affect any subsequent default of the same or a different nature. Every such remedy or right may be exercised concurrently or independently, and when and as often as may be deemed expedient by Trustee or Beneficiary.

25. TRUSTEE AND BENEFICIARY PARTY TO SUITS. If Trustee or Beneficiary (in its capacity as Beneficiary, but not in its capacity as Manager under the Management Agreement) shall be made a party to or shall intervene in any action or proceeding affecting the Mortgaged Premises or the title thereto or the interest of Trustee and Beneficiary under this Deed of Trust (bankruptcy proceedings), or if Trustee and Beneficiary employs an attorney to collect any or all of the indebtedness hereby secured or to enforce any of the terms hereof or realize hereupon or to protect the lien hereof, or if Trustee and Beneficiary (in its capacity as Beneficiary, but not in its capacity as Manager under the Management Agreement) shall incur any costs or expenses in preparation for the commencement of any foreclosure proceedings or for the defense of any threatened suit or proceedings which might affect the Mortgaged Premises or the security hereof, whether or not any such foreclosure or other suit or proceeding shall be actually commenced, then in any such case, Grantor agrees to pay to Trustee and Beneficiary, immediately and without demand, all reasonable costs, charges, expenses and attorneys' fees incurred by Trustee and Beneficiary in any such case, and the same shall constitute so much additional indebtedness hereby secured payable upon demand. Beneficiary's rights, in its capacity as Manager under the Management Agreement (and not as Beneficiary hereunder), to payment of attorneys' fees, costs and expenses, are governed by the Management Agreement and the Operating Agreement.

26. MODIFICATIONS NOT TO AFFECT LIEN. Subject to Section 52 hereof, Trustee and Beneficiary, without notice to anyone, and without regard to the consideration, if any, paid therefor, or the presence of other liens on the Mortgaged Premises, may in its discretion release any part of the Mortgaged Premises or any person liable for any of the indebtedness hereby secured, may extend the time of payment of any of the indebtedness hereby secured and may grant waivers or other indulgences with respect hereto and thereto, and may agree with Grantor to modifications to the terms and conditions contained herein or otherwise applicable to any of the indebtedness hereby secured (including modifications in the rates of interest applicable thereto), without in any way affecting or impairing the liability of any party liable upon any of the indebtedness hereby secured or the priority of the lien of this Deed of Trust upon all of the Mortgaged Premises not expressly released, and any party acquiring any direct or indirect interest in the Mortgaged Premises shall take same subject to all of the provisions hereof.

27. NOTICES. All communications provided for herein shall be in writing and shall be deemed to have been given when delivered personally or mailed by first class mail, postage prepaid, addressed to the parties hereto at their addresses as shown at the beginning of

this Deed of Trust or to such other and different address as Grantor, Trustee, or Beneficiary may designate pursuant to a written notice sent in accordance with the provisions of this Section. The parties hereto agree to provide a copy of any such notice to First Union National Bank, 301 South College Street, 5th Floor, Charlotte, North Carolina 28288, Attention: Scott Santa Cruz and Tom Cambern.

28. COMPLIANCE WITH ENVIRONMENTAL LAWS. Grantor represents and warrants that, the Mortgaged Premises comply (to the extent that failure to comply therewith would constitute a material adverse effect on the Grantor) in all material respects with all applicable federal, state, regional, county or local laws, statutes, rules, regulations or ordinances, including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, 42 U.S.C. Section 9601 ET SEQ., the Resource Conservation and Recovery Act of 1976, as amended by the Solid and Hazardous Waste Amendments of 1984, 42 U.S.C. Section 6901 ET SEQ., the Federal Water Pollution Control Act, as amended by the Clean Water Act of 1977, 33 U.S.C. Section 1251 ET SEQ., the Toxic Substances Control Act of 1976, 15 U.S.C. Section 2601 ET SEQ., the Emergency Planning and Community Right-to-Know Act of 1986, 42 U.S.C. Section 11001 ET SEQ., the Clean Air Act of 1966, as amended, 42 U.S.C. Section 7401 ET SEQ., the National Environmental Policy Act of 1975, 42 U.S.C. Section 4321, the Rivers and Harbours Act of 1899, 33 U.S.C. Section 401 ET SEQ., the Occupational Safety and Health Act of 1970, 29 U.S.C. Section 651 ET SEQ., and the Safe Drinking Water Act of 1974, as amended, 42 U.S.C. Section 300(f) ET SEQ., and all rules, regulations and guidance documents promulgated or published thereunder, and any state, regional, county or local statute, law, rule, regulation or ordinance relating to public health, safety or the environment (all of the foregoing are sometimes referred to collectively as "ENVIRONMENTAL LAWS"), including, without limitation, relating to releases, discharges, emissions or disposals to air, water, land or groundwater, to the withdrawal or use of groundwater, to the use, handling or disposal of polychlorinated biphenyls (PCB's), asbestos or urea formaldehyde, to the treatment, storage, disposal or management of hazardous substances (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), to exposure to toxic, hazardous, or other controlled, prohibited or regulated substances, to the transportation, storage, disposal, management or release of gaseous or liquid substances, and any regulation, order, injunction, judgment, declaration, notice or demand issued thereunder.

