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SKAMANIA CO. WASH
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P. Savory
AUDITOR

GARY M. OLSON

After Recording Return to:

CASCADE ESCROW
1075 OAK
EUGENE, ORE 97401
602-2233

SC 18857

120159

BOOK 144 PAGE 883

DEED OF TRUST AND SECURITY AGREEMENT

THIS DOCUMENT CONSTITUTES A SECURITY AGREEMENT
IN ACCORDANCE WITH RCW 62A.9-105(h)

THIS DEED OF TRUST AND SECURITY AGREEMENT ("Deed of Trust") is made this 14 day of July, 1994, by and between LEROY L. ANDERSON as Grantor and Debtor (herein collectively called "Grantor"), TICOR TITLE INSURANCE COMPANY, as Trustee ("Trustee"), and CASCADE EXCHANGE SERVICES, INC., as Beneficiary and Secured Party ("Beneficiary").

RECITALS:

A. Except as noted herein, Grantor is the owner of the real property described on Exhibit "A" which is attached hereto, together with all of the timber thereon, whether growing, grown or to be grown, and whether standing or down.

B. This Deed of Trust is given to secure payment and performance of all obligations and amounts due or to become due under that certain Note of even date between Grantor and Beneficiary ("Note").

C. This Deed of Trust is further given to secure:

(1) Payment and performance of any renewals, extensions, substitutions and modifications of the Note; and

(2) Payment and performance of any other indebtedness or obligation of Grantor to Beneficiary, now or hereafter arising under the terms hereof, the terms of any other agreement constituting additional security for the Note, and/or the terms of any other agreement now existing or hereafter entered into by Grantor and Beneficiary or executed by Grantor in favor of Beneficiary related to the foregoing, including future advances.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties hereto agree as follows:

Registered ☒
Indexed, Ltr ☒
Indirect ☒
Filmed ☒
Mailed ☒

SECTION 1 GRANT AND CONVEYANCE

Grantor hereby irrevocably grants, conveys, bargains and sells to Trustee, in trust, with power of sale, all of Grantor's right, title and interest, now owned and hereafter acquired, in and to the following described and defined Real Property, Timber, and Proceeds (which are herein sometimes referred to collectively as the "Premises"):

1.1 Real Property. The real property described on Exhibit "A" hereto including all of Grantor's right, title and interest now held or hereafter acquired in and to such real property, lease and any and all roads, easements, streets and ways, open or proposed, bounding the real property described on Exhibit "A", and all rights of ingress and egress thereto Property (the "Real Property").

1.2 Timber. All timber located on the real property described in Exhibit "A", whether live or dead, standing or down, and merchantable or unmerchantable.

1.3 Proceeds. Without limiting the foregoing, all insurance and/or condemnation proceeds and awards (including title insurance proceeds) related to any of the foregoing or any interest in the foregoing, regardless of form or generation and regardless of the source of payment of insurance premiums (herein the "Proceeds").

1.4 Security Agreement. This Deed of Trust constitutes a security agreement within the meaning of the Uniform Commercial Code, and Grantor hereby grants to Beneficiary a security interest in that portion of the Premises which is, or is deemed to be, personal property.

SECTION 2 GRANTOR'S COVENANTS AND WARRANTIES

Grantor warrants, covenants and agrees with and to Trustee and Beneficiary as follows:

2.1 Title.

2.1.1 Warranty of Title. Grantor warrants that Grantor is the absolute legal and equitable owner of, and has good and marketable title to, the Premises free of all liens, claims, security interests, encumbrances, easements or restrictions whatsoever, except that the Real Property and any existing Improvements are subject to those matters set forth on Exhibit "B" hereto (herein the "Permitted Exceptions"). Grantor has full power and authority to grant, bargain, sell and convey his interest in the Premises in the manner and form herein done or intended hereafter to be done. This Deed of Trust is and shall remain a valid and enforceable second lien on the Premises subject only to the Permitted Exceptions as the same relate to the Real Property and any existing Improvements. Grantor and his successors and assigns shall warrant and defend such title forever against all claims and shall promptly perform all of the obligations to be performed hereunder and under the Permitted Exceptions. Grantor shall furnish to Beneficiary written notice of any material litigation, lien, or notice of default affecting the Premises or any portion thereof, within three (3) days of initial receipt of notice of such litigation, lien or default. For purposes of this Section, "material" shall mean litigation in which the amount in controversy shall exceed \$10,000.

2.1.2 Further Assurances. Grantor shall, at its cost, do, execute, acknowledge and deliver all further acts, deeds, conveyances, deeds of trust, assignments, notices of assignments, financing statements, transfers and assurances as Beneficiary shall from time to time require, for the better perfecting, continuing, assuring, conveying, assigning, transferring and confirming unto the Trustee or Beneficiary the Premises and rights hereby conveyed or assigned or intended now hereafter so to be, or which the Grantor may be or may hereafter become bound to convey or assign to the Trustee or Beneficiary, or for carrying out the intention or facilitating the performance of the terms of this Deed of Trust.

