

DEED OF TRUST

THIS DEED OF TRUST, made this 15 day of Oct, 1986, between
D & R Timber Company, Debtor-in-Possession, as Grantor, whose address is
P.O. Box 587, North Plains, Oregon 97133;
_____, as Trustee, whose address is
_____;
and First Interstate Bank of Oregon, N.A., as Beneficiary, whose address is
Portland Main Branch, P.O. Box 3438, Portland, Oregon 97208;

WITNESSETH: Grantor hereby bargains, sells and conveys to Trustee in Trust, with power of sale, the following described real property in Skamania County, Washington:

The East 1/2 of the Northeast 1/4 of the Southwest 1/4, Section 24, Township 3 North,
Range 7 East of the Willamette Meridian

FILED FOR RECORD
SKAMANIA CO. WASH
BY ALBERT N. KENNEDY
ATTORNEY AT LAW
JAN 21 10 02 PM '87
A. News, Dep.
AUDITOR
GARY M. OLSON

which real property is not used principally for agricultural or farming purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the rents, issues and profits thereof.

See Exhibit A attached hereto and by this reference incorporated herein.

Registered S
Indexed S
Indirect S
Filmed _____
Mailed _____

To protect the security of this Deed of Trust, Grantor covenants and agrees:

1. To keep the property in good condition and repair; to permit no waste thereof; to complete any building, structure or improvement being built or about to be built thereon; to restore promptly any building, structure or improvement thereon which may be damaged or destroyed; and to comply with all laws, ordinances, regulations, covenants, conditions and restrictions affecting the property.
2. To pay before delinquent all lawful taxes and assessments upon the property; to keep the property free and clear of all other charges, liens or encumbrances impairing the security of this Deed of Trust.
3. To keep all buildings now or hereafter erected on the property described herein continuously insured against loss by fire or other hazards in an amount not less than the total debt secured by this Deed of Trust. All policies shall be held by the Beneficiary, and be in such companies as the Beneficiary may approve and have loss payable first to the Beneficiary as its interest may appear and then to the Grantor. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiary shall determine. Such application by the Beneficiary shall not cause discontinuance of any proceedings to foreclose this Deed of Trust. In the event of foreclosure, all rights of the Grantor in insurance policies then in force shall pass to the purchaser at the foreclosure sale.
4. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee, and to pay all costs and expenses, including cost of title search and attorney's fees in a reasonable amount, in any such action or proceeding, and in any suit brought by Beneficiary to foreclose this Deed of Trust.
5. To pay all costs, fees and expenses in connection with this Deed of Trust, including the expenses of the Trustee incurred in enforcing the obligation secured hereby and Trustee's and attorney's fees actually incurred, as provided by statute.
6. Should Grantor fail to pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the property hereinabove described, Beneficiary may pay the same, and the amount so paid, with interest at the rate set forth in the note secured hereby, shall be added to and become a part of the debt secured in this Deed of Trust.

IT IS MUTUALLY AGREED THAT:

1. In the event any portion of the property is taken or damaged in an eminent domain proceeding, the entire amount of the award or such portion thereof as may be necessary to fully satisfy the obligation secured hereby, shall be paid to Beneficiary to be applied to said obligation.

2. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right, to require prompt payment when due of all other sums so secured or to declare default for failure to so pay.

3. The Trustee shall reconvey all or any part of the property covered by this Deed of Trust to the person entitled thereto on written request of the Grantor and the Beneficiary, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiary or the person entitled thereto.

4. Upon default by Grantor in the payment of any indebtedness secured hereby or in the performance of any agreement contained herein, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expense of sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligation secured by this Deed of Trust; (3) the surplus, if any, shall be deposited with the clerk of the court of the county of sale.

5. Trustee shall deliver to the purchaser at the sale, its deed, without warranty, which shall convey to the purchaser the interest in the property which Grantor had or had the power to convey at the time of his execution of this Deed of Trust, and such as he may have acquired thereafter. Trustee's deed shall recite the facts showing that the sale was conducted in compliance with all the requirements of law and of this Deed of Trust, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of bona fide purchasers and encumbrancers for value.

6. The power of sale conferred by this Deed of Trust and by the Deed of Trust Act of the State of Washington is not an exclusive remedy; Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

7. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiary may appoint, in writing, a successor Trustee, and upon the recording of such appointment in the mortgage records of the county in which this Deed of Trust is recorded, the successor Trustee shall be vested with all powers of the original Trustee. The 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, Trustee or Beneficiary shall be a party unless such action or proceeding is brought by the Trustee.

8. This Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, devisees, legatees, administrators, executors, successors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby, whether or not named as Beneficiary herein.

Witness the hand(s) of the Grantor(s) on the day and year first above written.

D & R TIMBER, INC., Debtor-in-Possession

By: Ra Bada

By: _____

OREGON
STATE OF WASHINGTON

COUNTY OF Multnomah

On this day personally appeared before me R.A. Baldwin

to me known to be the individual(s) described in and who executed the within and foregoing instrument, and acknowledged that he signed the same as President free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 15 day of October, 1986.