29. CONDITION OF PROPERTY. Grantor represents and warrants that the Mortgaged Premises, including all personal property, is free from contamination, that there has not been thereon a release, discharge or emission, or threat of release, discharge or emission, of any hazardous substance, gas or liquid (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), or any other substance, gas or liquid, which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment (all of such hazardous substances, gases and liquids are sometimes referred to collectively as "HAZARDOUS MATERIALS"), and that the Mortgaged Premises do not contain, and are not affected by: (i) asbestos, (ii) urea formaldehyde foam

insulation, (iii) polychlorinated biphenyls (PCB's), (iv) underground storage tanks, (v) landfills, land disposals or dumps or (vi) petroleum, its derivatives or by-products, or other hydrocarbons.

30. NOTICE OF ENVIRONMENTAL PROBLEM. Grantor represents and warrants that it has not given, nor should it give, nor has it received, any notice, letter, citation, order, warning, complaint, inquiry, claim or demand that: (i) Grantor has violated, or is about to violate, any federal, state, regional, county or local Environmental Law, judgment or order; (ii) there has been a release, or there is a threat of release, of Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons) from the Mortgaged Premises; (iii) Grantor may be or is liable, in whole or in part, for the costs or cleaning up, remediating or responding to a release of Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons); or (iv) any of the Grantor's property or assets are subject to a lien in favor of any governmental body for any liability, costs or damages, under federal, state or local Environmental Law arising from or costs incurred by such governmental entity in response to a release of a Hazardous Materials (including, without limitation, petroleum, its by-products or derivatives, or other hydrocarbons). In the event that Grantor receives any notice of the type described in this Section, Grantor shall promptly provide a copy to Beneficiary, and in no event, later than fifteen (15) days from Grantor's receipt or submission thereof.

31. USE OF PROPERTY AND FACILITIES. (a) Grantor represents and warrants that it has never in the past engaged in, and agrees that in the future it shall not conduct, any business, operations or activity on the Mortgaged Premises, or employ or use the personal property or facilities, to manufacture, use, generate, treat, store, transport or dispose of any Hazardous Materials (including, without limitation, petroleum, its derivatives or by-products, or other hydrocarbons), or any other substance which is prohibited, controlled or regulated under applicable law, or which poses a threat or nuisance to safety, health or the environment, including, without limitation, any business, operation or activity which would bring Grantor, its property or facilities, within the ambit of any Environmental Law, including, without limitation, any state statute providing for financial responsibility for cleanup for the release or threatened release of substances provided for thereunder. The provisions of this Section shall apply to all real and personal property, without limitation, owned or controlled by Grantor or its subsidiaries.

(b) Notwithstanding any other provision in this Deed of Trust to the contrary, Grantor shall be permitted to use petroleum products, insecticides, hardwood suppressants and other chemicals or materials which may constitute Hazardous Materials for purposes of this Deed of Trust as part of Grantor's timber management activities, PROVIDED that (i) the use of any such chemicals or materials is not prohibited by any of the Environmental Laws, (ii) Grantor uses such chemicals or materials in a safe and responsible manner and in accordance with the method of application approved by the manufacturer of each such chemical or material, (iii) Grantor uses such chemicals or materials in strict

accordance with any and all Environmental Laws applicable to the use thereof, and (iv) before using any such chemicals or materials on the Mortgaged Premises, Grantor shall have obtained any and all permits which may from time to time be required by any regulatory agency or other public body as a condition to such use. Any prior use of such chemicals or materials in accordance with the conditions set forth in the preceding sentence shall be deemed a qualification of and exception to the representations and warranties of Grantor set forth in this Deed of Trust.