2.2 Payment and Performance of Secured Obligations and Permitted Exceptions; Taxes.

2.2.1 Payment of Secured Obligations. The Note and all other obligations of Grantor set forth in Recitals B and C above, including all obligations and duties of Grantor hereunder, are herein collectively referred to as the "Secured Obligations". Grantor shall pay and perform as and when due all of the Secured Obligations without offset and without prior notice or demand except as provided in the Note and documents thereto. All payments due hereunder shall be made to an escrow account to be established with Trustee.

2.2.2 Payment of Taxes.

2.2.2.1 Generally. Grantor shall pay, when due and before delinquency all Taxes (as defined below) with respect to the Premises. Grantor shall have the right to pay any Taxes in installments pursuant to and subject to any statute or ordinance allowing such method of payment. Upon demand, Grantor shall provide Beneficiary with evidence, satisfactory to Beneficiary, of all such payments. "Taxes" shall mean and include, without limitation, all personal and real property taxes and assessments, both general and special, and all other taxes or impositions, whether public or private, of any kind and nature, levied, assessed or imposed upon the Premises or any portion thereof as well as taxes related to income generated by the cutting of timber from the Property. If Grantor, in good faith, disputes the amount or validity of any Tax, Grantor may contest the same by any lawful means, provided (a) Grantor gives to Beneficiary prior written notice of such contest, (b) Beneficiary's interest in the Premises, in Beneficiary's sole determination, is not jeopardized by such contest, and (c) Grantor pays promptly all amounts ultimately determined or adjudged to be payable.

2.2.2.2 Right to Require Tax and Insurance Reserve Payments. In the event Grantor shall fail to pay any taxes promptly when due, or shall fail to pay any insurance premium required to maintain the insurance described in Section 2.6, Beneficiary may, in Beneficiary's sole discretion, require Grantor to maintain reserves for payment of Taxes or premiums for insurance or both. The reserve shall be created by initial payment and subsequent monthly payment to Beneficiary of an amount determined by Beneficiary to be sufficient to produce, at least thirty (30) days before they are due, amounts equal to or in excess of the Taxes or insurance renewal premiums to be paid. If, at the time payments are to be made, the reserve therefor is insufficient or would be rendered insufficient, Grantor shall upon demand pay such additional sum as Beneficiary shall determine to be necessary.

2.3 Timber Cutting. Grantor shall fall, buck and log the timber on the Real Property to recover the maximum feasible grade volume. All grade logs, all Douglas fir special cull logs and all utility logs will be removed, scaled and sold. All proceeds after expenses related to logging operations and reforestation from the sale of the timber will be deposited into escrow with Trustee to be disbursed in accordance with instructions to Trustee relative to a Section 1031 exchange on behalf of Beneficiary. Timber cut under this agreement will be scaled in Scribner decimal C scale at Grantor's expense by

Weyerhaeuser Company or as otherwise agreed by Grantor and Beneficiary in writing. Grantor shall instruct Weyerhaeuser Company to provide scale certificates to Beneficiary. Scaling will be based on the Bureau Rule of one foot length scale. Grantor shall not be required to cut timber beyond the amount necessary to extinguish the debt as evidenced by the Note.

2.4 Maintenance and Repair. Without limiting Grantor's obligations under any other agreement executed in favor of Beneficiary, Grantor shall keep the Real Property, Improvements and Personal Property in good operating order, repair and condition, ordinary wear and tear excepted, and shall not commit or permit any waste thereof. Grantor shall, at his own cost, make all repairs necessary to the same and shall complete and restore promptly and in good and workmanlike manner any portion of the same which may be damaged or destroyed, and pay, when due, all costs incurred in connection therewith whether or not sufficient Proceeds are available to pay such costs; the same shall be restored and repaired so as to be of at least equal value and of substantially the same character as prior to such damage or destruction.

2.5 Compliance with Laws.

2.5.1 Generally. Grantor shall comply with all laws, ordinances, regulations, easement agreements, covenants, conditions and restrictions affecting the Premises or the operation thereof. Grantor shall not cause, permit nor suffer any violation of any of the foregoing, except as noted elsewhere, and shall pay all fees or charges of any kind in connection therewith.

2.5.2 Environmental Laws. For purposes hereof, the phrase "Hazardous Materials" shall mean and include any oil, hazardous substance, pollutant, contaminant, hazardous waste, hazardous material, dangerous waste, extremely hazardous waste, toxic waste, asbestos, or air pollution, as any such term or similar term is now or hereafter defined, used or understood in or under any federal, state, county, city or other governmental statute, rule, ordinance, order or regulation which relates in any way to the protection of the environment (herein "Environmental Laws"). Grantor covenants as follows: In no event shall Grantor bring onto, store upon, bury, use upon, emit or release from, nor allow to be brought onto, stored upon, buried, used upon, or emitted or released from, the Real Property or the Improvements, any Hazardous Materials in violation of any Environmental Laws. Grantor shall indemnify and hold Beneficiary, his employees and agents, and the Premises, harmless from any and all liability, claim, cost, damage or expense, including attorneys' fees, monitoring costs, response costs and penalties, with respect to any breach or alleged breach of these warranties and covenants or any environmental law. These warranties and covenants shall survive the exercise of any remedies by Beneficiary, including, but not limited to, foreclosure or obtaining title in lieu of foreclosure.