Richard D. [Signature]
Notary Public in and for the State of Washington, Oregon

residing at Portland, Oregon

RECORDER'S NOTE: NOTARIAL SEAL
NOT AFFIXED

REQUEST FOR FULL RECONVEYANCE

TO: TRUSTEE

The undersigned is the legal owner and holder of the note and all other indebtedness secured by the within Deed of Trust. Said note, together with all other indebtedness secured by said Deed of Trust, has been fully paid and satisfied; and you are hereby requested and directed, on payment to you of any sums owing to you under the terms of said Deed of Trust, to cancel said note above mentioned, and all other evidences of indebtedness secured by said Deed of Trust delivered to you herewith, together with the said Deed of Trust, and to convey, without warranty, to the parties designated by the terms of said Deed of Trust, all the estate now held by you thereunder.

Dated this _____ day of _____, 19____

Mail reconveyance to _____

EXHIBIT A

This Deed of Trust shall secure payment and performance of any and all obligations of Debtors to provide adequate protection for the use by Debtors of Prepetition Collateral and Postpetition Collateral [Debtors, Prepetition Collateral and Postpetition Collateral being defined in the Stipulation and Order for Use of Cash Collateral and Adequate Protection dated July 28, 1986 ("Order")] from and after June 18, 1986 under the terms of the Order.

The Grantor covenants and agrees that:

A. Definition: The term "Timber Lands" as hereinafter used refers to that part of the herein-described property now maintained and operated primarily for the production of timber.

B. Management, General: The Timber Lands shall be operated for their highest and best use as timberlands, having due regard to soil conditions, stand arrangements and other factors relevant to the conduct of sound silvicultural and harvesting practices. Any intermediate harvesting of timber shall be carried out in a manner calculated to produce the maximum growth on the maximum number of stems, consistent with the production of the greatest quantity of timber.

C. Harvesting Operations: All cutting operations shall be conducted in such a manner as to realize the greatest return from the individual tree and from the timber stand, to effect suitable utilization of the Timber Lands, to assure the early and complete regeneration of stands of desirable timber, and to bring about their optimum development as to growth; trees shall be cut as close to the ground as practicable; all desirable trees which are not at the time being harvested, including young trees, shall be protected against unnecessary injury from felling, skidding and hauling; and all measures reasonably practicable shall be used to prevent soil erosion, including the proper location of skidways and roads.

D. Salvage: To the extent economically feasible, all trees which are dead, diseased, fallen or otherwise damaged by casualty, shall be salvaged in accordance with sound silvicultural practices; any timber salvaged shall be applied against the release provision in Paragraph K hereof; and any salvage in excess of the volumes permitted under Paragraph K hereof shall be subject to the prior written approval of the Beneficiary.

E. Fire Protection: All measures shall be taken which are reasonably necessary to protect the Timber Lands from loss by fire, which measures shall be at least equal to fire-control practices generally followed on timber producing property in the same general area, including the adoption of suitable prevention and control measures, the maintenance of adequate fire-fighting equipment, proper disposal of slash, and full cooperation with state and federal agencies on matters of fire prevention and control.

F. Maintenance of Roads: An adequate system of roads and roadways shall be maintained in such manner as to permit access of mobile fire-fighting equipment to all parts of the Timber Lands.

G. Control of Disease: There shall be maintained at all times in a manner satisfactory to the Beneficiary and in accordance with sound silvicultural practices all reasonable and effective measures to prevent the development of and to control the spread of disease and insect infestation on the herein-described property.

H. Trespass: The herein-described property shall be marked to indicate the boundaries thereof in a conspicuous manner satisfactory to the Beneficiary; such markings shall be renewed from time to time as may be necessary clearly to maintain public notice of boundaries; and the Grantor shall cause the Timber Lands to be inspected for the purpose of preventing trespass of any type or nature, including unauthorized cutting of timber.

I. Contracts: No contract for the sale of timber wherein the buyer is granted the privilege of entry upon the herein-described property for cutting and removal shall be made without prior written approval of the Beneficiary.

J. Inspection: The Beneficiary shall have the right to inspect the herein-described property, to examine the scaling sheets and books of accounts of the Grantor relating to the herein-described property, and to discuss the business, finances and accounts of the Grantor with the Grantor and its agents, all at such reasonable times and intervals as the Beneficiary may desire.

K. Cutting and Removal of Timber. The Grantor shall neither cut or remove, nor permit the cutting or removal of timber from the Timber Lands, without the prior written consent of the Beneficiary, except as hereinafter provided. The Grantor shall have the right to cut timber for noncommercial use on the herein-described premises (and not for resale), for the purposes of repair, replacement,

and construction of improvements, including bridges and fences, and for fuel; provided, however, that there shall be no default in accordance with the terms of the Order or this Deed of Trust, that only trees not then of merchantable quality and without reasonable prospect of becoming such quality shall be used for fuel, and that no timber shall be cut for the purposes described in this sentence until timber cut or removed in salvage or thinning operations shall have been used for such purposes to the fullest extent practicable.