32. ENVIRONMENTAL INDEMNITY. The Grantor hereby does and shall indemnify, defend and hold harmless the Trustee, Beneficiary, and their respective successors and assigns forever, from and against all loss, liability, damage and expense, including reasonable attorneys' fees (including allocated cost of in-house counsel), suffered or incurred by the Trustee, Beneficiary, and their respective successors and assigns, in connection with or arising from or out of any action taken by any person, entity or public authority pursuant to any of the Environmental Laws (as hereinafter defined) or under common law, or otherwise, pertaining to Hazardous Materials with respect to or in connection with the Mortgaged Premises, including, but not limited to (i) the Environmental Laws, including without limitation any violation thereof or noncompliance therewith or the assertion of any lien, security interest, change or encumbrance of any nature whatsoever thereunder, (ii) the presence of any Hazardous Materials on, at or from the Mortgaged Premises, including, without limitation, human exposure thereto, (iii) any spill, release, discharge or emission affecting the Mortgaged Premises whether or not the same originates or emanates from the Mortgaged Premises or any contiguous real estate, including, without limitation, any loss of value of the Mortgaged Premises as a result thereof, and (iv) a misrepresentation in any representation or warranty or breach of or failure to perform any covenant made by the Grantor in Sections 28, 29, 30 and 31, which indemnity and agreement to defend and hold harmless shall survive any termination or satisfaction of this Deed of Trust or the indebtedness hereby secured or the sale, assignment or foreclosure thereof or the sale, transfer or conveyance of all or part of the Mortgaged Premises or any other circumstances which might otherwise constitute a legal or equitable release or discharge, in whole or in part, of Borrower under the indebtedness hereby secured or otherwise, PROVIDED that such indemnity and agreement to defend and hold harmless shall apply only to acts and omissions occurring prior to any such sale, assignment or foreclosure or any such sale, transfer or conveyance unless such contaminations arises from any Hazardous Materials that were present at the Mortgaged Premises prior to such sale, assignment, foreclosure, transfer or conveyance of the Mortgaged Premises.

33. LIENS ABSOLUTE, ETC. The Grantor acknowledges and agrees that the liens and security interests hereby created are absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of the Trustee, Beneficiary or any other holders of any of the indebtedness hereby secured, and without limiting the generality of the foregoing, the lien and security hereof shall not be impaired by any acceptance by Trustee, Beneficiary or any other holder of any of the indebtedness hereby secured of any other security for or guarantees upon any of the indebtedness hereby secured

or by any failure, neglect or omission on the part of Trustee, Beneficiary or any other holder of any of the indebtedness hereby secured to realize upon to protect any of the indebtedness hereby secured or any collateral security therefor. The lien and security hereof shall not in any manner be impaired or affected by any sale, pledge, surrender, compromise, settlement, release, renewal, extension, indulgence, alteration, substitution, exchange, change in, modification or disposition of any of the indebtedness hereby secured, or of any collateral security therefor, or of any guaranty thereof, or of the Management Agreement (except in accordance with the terms thereof). In order to realize hereon and to exercise the rights granted Trustee and Beneficiary hereby and under applicable law, there shall be no obligation on the part of Trustee, Beneficiary or any other holder of any of the indebtedness hereby secured at any time to first resort for payment to the obligor on any note or other document or instrument evidencing any of the indebtedness hereby secured or to any guaranty of any of the indebtedness hereby secured or any part thereof or to resort to any other collateral security, property, liens or any other rights or remedies whatsoever, and Trustee shall have the right to enforce this instrument irrespective of whether or not other proceedings or steps are pending seeking resort to or realization upon or from any of the foregoing.

34. DIRECT AND PRIMARY SECURITY - NO SUBROGATION. The lien and security herein created and provided for stands as direct and primary security for the Pioneer Secured Obligations as well as for any of the other indebtedness hereby secured. No application of any sums received by the Trustee or Beneficiary in respect of the Mortgaged Premises or any disposition thereof to the reduction of the indebtedness hereby secured or any part thereof shall in any manner entitle Grantor to any right, title or interest in or to the indebtedness hereby secured or any collateral security therefor, whether by subrogation or otherwise, unless and until all indebtedness hereby secured has been fully paid and satisfied.

35. SUBSTITUTE TRUSTEE. Trustee, or any substitute Trustee, may be removed at any time with or without cause, at the option of Beneficiary, by written declaration of such removal signed by Beneficiary and duly recorded in the same records as this Deed of Trust, without any notice to or demand upon Trustee or substitute Trustee so removed, or Grantor or any other person. If at any time Trustee or any substitute Trustee should be so removed, or should absent himself from California, die, or refuse, fail or be unable to act as such Trustee or substitute Trustee, Beneficiary may appoint any person as substitute Trustee hereunder, without any formality other than a written declaration of such appointment executed by Beneficiary and duly recorded in the same records as this Deed of Trust; and immediately upon such appointment, the substitute Trustee so appointed shall automatically become vested with all the estate and title in the Mortgaged Premises, and with all of the rights, powers, privileges, authority, options and discretions, and charged with all of the duties and liabilities, vested in or imposed upon Trustee by this Deed of Trust, and any conveyance executed by such substitute Trustee, including the recitals therein contained, shall have the same effect and validity as if executed by Trustee.