2.6 Insurance.

2.6.1 Obligation to Insure. Grantor shall at all times provide, maintain and keep in force, at his own cost and expense, the following policies of insurance, and such other insurance as Beneficiary may require from time to time:

2.6.1.1 Liability Insurance. Comprehensive general public liability policy of insurance, including Products and Completed Operations coverage, on an "occurrence basis", insuring against claims for bodily injury, death or property damage occurring in, on or about the Real Property and Improvements and adjoining roads and passageways arising out of or in any way connected with the use, occupancy, possession, ownership or condition (whether or not now existing) of the same. The limits of such coverage shall be no less than One Million and No/100 Dollars (\$1,000,000.00)

per occurrence. Such policy shall insure performance of Grantor's indemnity obligations hereunder and shall name Beneficiary as an additional insured, providing coverage for Beneficiary regardless of whether the asserted claim is also asserted against Grantor.

2.6.1.2 Exculpation; General Provisions Related to All Policies. Neither Trustee nor Beneficiary shall be obligated to obtain insurance, nor be responsible for the collection of any insurance monies or for any insolvency of any insurer or insurance underwriter. All policies of insurance required by this Deed of Trust (a) shall contain an endorsement of the insurer waiving all rights of set-off, subrogation, counterclaim, or deductions against Beneficiary; (b) shall be issued in amounts no less than those specified in this Section 2.6.1 and shall be issued by companies acceptable to Beneficiary, and (c) shall contain a provision that such policies will not be canceled or amended, which term shall include any reduction in the scope or limits of coverage, without at least thirty (30) days prior written notice to Beneficiary.

2.6.2 Delivery of Insurance Policies, Payment of Premiums. Grantor shall furnish Beneficiary with a copy of each policy of insurance required hereunder and a certificate of each policy of insurance required hereunder, each such certificate setting forth the coverage, the limits of liability, the name of the carrier, the policy number and the expiration date. At least thirty (30) days prior to the expiration of each such policy, Grantor shall furnish Beneficiary with an original of all policies required hereunder marked "premium paid" and with evidence, satisfactory to Beneficiary, of the reissuance of such policy continuing insurance in force as required by this Deed of Trust. In the event any such insurance policy and/or evidence of payment of premium are not so delivered to Beneficiary as required hereunder, Grantor, by executing this Deed of Trust, specifically requests Beneficiary to obtain and pay for, and Beneficiary may obtain and pay for, such insurance for such risks covering Beneficiary's interest (without notice to or demand upon Grantor and without releasing Grantor from any obligation hereunder), and Grantor shall pay all premiums thereon promptly upon demand by Beneficiary, and until such payment is made by Grantor the amount of all such premiums together with interest thereon at the rate of 10% per annum from the date of payment by Beneficiary shall be secured by this Deed of Trust.

2.7 Condemnation. Grantor, immediately upon obtaining knowledge of any contemplated condemnation of the Premises or any portion thereof, or of the institution of any proceeding for the condemnation of the Premises or any portion thereof, shall notify Beneficiary of the pendency thereof. Grantor hereby assigns, transfers and sets over unto the Beneficiary all compensation, rights of action, the entire proceeds of any award and any claim for damages for any of the Premises taken or damaged under the power of eminent domain or by condemnation or by sale in lieu thereof. Beneficiary may, at its option, commence, appear in and prosecute, in its own name, any action or proceeding, or make any compromise or settlement, in connection with such condemnation, taking under the power of eminent domain, or sale in lieu thereof. After deducting therefrom all of its expenses, including attorneys fees, the net proceeds of the award which have been paid to Beneficiary shall be applied to the payment of the indebtedness secured hereby, or, at the election of Beneficiary, in Beneficiary's sole and absolute discretion, may be made available to Grantor for restoration or rebuilding of the Premises if such restoration is feasible in such a way as to restore the Premises to the same use and at least the condition and quality as the Premises existed prior to the condemnation, the value of which shall exceed the sum of the then unpaid balance of the debt secured hereby. To the extent that such proceeds are paid to Beneficiary but are either not made available to Grantor under the preceding sentence, or are not used by Grantor for such purpose within one hundred eighty (180) days, such proceeds shall be applied to the indebtedness and obligations secured hereby in the manner set forth in Section 2.6.3.1 above. Any proceeds made available to Grantor shall be made available under a disbursement system as described in Section 2.6.3.1 above. Grantor agrees to execute such

further assignments of any compensation, award, damages, right of action and proceeds, as Beneficiary may require.

