

THIS SECURITY AGREEMENT made between ROBERT E. FAH and LEONORE M. FAH, husband and wife, (hereinafter referred to as the "secured party") and RONALD R. KENNEDY and SUZANNE L. KENNEDY (hereinafter referred to as the "debtor").

1. Creation of Security Interest. The debtor, to secure the payment of the indebtedness hereinafter referred to and in consideration paid by the secured party to the debtor, the receipt of which is hereby acknowledged, does hereby grant to the secured party, its successors, and assigns a security interest in that certain cabin and membership certificate described below. The security interest will attach to said cabin and all additions and assessments thereto, including outbuildings, furnishings, and appliances, hereinafter collectively referred to as the collateral.

2. The Debt. This security agreement is given to secure the payment and performance of all indebtedness and obligations of debtor to secured party presently existing and hereafter arising and interest thereon as follows:

The purchase price which it is agreed shall be paid for said cabin, membership certificate, and stock, is the sum of Twenty Six Thousand Seven Hundred and no/100 Dollars (\$26,700.00) of which the sum of Ten Thousand and no/100 Dollars (\$10,000.00) has been paid, receipt of which is hereby acknowledged, and the balance in the amount of ~~Seventeen~~ ^{Fifteen} Thousand Seven Hundred (\$15,700.00) shall be paid as follows:

In monthly installments of Two Hundred Twenty and 69/100 Dollars (\$220.69) or more, beginning on the 8th day of September, 1985, and continuing monthly thereafter on the 8th day of each and every month, until the whole balance of the purchase price, including both principal and interest, shall be fully paid. The unpaid balance of the purchase price shall at all times bear interest at the rate of ten per cent (10%) per annum and from each payment shall first be deducted the interest to date and the balance shall be applied on the principal. Interest shall begin to accrue as of 8 August 1985. The balance, including interest thereon, shall be fully paid within ten (10) years from date of closing.

It is understood and agreed between the parties that, the down payment in the sum of Ten Thousand and no/100 Dollars (\$10,000.00) shall be paid by the debtor for the benefit of the secured party in the following manner: (a) Nine Thousand and no/100 Dollars (\$9,000.00) shall be held in the trust account of James D. Horton, attorney, 1014 Franklin Street, Vancouver, Washington, in an interest bearing account for the benefit of the parties; and (b) One Thousand and no/100 Dollars (\$1,000.00) shall be held by a real estate broker subject to the same terms and conditions of this Agreement. The above sum shall be paid to secured party within five (5) days from the date that the above corporation acquires fee simple title to the real estate known as Swift Creek Estates from Burlington Northern Railway and the lease with Swift Creek Estates is signed by the debtor covering lot 25, SWIFT CREEK ESTATES. In the event the Burlington Northern transaction fails to close or the lease with the corporation is not signed within six (6) months from date of effect of this agreement, either party shall have the right to terminate this agreement and all funds will be returned to the debtor with the exception that the debtor shall be obligated to pay all interest owing to the secured party on the above obligation.

At time of disbursement, the secured party shall execute a proxy on the above described stock to the debtor. The debtor shall have the right to vote said stock so long as the security agreement is not in default.

3. Possession. Possession of the above described property shall be upon execution of this agreement.

4. Taxes. The debtor shall pay before delinquency any taxes or other governmental charge which is or can become through assessment or distraint or otherwise a lien on the collateral.

Printed	\$
Interest	\$
Legal	\$
Notary	\$
Record	\$

5. Insurance. The debtor shall keep the collateral continuously insured at his expense against the hazards in amounts equal to the full insurable value of the collateral. It is agreed that any insurance proceeds collected may be applied at the option of the secured party to any obligations secured hereby whether matured or not matured or to restoration or repair of the collateral.

6. Other Liens. The debtor shall neither create, cause or permit the creation of any other lien, incumbrance or security interest in the collateral, save upon prior written consent of the party.

7. Location of Collateral. The collateral is located at Lot 25, SWIFT CREEK ESTATES, Skamania County, Washington.

8. Sale and Assignment. The security interest may not be sold or assigned without the prior written consent of the secured party. Such written consent will not be unreasonably withheld by secured party.

9. Inspection. The secured party may inspect the collateral and debtor's books and records at reasonable times and intervals and may enter debtor's premises to do so.

10. Acceleration on Default. Time is of the essence of this security agreement and in the event of default in the payment of the principal of, or interest on, any obligations secured hereby, or breach of any covenant, warranty or agreement of debtor contained herein, or if debtor becomes insolvent or bankrupt, or if debtor makes an assignment for the benefit of creditors, or if a receiver is appointed for any of debtor's assets, or if any of the collateral is in danger of being wasted, injured or destroyed, or if any of the collateral is seized under attachment or levy the entire amount of secured obligations shall, at secured party's option, become immediately due and payable without notice or demand.


11. Remedies. In the event of a default hereunder the secured party shall have all remedies provided by the laws of the State of Washington.

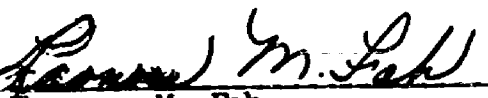
12. Merger. This security agreement expresses the full and final purpose of the parties and will not be qualified or supplemented by course of dealing.

13. Waiver and Modification. No waiver or modification of any term or condition of this security agreement shall be effective unless in writing and signed by the secured party; and that no waiver or indulgence by secured party of any deviation or departure by debtor from full performance of this security agreement or of any obligation secured by it shall be a waiver of secured party's right to subsequent or other full, direct and timely performance.

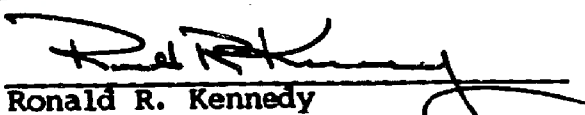
SIGNED this 8th day of August, 1985.


Secured Party:


Robert E. Fah


Leonore M. Fah

Debtor:


Ronald R. Kennedy


Suzanne L. Kennedy

BIAIR, SCHAEFER, HUTCHISON, WYNNE,
POTTER & HORTON
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AUDITOR
GARY M. OLSON