36. [Intentionally deleted.]

37. MULTISITE REAL ESTATE TRANSACTION. Grantor acknowledges that this Deed of Trust may be one of several deeds of trust and other security documents (the aforesaid being together called the "OTHER SECURITY DOCUMENTS") which secure the Pioneer Secured Obligations and indebtedness hereby secured. Grantor agrees that the lien of this Deed of Trust shall be absolute and unconditional and shall not in any manner be affected or impaired by any acts or omissions whatsoever of the Trustee or Beneficiary and, without limiting the generality of the foregoing, the lien hereof shall not be impaired by any acceptance by the Trustee or Beneficiary of any security for or guarantees upon any of the indebtedness hereby secured, or by any failure, neglect or omission on the part of the Trustee or Beneficiary to realize upon or protect any of the indebtedness hereby secured or any security therefor including the Other Security Documents. The lien hereof shall not in any manner be impaired or affected by any release (except as to the property released), sale, pledge, surrender, compromises, settlement, renewal, extension, indulgence, alteration, changing, modification or disposition of any of the indebtedness hereby secured or of any of the collateral security therefor, including, without limitation, the Other Security Documents or of any guarantee thereof, and the Trustee or Beneficiary may at their discretion foreclose, exercise any power of sale, or exercise any other remedy available to them under any or all of the Other Security Documents without first exercising or enforcing any of its rights and remedies hereunder. Such exercise of Trustee's or Beneficiary's rights and remedies under any or all of the Other Security Documents shall not in any manner impair the indebtedness hereby secured, except to the extent of its reduction by payment, or the lien of this Deed of Trust and any exercise of the rights or remedies of hereby secured, except to the extent of its reduction by payment, or the lien of this Deed of Trust and any exercise of the rights or remedies of Trustee or Beneficiary hereunder shall not impair the lien of any of the Other Security Documents or any of the Trustee's or Beneficiary's rights and remedies thereunder. Grantor specifically consents and agrees that Beneficiary may exercise its rights and remedies hereunder and under the Other Security Documents separately or concurrently and in any order that it may deem appropriate.

38. INTEREST RATE. For purposes of this Deed of Trust, the term "INTEREST RATE" shall mean the rate per annum determined by adding 3% to the Base Rate (as defined in the Credit Agreement described in Section 40) in effect from time to time.

39. GOVERNING LAW. This Deed of Trust shall be governed by and construed in accordance with the internal laws of the state in which the Mortgaged Premises is located without regard to principles of conflicts of law.

40. CERTAIN DEFINED TERMS. The term "CREDIT AGREEMENT" means that certain Replacement Credit Agreement dated as of October 9, 1998, among (i) Pioneer Resources, LLC, an Oregon limited liability company ("ORIGINAL BORROWER"), the predecessor in interest to Grantor, (ii) the several banks and other financial institutions from time to time parties thereto (collectively, the "LENDERS"), (iii) First Union National Bank, as administrative agent for the Lenders (the "ADMINISTRATIVE AGENT"), ABN AMRO Bank N.V., as Syndication Agent,



and Bank of America, N.A., as Documentation Agent, as such Replacement Credit Agreement is amended by the [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission] described in the following sentence. [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]

41. SECURITY AGREEMENT. To secure the indebtedness hereby secured, Grantor hereby grants to Beneficiary a security interest in all timber that is severed from the real property covered by this Deed of Trust as well as in any of the Mortgaged Premises that constitutes personal property. This Deed of Trust shall constitute a security agreement under Article 9 of the California Commercial Code with the Beneficiary having the rights of a secured party under Article 9 thereof. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust.

42. FIXTURE FILING. Certain of the personal property covered by this Deed of Trust is or will become fixtures on the real property which is a part of the Mortgaged Premises described on Schedule I, and this Trust Deed upon being filed for record in the real estate records of the county wherein such fixtures are situated shall operate also as a financing statement filed as a fixture filing in accordance with the applicable provisions of the California Commercial Code upon such of the properties which are or may become fixtures. The mailing address of Grantor and the address of Beneficiary from which information may be obtained are set forth in the introductory paragraph of this Deed of Trust. The Grantor has an interest of record in such real property.