2.8 Lien and Encumbrances. Without limiting Grantor's obligations pursuant to any other agreement executed in favor of Beneficiary, Grantor shall pay, when due, all obligations, lawful claims or demands of any person which, if unpaid, might result in, or permit the creation of, a lien or encumbrance on the Premises or any portion thereof, whether such lien would be senior or subordinate hereto, including, without limiting the generality of the foregoing, all claims of mechanics, materialmen, laborers and others for work or labor performed or materials or supplies furnished or rented in connection with any work, alteration, improvement of or construction upon the Premises; provided, however, that in the event Grantor disputes the amount or validity of any claim which constitutes a lien or encumbrance on the Premises, Grantor may contest such claim provided (a) Grantor gives to Beneficiary prior written notice of such contest, (b) Grantor causes such lien to be removed, by bond or deposit as allowed by Washington law, from the Premises within fifteen (15) days of the filing of such lien or claim, (c) Beneficiary's interest in the Premises and/or the lien of this Deed of Trust are not, in Beneficiary's sole opinion, jeopardized thereby, and (d) Grantor promptly pays any amount ultimately determined to be due.

2.9 Indemnification. Grantor shall appear in and defend any suit, action or proceeding that might in any way and in the sole judgment of Beneficiary affect the value of the Premises, the title to the Premises or the rights and powers of Trustee or Beneficiary. Grantor shall indemnify Beneficiary and Trustee from and against any claim, loss, cost, damage or expense (including attorneys fees) arising out of or related to this Deed of Trust, the Premises or the condition (whether or not now existing) thereof. The indemnity obligations of Grantor shall survive the reconveyance or foreclosure hereof.

2.10 Sale of Premises.

2.10.1 Sales. Except as regards timber cutting as provided for herein and in addition to any other right available hereunder or in law or equity, Beneficiary may declare all sums secured hereby immediately due and payable if, without Beneficiary's prior written consent: (a) Grantor sells, assigns, transfers, conveys, enters into a complete lease, a master lease, or a ground lease with respect to, encumbers, mortgages, assigns for security purposes, or otherwise disposes of or alienates, voluntarily or involuntarily, all or any part of the Premises or any interest of Grantor therein, except a transfer to a corporation wholly owned by Grantor; (b) Grantor suffers title or any interest in the Premises to be divested, whether voluntarily or involuntarily; or (c) If title is transferred to a corporation wholly owned by Grantor, if Grantor sells, assigns, transfers, conveys, encumbers, mortgages, assigns for security purposes, or otherwise disposes of or alienates, voluntarily or involuntarily, all or any part of the legal or beneficial ownership interest in the corporation. The foregoing acts are herein referred to as "Sales" and a Sale without the prior written consent of Beneficiary shall be an Event Of Default hereunder. Beneficiary may withhold such consent in its sole discretion. Any consent by Beneficiary to one Sale shall not constitute a waiver of Beneficiary's rights hereunder with respect to any subsequent Sale.

2.10.2 Obligations of Grantor and Third Party Transferee. In the event of a Sale which is a conveyance without the prior written approval of Beneficiary, Beneficiary may, without notice to Grantor, waive such default and deal with such successor or successors in interest with reference to this Deed of Trust and the Note in the same manner as with Grantor, without in any way releasing, discharging or otherwise affecting the liability of Grantor hereunder or under the Note or any other document evidencing or securing any Secured Obligation. No Sale shall affect Grantor's obligation to perform each term and provision hereof, nor release Grantor from any liability hereunder. In connection

with any Sale, whether such Sale has or has not been approved in writing by Beneficiary, any document conveying the Premises, or any part thereof or interest therein, shall provide that the grantee thereunder assumes all of Grantor's obligations under this Deed of Trust, the Note, and all other documents evidencing or securing any Secured Obligation. In the event of any unapproved Sale, Beneficiary shall have all rights and remedies reserved to it hereunder, or if Beneficiary shall elect, by written notice, not to exercise such rights and remedies, the grantee under such conveyance document shall nevertheless be deemed to have assumed such obligations by acquiring the Premises or such portion thereof or interest therein subject to this Deed of Trust. Any transferee (whether approved in advance by Beneficiary or not) hereby agrees to execute, acknowledge and deliver any such further documents to evidence or perfect the interest of Beneficiary in the Premises as Beneficiary shall require, upon demand.

2.11 Advances. If Grantor shall fail to perform any of the covenants contained herein, in the Note, in any instrument constituting additional security for the Note, in any Permitted Exception, and/or in any document evidencing or securing any Secured Obligation, Beneficiary may, but without obligation to do so, make advances to perform same in its behalf, and all sums so advanced shall be secured by this Deed of Trust. Grantor shall repay on demand all sums so advanced in its behalf with interest at the rate of 10% per annum from the date of expenditure until the date repaid. Nothing herein contained shall prevent any such failure to perform on the part of Grantor from constituting an Event of Default and no exercise by Beneficiary of any right hereunder shall constitute a waiver of such Event of Default.

2.12 Time. Grantor agrees that time is of the essence hereof in connection with all obligations of Grantor herein.

2.13 Additional Security Agreement Provisions. Grantor hereby grants to Beneficiary a security interest in the Timber and any other portion of the Premises which is deemed to be personal property. In addition to the warranties, covenants and agreements contained elsewhere herein which also apply to the Timber, Grantor warrants, covenants and agrees as follows:

2.13.1 Impairment of Security Interest. Grantor shall not voluntarily, involuntarily or by operation of law sell, assign, encumber, transfer, lease, grant a security interest in, or otherwise dispose of any portion of the Timber or any interest therein and shall not otherwise do or permit anything to be done or occur that may impair the same as security hereunder.