43. PARTIAL INVALIDITY. All rights, powers and remedies provided herein are intended to be limited to the extent necessary so that they will not render this Deed of Trust invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law. If any term of this Deed of Trust shall be held to be invalid, illegal or unenforceable, the validity and enforceability of the other terms of this Deed of Trust shall in no way be affected thereby.

44. SUCCESSORS AND ASSIGNS. Whenever any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all the covenants, promises and agreements in this Deed of Trust contained by or on behalf of Grantor, or by or on behalf of Trustee or Beneficiary, shall bind and inure to the benefit of the respective successors and assigns of such parties, whether so expressed or not. If more than one party signs this instrument as Grantor, then the term "GRANTOR" as used herein shall mean all of such parties, jointly and severally.

45. HEADINGS. The headings in this instrument are for convenience of reference only and shall not limit or otherwise affect the meaning of any provision hereof.

46. CHANGES, ETC. This instrument and the provisions hereof may be changed, waived, discharged or terminated only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

47. ACCEPTANCE OF TRUST, NOTICE OF INDEMNIFICATION. Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, becomes a public record as provided by law. Trustee is not obligated to notify any party hereto 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 Trustee brings such action under this Deed of Trust. Trustee shall not be obligated to perform any act required of it hereunder unless the performance of such act is requested in writing and Trustee is reasonably indemnified against loss, cost, liability and expense.

48. POWERS OF TRUSTEE. At any time or from time to time upon written request of Beneficiary and the presentation of this Deed of Trust and without affecting the personal liability of any person for payment of any indebtedness hereby secured or performance of the indebtedness hereby secured, Trustee may, without liability therefor and without notice: reconvey all or any part of the Mortgaged Premises; consent to the making of any map or plat thereof; join with Grantor in granting any easement thereon; join with Grantor in any declaration of covenants and restrictions; or join with Grantor in any extension agreement or any agreement subordinating the lien or charge hereof. Trustee or Beneficiary may from time to time apply to any court of competent jurisdiction for aid and direction in the execution of the trusts hereunder and the enforcement of the rights and remedies available hereunder, and Trustee or Beneficiary may obtain orders or decrees directing or confirming or approving acts in the extension of said trusts and the enforcement of said rights and remedies. Grantor shall pay to Trustee reasonable compensation and reimbursement for services and expenses in the administration of the trusts created hereunder, including reasonable attorneys' fees.

49. RECONVEYANCE. Upon Beneficiary's written request, and upon surrender to Trustee of this Deed of Trust and upon payment of its fees, Trustee shall reconvey, without warranty, the Mortgaged Premises or that portion thereof then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. To the extent permitted by law, the reconveyance may be described by the grantee as "the person or persons legally entitled thereto." Neither Beneficiary nor Trustee shall have any duty to determine the rights of persons claiming to be rightful grantees of any reconveyances. When the Mortgaged Premises have been fully reconveyed, the last such reconveyance shall operate as a reassignment of all future rents, issues and profits of the Mortgaged Premises to the person or persons legally entitled thereto, unless such reconveyance expressly provides to the contrary.

50. NO LIABILITY ON TRUSTEE OR BENEFICIARY. Notwithstanding anything contained herein, this Deed of Trust is only intended as security for the indebtedness hereby secured, and Trustee and Beneficiary (in its capacity as Beneficiary, but not in its capacity as Manager

under the Management Agreement) shall not be obligated to perform or discharge, and do not hereby undertake to perform or discharge, any obligation, duty or liability of Grantor with respect to any of the Mortgaged Premises. The foregoing sentence shall not be construed as a limitation on the duties and obligations of Beneficiary in its capacity as Manager under the Management Agreement, which duties and obligations as Manager are set forth in, and subject to the requirements and limitations of, the Management Agreement and the Operating Agreement (as that term is defined in the Management Agreement). Except for their gross negligence or willful misconduct, no liability shall be enforced or asserted against Trustee or Beneficiary in their exercise of the powers herein respectively granted to them, and Grantor expressly waives and releases any such liability. Grantor shall and does hereby agree to indemnify and hold Trustee and Beneficiary harmless of and from any and all liability, loss or damage which any of them may or might incur under or by reason of the exercise of their respective rights hereunder and of and from any and all claims and demands whatsoever which may be asserted against any of them by reason of any alleged obligations or undertakings on any of their parts to perform or discharge any of the terms, covenants or agreements of Grantor contained herein or with respect to any of the Mortgaged Premises, nor shall they be responsible or liable for any negligence in the management, operation, upkeep, repair or control of the Mortgaged Premises resulting in loss or injury or death to any licensee, employee, tenant or stranger. Without limiting the foregoing, neither Trustee nor Beneficiary shall be responsible for any recitals herein or for insuring the Mortgaged Premises, or for the recording, filing or refiling of this Deed of Trust; nor shall Trustee or Beneficiary be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Grantor contained herein.