2.13.2 Grantor's Warranties. Except for the Permitted Exceptions: (a) No financing statement covering any of the Timber is on file in any public office, (b) Grantor owns the Timber and each and every part thereof, and the same is and shall be free from any prior lien, security interest or encumbrance except that in favor of Beneficiary, and (c) Grantor will defend title to the Timber against the claims and demands of all persons whomsoever.

2.13.3 Payment of Taxes. Grantor will pay, when due, all taxes, license fees and assessments relative to the Timber and its severance, provided that Grantor shall not be required to pay any such tax, fee or assessment the payment of which is being contested in good faith and by proper proceedings thereto, and so long as the value of the security interest of Bankers in any of Grantor's property is not impaired.

2.13.4 Additional Documentation. Grantor shall, upon request, execute and deliver such financing statements and other documents and agreements as Beneficiary may request to perfect

and continue Beneficiary's security interest in the Timber. A carbon, photographic, or other reproduction of this Deed of Trust may be filed and suffice as a financing statement.

2.14 Inspections. Beneficiary, and its agents, representatives and workmen, are authorized, but not obligated, to enter at any reasonable time upon or in any part of the Premises for the purpose of inspecting the same, and for the purpose of performing any of the acts it or Grantor is authorized to perform under the terms of this Deed of Trust or any other document evidencing and/or securing any Secured Obligation.

2.14.1 Land Use Matters.

2.14.2 Warranty. Grantor warrants that (a) the Real Property and Improvements do and shall at all times comply with the applicable zoning ordinance and comprehensive plan, and all applicable land use permits and approvals based upon a revocable permit held by Grantor; and (b) the Improvements and uses thereof are and shall be uses permitted as of right.

2.14.3 Covenants. Grantor shall not cause nor allow any zone change or comprehensive plan change with respect to the Real Property and/or the Improvements, nor submit the same to any form of condominium or planned community ownership or system, nor cause or allow any partition, subdivision or lot line adjustment with respect to all or any portion of the Real Property, without the prior written consent of Beneficiary.

SECTION 3 DEFAULT

3.1 Events of Default.

Time is of the essence in the performance of each and every obligation of Grantor contained herein. The following, in addition to all other acts, events, and conditions declared to be such herein, are events of default hereunder if not cured within 10 days following written notice of default from Beneficiary (herein "Events of Default"):

3.1.1 Default Under Agreements. The occurrence of any Event of Default with respect to the Note and/or any other instrument or agreement which evidences, secures or is related to any of the Secured Obligations.

3.1.2 Failure to Make Payment. Failure by Grantor to make any payment, to any third party, when due in accordance with the terms of this Deed of Trust.

3.1.3 Failure to Perform. Failure by Grantor to perform, when due, any of the other terms, covenants and conditions contained in this Trust Deed.

3.1.4 Breach of Warranty or Representation. Material breach of any warranty or representation given by Grantor to Trustee or Beneficiary.

3.1.5 Foreclosure Proceedings. Without implying Beneficiary's consent to any of the same, institution of foreclosure or other proceedings (either judicial or nonjudicial) to enforce any security interest or other lien or encumbrance (junior or senior) of any kind upon the Premises or any portion thereof or interest therein.

3.1.6 Insolvency of Grantor. Should Grantor or any successor or assign thereof engage in any of the following:

3.1.6.1 Insolvency. Become insolvent.

3.1.6.2 Voluntary Bankruptcy. File a petition in voluntary bankruptcy or for an arrangement or reorganization pursuant to the Federal Bankruptcy Statutes, or any similar law, state or federal, whether now or hereafter existing (hereafter referred to as a "Bankruptcy Proceeding");

3.1.6.3 Admitting Insolvency. File any answer admitting, or otherwise admit in writing, insolvency or inability to pay his debts;

3.1.6.4 Involuntary Bankruptcy. Be the object of any involuntary Bankruptcy Proceeding;

3.1.6.5 Adjudication of Insolvency. Be adjudicated a bankrupt or declared insolvent in any Bankruptcy Proceeding;

3.1.6.6 Appointment of Receiver. Have a trustee or receiver appointed for or have any court take jurisdiction of any of its property, in any proceeding for the purpose of reorganization, arrangement, dissolution or liquidation.

3.1.6.7 Assignment for Creditors. Make an assignment for the benefit of his creditors.

3.1.7 Combination of Defaults. Should any act, event, omission, or condition, or any combination of one or more of any of the foregoing, occur or exist which, either alone, or together with notice and/or the passage of time, constitutes or would constitute a default under any Permitted Exception.

3.2 Remedies. In addition to any other rights and remedies provided herein, the Co-Tenancy Agreement and/or in any document evidencing or securing the Secured Obligations, or available at law or in equity, Beneficiary shall have the following rights and remedies upon and after any Event of Default.