51. **MONEYS RECEIVED BY TRUSTEE.** All moneys received by Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated in any manner from any other moneys, except to the extent required by law, and Trustee shall be under no liability for interest on any moneys received by him hereunder.

52. **SPECIAL PROVISIONS FOR THE BENEFIT OF THE LENDERS.** By acceptance of this Deed of Trust, Beneficiary and Trustee each acknowledges solely for the benefit of the Lenders that as long as any amounts due the Lenders under the Credit Agreement or the Bridge Loan Agreement (as defined in the [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission) remain unpaid: (a) the Management Agreement, together with [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission], contains certain provisions that under the circumstances set forth therein limit or delay Beneficiary's right to enforce this Deed of Trust or exercise its rights or remedies under this Deed of Trust or require Beneficiary to release or subordinate the lien of this Deed of Trust, all as set forth more fully in the Management Agreement; (b) Grantor, Trustee, and Beneficiary may not agree to amend this Deed of Trust without first obtaining the Lenders' written consent in accordance with the terms of the Credit Agreement; and (c) Beneficiary shall not have the right to make any payments that are to be

claimed as Preservation Costs (as defined in the Securing Clause above) unless and until Beneficiary has given the Grantor and the Lenders at least sixty (60) days' notice in accordance with the notice provisions of the Management Agreement of the proposed payment(s), and the Lenders fail to make such payment(s) within such sixty- (60-) day period. At the request of the Lenders, Beneficiary and Trustee shall release from the lien of this Deed of Trust, and reconvey to Grantor, the personal property which is part of the Mortgaged Property, including without limitation, the Contract Rights; PROVIDED, HOWEVER, if Beneficiary, in its reasonable judgment, determines that the remaining Mortgaged Property does not provide adequate security for the Pioneer Secured Obligations, the obligation to release and reconvey personal property set forth herein shall be conditioned upon Grantor granting an additional security interest to Beneficiary covering additional real property (to be selected and documented in the manner set forth in Section 9 of the Management Agreement) such that the Pioneer Secured Obligations shall be adequately secured (as determined by Beneficiary, in its reasonable judgment, in accordance with the terms of the Management Agreement).

53. NO BENEFIT FOR GRANTOR. Grantor acknowledges that the provisions of Section 52 and the restrictions described therein are solely for the benefit of the Lenders, and not for the benefit of Grantor, and that Grantor shall not be deemed a beneficiary of such provisions. Grantor further acknowledges that the references throughout this Deed of Trust to Section 52, including without limitation those references that declare the rights of the Trustee and/or the Beneficiary to be subject to Section 52, are solely for the purpose of recognizing the rights of the Lenders and the intercreditor arrangements between the Lenders and Beneficiary under the Management Agreement and the [Omitted Confidential Information has been filed separately with the Securities and Exchange Commission]. As between Grantor and Beneficiary and between Grantor and Trustee, such references shall be disregarded and shall be deemed to be of no force or effect; Grantor shall not be entitled to any benefit therefrom or to rely in any respect thereon; and Grantor may not assert the existence of such provisions as a limitation upon or a basis for delay with respect to the exercise of rights or remedies under this Deed of Trust by Trustee and/or Beneficiary.

IN WITNESS WHERE, Grantor has caused these presents to be executed the day and year first written above.

PIONEER RESOURCES I, LLC, a Delaware limited liability company

By: OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company, Its Manager

By:

-----  
Gary F. Tucker  
Its President and Chief Executive Officer

STATE OF WASHINGTON     )  
                                  ) ss.  
COUNTY OF KITSAP        )

On this \_\_\_\_ day of April, 2000, before me, a Notary Public in and for the State of Washington, personally appeared GARY F. TUCKER, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who signed the instrument; on oath stated that he was authorized to execute this instrument as the President and Chief Executive Officer of OLYMPIC RESOURCE MANAGEMENT LLC, a Washington limited liability company, the company that executed the instrument; acknowledged the said instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned; and on oath stated that he was duly elected, qualified, and acting as said officer of the company; that said company is the manager of PIONEER RESOURCES I, LLC, a Delaware limited liability company; that said Washington limited liability company was authorized to execute the said instrument on behalf of said Delaware limited liability company as its manager; and that said instrument was the free and voluntary act and deed of said Delaware limited liability company for the uses and purposes therein mentioned.