3.2.1 Acceleration. Beneficiary may declare all obligations of Grantor to Beneficiary related to any Secured Obligation to be due and payable immediately, anything in the Note or in this Deed of Trust to the contrary notwithstanding.

3.2.2 Possession and Receiver. Trustee or Beneficiary personally or by its agents or attorneys, or through a duly appointed receiver, may enter into and upon all or any part of the Premises, and each and every part thereof, and may exclude Grantor and its agents wholly therefrom; and, having and holding the same, may use, operate, manage, improve and control the Premises and conduct the business thereof; and the Trustee or Beneficiary shall be entitled to collect and receive all earnings, revenues, rents, issues, profits and income of the Premises and every part thereof whether or not Beneficiary, Trustee, or a receiver is then in possession of the Premises. Beneficiary shall be entitled to the appointment of a receiver as a matter of right, whether or not the apparent value of the Premises exceeds the indebtedness secured hereby, and any receiver appointed may serve without bond. Employment by Beneficiary shall not disqualify a person from serving as a receiver. The exercise of any right under this Section shall not be deemed an election of remedies nor a "pending action"

so as to preclude the exercise of any other right or remedy. Upon taking possession of all or any part of the Premises, the receiver may:

3.2.2.1 Operate Business. Use, operate, manage, control, and conduct the business of the Premises and make expenditures for all maintenance and improvements as in its judgment are proper;

3.2.2.2 Collect Rents. Collect all rents, revenues, income, issues and profits from the Premises and apply such sums to the expenses of use, operation and management; and

3.2.2.3 Complete Construction. Complete any construction in progress and in that connection pay bills, borrow funds, employ contractors and make any changes in plans or specifications as it deems appropriate; and

3.2.2.4 Borrow from Beneficiary. If the revenues produced by the Premises are insufficient to pay expenses, the receiver may borrow, from Beneficiary or otherwise, such sums as it deems necessary for the purposes stated herein and repayment of such sums shall be secured by the lien hereof. The amounts borrowed from or advanced by Beneficiary shall bear interest at the rate of 10% per annum from the date of expenditure until repaid, and such amounts and interest shall be an indebtedness of Grantor secured hereby.

3.2.2.5 Logging Operations. Take possession of and maintain full control of all timber and logging operations and perform all acts necessary and appropriate for the operation, management, and maintenance of all logging operations, and to do any acts which Beneficiary deems proper to protect the security hereof and to maintain the integrity of logging operations and to protect the value of the timber, whether standing or cut.

3.2.3 Uniform Commercial Code. Beneficiary shall have all of the remedies of a secured party under the Uniform Commercial Code of the State of Washington and any other applicable Washington law. To the extent permitted by law, Grantor expressly waives any notice of sale or other disposition and any other right or remedy of Beneficiary existing after an Event of Default hereunder, and to the extent any such notice is required and cannot be waived, Grantor agrees that as it relates to this section only, if such notice is marked, postage prepaid, to Grantor at the above address at least five (5) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of said notice.

3.2.4 Sale. Trustee may, and upon the written request of Beneficiary, shall, and Beneficiary may, to the extent permitted by law, with or without entry, personally or by its agents or attorneys, insofar as applicable:

3.2.4.1 Sale of Premises. Sell the Premises and otherwise exercise the power of sale granted herein in the manner provided by Washington law;

3.2.4.2 Foreclosure Proceedings. Institute proceedings for the complete or partial foreclosure of this Deed of Trust as a mortgage in the manner provided by Washington law; and/or

3.2.4.3 Appointment of Receiver. Apply to any court of competent jurisdiction for the appointment of a receiver or receivers for the Premises to operate the same and collect all earnings, revenues, rents, issues, profits and income therefrom.

3.2.5 Proceeds. In the event of any judicial or nonjudicial foreclosure sale made under or by virtue of Section , the entire principal of and interest on the Note, if not previously due and payable, and all other sums secured hereby, immediately thereupon shall become due and payable, anything in the Note or in this Deed of Trust to the contrary notwithstanding. The purchase money, proceeds or avails of any sale made under or by virtue of this section, together with any other sums which then may be held by Trustee or Beneficiary under this Deed of Trust, whether under the provisions of this section or otherwise, shall be applied in the manner provided by law.

3.2.6 Bid. Upon any judicial or nonjudicial sale made under or by virtue of Section 3.2.4, Beneficiary may bid for and acquire the Premises or any part thereof and in lieu of paying cash therefor may make settlement for the purchase price by crediting upon the indebtedness of Grantor secured by this Deed of Trust the net sales price after deducting therefrom the expenses of the sale and the cost of the action and any other sums which Beneficiary is authorized to deduct under this Deed of Trust.

3.2.7 Tenancy at Will. In the event Grantor remains in possession of the Real Property and/or Improvements after the same is sold as provided above or after Beneficiary otherwise becomes entitled to possession of the same, Grantor shall become a tenant at will of Beneficiary or the purchaser of the Real Property and shall pay, while in possession, a reasonable rental for use of the Real Property and Improvements.

3.2.8 Remedies Not Exclusive. No remedy granted herein is intended to be exclusive of any other remedy provided herein or in law or equity, but each shall be cumulative. Each such remedy may be exercised singly, collectively or seriatim, and as often as may be deemed expedient by Trustee or Beneficiary. If there exists additional security for the performance of the obligations secured hereby, Beneficiary, at its sole option and without limiting or affecting any rights or remedies hereunder, may exercise any of the rights and remedies to which it may be entitled hereunder either concurrently with whatever other rights it may have in connection with such other security or in such order as it may determine.

SECTION 4 MISCELLANEOUS TERMS AND CONDITIONS

4.1 Acceptance of Trust; Notice. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is recorded. Trustee is not obligated to notify any party hereto of any 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.

4.2 Powers of Trustee. From time to time, upon written request of Beneficiary, and the consent of Grantor, if Grantor is not then in default, and presentation of this Deed of Trust for endorsement, and without affecting the obligations for payment of any indebtedness or performance of the obligations secured hereby, Trustee may, without liability therefor and without notice: reconvey all or any part of the Premises; consent to the making of any map or plat thereof; join in granting any easement thereon; join in any declaration of covenants and restrictions; or join in any extension agreement or any agreement subordinating the lien hereof. Trustee or Beneficiary may from time to time apply in 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 execution of said trusts and the enforcement of said 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, but in no event more than allowed by any then applicable statute. Grantor shall indemnify Trustee and Beneficiary against all losses, claims, demands and liabilities which either may incur, suffer or sustain in the execution of the trusts created hereunder or in the performance of any act required or permitted hereunder or by law in connection herewith.

4.3 Substitution of Trustee. From time to time, by a writing signed and acknowledged by Beneficiary and filed for record in the Office of the Recorder of the County in which the Real Property is situated, Beneficiary may appoint another trustee to act in the place and stead of Trustee or any successor.

4.4 Logging and Timber. So long as Grantor is not in default under this Deed of Trust, Grantor shall be entitled to log and remove merchantable timber from the real property subject to Grantor meeting all permitting and governmental requirements.

Beneficiary shall have the right (but not the duty) to retain an independent forestry consultant to inspect and monitor Grantor's logging activities on the realty, Beneficiary shall advise Grantor of the identity and address of the consultant. Grantor shall cooperate fully with the consultant and shall permit the consultant access to the premises and logs removed from the premises, including logs at scaling stations, at all reasonable times, and shall provide the consultant with copies of all truck tickets and sale receipts and similar data at the same time such items are to be delivered to the Beneficiary. Beneficiary shall be responsible for all consultants' fees and charges.

Grantor shall keep in good condition and repair all roads for transportation, ingress and egress now on the premises and used in logging operations, and roads to be constructed.

Grantor shall exercise the highest degree of care to prevent fires in the premises arising from Grantor's logging activities and shall maintain all fire fighting equipment required by law. Grantor shall comply with all restrictions on logging activities imposed by applicable governmental authorities and laws in periods of excessive fire danger.

4.5 Leases. In the event Beneficiary shall institute judicial proceedings to foreclose the lien hereof, and shall be appointed as a mortgagee in possession of the Premises, Beneficiary, during such time as it shall be mortgagee in possession, shall have, and Grantor hereby gives and grants to Beneficiary, the right, power and authority to make and enter into leases of the Premises or any portions thereof for such rents and for such periods of occupancy and upon such conditions and provisions as such mortgagee in possession may deem desirable, and Grantor expressly acknowledges and agrees that the term of any such lease may extend beyond the date of any sale of the Premises hereunder, it being the intention of Grantor that, while Beneficiary is a mortgagee in possession of the Premises, Beneficiary shall be deemed to be and shall be the attorney-in-fact of Grantor for the purpose of making and entering into leases of parts or portions of the Premises for the rents and upon the terms, conditions and provisions deemed desirable to such Beneficiary. The power and authority hereby given and granted by Grantor to Beneficiary shall be deemed to be coupled with an interest and shall not be revocable by Grantor.

4.6 Partial Release. Without affecting the liability of any other person for the payment of any indebtedness herein mentioned (including Grantor, should it convey the Premises) and without affecting the lien or priority hereof upon any property not released, Beneficiary may, without notice, release any person so liable, extend the maturity or modify the terms of any obligation or grant other indulgences, release or reconvey or cause to be released or reconveyed at any time all or any part of the Premises described herein, and/or take or release any other security.

4.7 Nonwaiver. By accepting payment of any sum secured hereby after its due date or late performance of any obligation secured hereby, Beneficiary shall not waive its right against any person obligated directly or indirectly hereunder or on any indebtedness hereby secured either to require prompt payment or performance when due of all other sums and obligations so secured or to declare a default for failure to make such payment. No exercise of any right or remedy by Trustee or Beneficiary hereunder shall constitute a waiver of any other right or remedy allowed herein, in any other document evidencing or securing any Secured Obligation, or in law or equity. No delay or omission of Trustee or Beneficiary in the exercise of any right, power or remedy accruing hereunder or arising otherwise shall impair any such right, power or remedy, or be construed to be a waiver of any default or acquiescence therein. Receipt of rents, Proceeds or any other monies, and any disposition of the same, shall not constitute a waiver of any obligation of Grantor or any right of Beneficiary hereunder.