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 State of Washington, residing at

My appointment expires -----

Print Name -----

SCHEDULE I

LEGAL DESCRIPTION

PARCEL 1

COMMANDER NORTH TRACT  
TEHAMA COUNTY, CALIFORNIA

THE LAND REFERRED TO HEREIN IS SITUATED IN THE UNINCORPORATED AREA, STATE OF CALIFORNIA, COUNTY OF TEHAMA, AND IS DESCRIBED AS FOLLOWS:

TOWNSHIP 24 NORTH, RANGE 8 WEST, M.D.B. & M.:

- Section 1: Lots 1, 2, 3 and 4, South 1/2 of North 1/2, North 1/2 of Southwest 1/4, Southeast 1/4
- Section 5: Lot 2, Southwest 1/4 of Northeast 1/4, Northwest 1/4 of Southeast 1/4, Northeast 1/4 of Southwest 1/4
- Section 11: South 1/2 of North 1/2, East 1/2 of Southwest 1/4, Northwest 1/4 of Southeast 1/4, South 1/2 of Southeast 1/4
- Section 17: Southwest 1/4 of Northwest 1/4, Northwest 1/4 of Southwest 1/4
- Section 18: East 1/2 of Southeast 1/4
- Section 19: South 1/2 of Northeast 1/4, West 1/2 of Southeast 1/4
- Section 30: North 1/2 of Northeast 1/4
- Section 32: Southeast 1/4 of Northeast 1/4
- Section 33: Southwest 1/4 of Northwest 1/4

TOWNSHIP 24 NORTH, RANGE 9 WEST, M.D.B. & M.:

- Section 1: Southwest 1/4 of Northeast 1/4
- Section 2: Southeast 1/4 of Northeast 1/4
- Section 3: Lot 2 (or fractional Northwest 1/4 of Northeast 1/4), West 1/2 of the South 80 acres of the fractional Northeast 1/4 (or the Southwest 1/4 of the Northeast 1/4), Lot 4 (or the fractional Northwest 1/4 of Northwest 1/4), West 1/2 of the South 80 acres of the fractional Northwest 1/4 (or the Southwest 1/4 of Northwest 1/4) of fractional section
- Section 4: Lot 4 (or fractional Northwest 1/4 of the Northwest 1/4), the South 80 acres of fractional Northwest 1/4 (or the South 1/2 of the Northwest 1/4) of fractional section
- Section 5: Lots 1 and 2 (or the fractional North 1/2 of Northeast 1/4) of fractional section
- Section 14: Northwest 1/4 of Northeast 1/4, West 1/2 of Southeast 1/4
- Section 15: Northwest 1/4
- Section 16: All
- Section 17: East 1/2 of West 1/2, West 1/2 of Southwest 1/4, Northwest 1/4 of Northwest 1/4

Section 18: Northeast 1/4 of Northeast 1/4  
(continued)  
Section 20: West 1/2, East 1/2 of Southeast 1/4  
Section 23: Southeast 1/4, West 1/2 of Northeast 1/4  
Section 26: All  
Section 29: Northeast 1/4 of Northeast 1/4, West 1/2  
Section 32: West 1/2, West 1/2 of East 1/2, East 1/2 of Southeast 1/4,  
Southeast 1/4 of Northeast 1/4  
Section 33: West 1/2 of Southwest 1/4, North 1/2 of Southeast 1/4, South 1/2  
of Northeast 1/4  
Section 34: Southwest 1/4, Southwest 1/4 of Northwest 1/4

Excepting one-half interest in and to all oil, gas and other minerals as  
conveyed to Assets Corporation, by Deed dated November 7, 1946 and recorded  
November 20, 1946 in Book 176 of Tehama County Official Records, at page 432.

TOWNSHIP 25 NORTH, RANGE 8 WEST, M.D.B. & M.:

Section 1: All  
Section 2: West 1/2 of Southwest 1/4  
Section 3: All  
Section 5: Lots 1, 2, 3 and 4, South 1/2 of North 1/2  
Section 7: Southeast 1/4  
Section 9: East 1/2  
Section 10: Northeast 1/4  
Section 11: All  
Section 13: Northeast 1/4, South 1/2  
Section 14: North 1/2 of Southeast 1/4, Northeast 1/4 of Southwest 1/4  
Section 15: Northeast 1/4  
Section 17: North 1/2  
Section 21: North 1/2, Southwest 1/4, West 1/2 of Southeast 1/4  
Section 23: Southeast 1/4  
Section 24: Southeast 1/4, East 1/2 of Southwest 1/4, Southwest 1/4 of  
Southwest 1/4, Northeast 1/4 of Northeast 1/4, South 1/2 of  
Northeast 1/4  
Section 25: North 1/2 of North 1/2, Southeast 1/4 of Northeast 1/4,  
Southwest 1/4 of Northwest 1/4, Northwest 1/4 of Southwest  
1/4, South 1/2 of South 1/2  
Section 27: North 1/2, East 1/2 of Southwest 1/4, Southeast 1/4  
Section 28: North 1/2 of Northeast 1/4, Southwest 1/4 of Northeast 1/4  
Section 33: Southwest 1/4 of Southeast 1/4  
Section 35: All  
Section 36: All