4.8 Rules of Construction. When the identity of the parties hereto or other circumstances make it appropriate, the masculine gender includes the feminine and/or neuter, and the singular includes the plural. The headings of each paragraph are for information and convenience only and do not limit or construe the contents of any provisions hereof.

4.9 Severability. If any term of this Deed of Trust or the application thereof to any person or circumstances shall, to any extent be invalid or unenforceable, the remainder of this Deed of Trust or the application of such term to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term of this Deed of Trust shall be valid and enforceable to the fullest extent permitted by law.

4.10 Successors in Interest; Joint and Several Liability. Subject to the limitations set forth in Section 2.10 above, this Deed of Trust applies to, inures to the benefit of, and is binding not only on the parties hereto, but on their heirs, executors, administrators, successors and assigns. All obligations of Grantor hereunder are joint and several.

4.11 Notices. All notices to be given pursuant to this Deed of Trust shall be in writing and shall be sufficient if personally delivered or deposited in the United States mail, postage prepaid, certified or registered mail, return receipt requested, addressed to the party to whom directed at its address shown below. Notices (as distinguished from payments) will be deemed received when personally delivered or two (2) business days after deposit in the U.S. mail. Any party may change its address set forth herein by notice to all other parties in accordance with this section.

If to Grantor:

Leroy L. Anderson
M.P. 0.16 Byland Road
Stevenson, WA 98648

With a copy to:

Lex F. Page
Ste. 1800, One SW Columbia St.
Portland, OR 97258

If to Trustee:

If to Beneficiary:

Cascade Exchange Services, Inc.
1075 Oak Street
Eugene, OR 97401

With a copy to:

James K. Hayner
Attorney at Law
249 West Alder
P.O. Box 1757
Walla Walla, WA 99362

4.12 Modifications. This Deed of Trust may not be amended, modified or changed, nor shall any waiver of any provisions hereof be effective, except only by an instrument in writing and signed by the party against whom enforcement of any waiver, amendment, change, modification or discharge is sought.

4.13 Attorney's Fees. Grantor shall be responsible for paying all attorneys' fees and other professional fees incurred by Beneficiary in any of the following events:

4.13.1 Upon the occurrence of an Event of Default, whether or not suit or action is filed; or

4.13.2 In the event any suit or action is filed to enforce or interpret any of the terms of this Deed of Trust including reasonable attorneys' fees at trial and on appeal.

4.13.3 If Beneficiary is the prevailing party, such costs and attorney's fees shall be secured by this Deed of Trust.

4.14 Authority. Each individual executing this Deed of Trust on behalf of Grantor hereby warrants his or her authority to do so.

4.15 Commercial Trust Deed. This Deed of Trust is also a Commercial Trust Deed and provisions applicable to the foreclosure of Commercial Trust Deeds shall apply to this Deed of Trust at the option of Beneficiary.

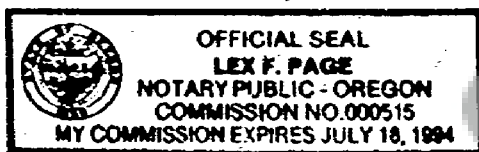
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IN WITNESS WHEREOF, the Grantor has executed this Deed of Trust as of the date first above written.

Leroy L. Anderson
Leroy L. Anderson

OREGON
STATE OF WASHINGTON)
COUNTY OF MULTNOMAH) ss.

Personally appeared before me on the 11th day of July, 1994, the above-named Leroy L. Anderson and acknowledged that he executed the foregoing as his voluntary act and deed.



Lex F. Page
NOTARY PUBLIC for Washington OREGON
Residing at PORTLAND, OR
My Commission expires: 7-18-94

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EXHIBIT A

PROPERTY DESCRIPTION

The S½NE¼ of Sec. 23, T3N, R 8 E.W.M.; ALSO, that portion of the N½NE¼ of Sec. 23, T3N, R 8 E.W.M., described as follows:

Beginning at a point 1,320 ft. East of the Northwest corner of the SW¼NE¼ of said Sec. 23; thence East 43.5 ft.; thence North 27° East 256.7 ft.; thence North 26° 30' West 51.5 ft.; thence North 87° West 130.7 ft.; thence South 59° West 54.8 ft.; thence South 17° West 264.7 ft.; thence East 118.14 ft. to the point of beginning; TOGETHER with all water rights appurtenant thereto.

SUBJECT to transmission line easement granted to the USA for the Bonneville Power Administration by deed dated March 12, 1954, and recorded at Page 56 of Book 38, Deed Records of Skamania County, Washington; and

SUBJECT to flowage easement and easement for water pipeline and pond granted to L. A. Berge, et al by deed dated September 30th, 1954, and recorded at Page 273 of Book 39, Deed Records of Skamania County, Washington.

EXHIBIT B

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LIST OF PERMITTED EXCEPTIONS

The rights of the public in and to that portion of the premises herein described lying within the limits of roads and highways.