TOWNSHIP 26 NORTH, RANGE 8 WEST, M.D.B. & M.:

Section 15: All

Section 19: All

(continued)

Section 23: All

Section 25: All

Section 27: All

Section 31: East 1/2, East 1/2 of Northwest 1/4, Lots 1 and 2

Section 33: All

Section 35: All



PARCEL 2

COMMANDER MIDDLE TRACT  
TEHAMA COUNTY, CALIFORNIA

THE LAND REFERRED TO HEREIN IS SITUATED IN THE UNINCORPORATED AREA, STATE OF CALIFORNIA, COUNTY OF TEHAMA, AND IS DESCRIBED AS FOLLOWS:

TOWNSHIP 23 NORTH, RANGE 7 WEST, M.D.B. & M.:

Section 30: Lots 3 and 4

TOWNSHIP 23 NORTH, RANGE 8 WEST, M.D.B. & M.:

Section 14: East 1/2 of Southeast 1/4

Section 16: Northwest 1/4 of Southwest 1/4

Section 21: Southeast 1/4 of Southwest 1/4

Section 23: East 1/2 of Northeast 1/4, Southeast 1/4 of Southwest 1/4,  
Southeast 1/4 of Southeast 1/4

Section 24: Southwest 1/4 of Southwest 1/4

Section 25: West 1/2 of Northwest 1/4, Southeast 1/4 of Northwest 1/4,  
Southeast 1/4, East 1/2 of Southwest 1/4, Southwest 1/4 of  
Southwest 1/4

Section 26: Northeast 1/4, East 1/2 of Southeast 1/4, North 1/2 of Northwest  
1/4

Section 27: Northeast 1/4 of Northeast 1/4, North 1/2 of Northwest 1/4,  
Southeast 1/4 of Northwest 1/4

Section 28: North 1/2 of Southwest 1/4, Southwest 1/4 of Southwest 1/4,  
Northwest 1/4 of Southeast 1/4, East 1/2 of Northwest 1/4,  
Southwest 1/4 of Northwest 1/4, Northeast 1/4 of Northeast 1/4

Section 29: North 1/2 of Southeast 1/4, Southeast 1/4 of Southeast 1/4,  
Southwest 1/4 of Northeast 1/4

Section 30: North 1/2 of Northeast 1/4, Southeast 1/4 of Northeast 1/4,  
Northeast 1/4 of Southeast 1/4 and fractional North 1/2 of  
Northwest 1/4

Section 32: Southeast 1/4 of Northwest 1/4, Northeast 1/4 of Southwest 1/4,  
West 1/2 of Southwest 1/4, East 1/2 of Southeast 1/4, Southwest 1/4  
of Southeast 1/4

Section 33: Southwest 1/4 of Southwest 1/4

Section 35: East half of the Southeast quarter.

Section 36: All

TOWNSHIP 23 NORTH, RANGE 9 WEST, M.D.B. & M.:

Section 15: South 1/2 of Southwest 1/4, Southwest 1/4 of Southeast 1/4

Section 16: Northwest quarter of Southwest quarter, East half of Southwest  
quarter of the Northwest quarter.

Section 22: East 1/2 of Northwest 1/4, Northwest 1/4 of Northeast 1/4

END OF EXHIBIT A

SCHEDULE II

PERMITTED ENCUMBRANCES

Those exceptions set forth in Schedule B that certain mortgage title insurance policy issued by First American Title Company pursuant to that certain preliminary title report prepared by Northern California Title Company (Order Number 27380) dated April 13, 2000.



3-MOS

	DEC-31-2000	
	JAN-01-2000	
	MAR-31-2000	
		4,880
		0
		2,911
		0
		12,195
		20,773
		60,212
		15,853
		68,290
3,570		
		13,163
0		
		0
		0
		51,232
68,290		
		9,369
		13,449
		4,005
		10,973
		0
		0
		310
		2,257
		(113)
2,367		
		0
		0
		0
		2,367
		.52
		.52