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SKAMANIA CO. WASH  
BY SKAMANIA CO. TITLE

AUG 3 1 27 PM '98

*Oxley*  
AUDITOR  
GARY M. OLSON

MAIL TO:

American Equities Inc.  
PO Box 61427  
Vancouver, WA. 98666

TRUST DEED

- |                          |                                     |
|--------------------------|-------------------------------------|
| 1. Effective Date:       | July 28, 1998                       |
| 2. Grantor - Name:       | Eagle Ridge Development Corporation |
| Address:                 | P.O. Box 10                         |
| City, State & Zip:       | Woodland, WA. 98674                 |
| 3. Trustee - Name:       | Skamania County Title               |
| Address:                 | PO Box 277                          |
| City, State & Zip:       | Stevenson, WA. 98648                |
| 4. Beneficiaries - Name: | American Equities Inc.              |
| Address:                 | 1706 'D' Street, #A                 |
| City, State & Zip:       | Vancouver, WA 98663                 |
5. Grantors hereby bargain, sell and convey to Trustee in Trust, with power of sale, the following described real property (hereinafter "Property") in Skamania County, Washington:

The Southwest Quarter of Section 4, Township 2 North, Range 7 East of the Willamette Meridian, in the County of Skamania, State of Washington.

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

6. This Trust Deed is for the purpose of securing performance of each agreement of Grantors herein contained, and payment of the sum of \$781,915.00 with interest, in accordance with terms of a promissory note of even date herewith, payable to Beneficiaries or order, and made by Grantors, and all renewals, modifications and extensions of and also such further sums as may be advanced or loaned by Beneficiaries to Grantors, or any of their successors or assigns, together with interest thereon at such rate as shall be agreed upon. The maximum principal amount to be advanced pursuant to the credit agreement which is secured by this Trust Deed is in the sum of \$781,915.00 and the maturity date for the Promissory Note secured hereby is the 28th day of July 1998, which maturity date is exclusive of any option to renew or extend such term or maturity date, if any.

Parcel No. 02-07-04-0-0-0300-0306

TO PROTECT THE SECURITY OF THIS TRUST DEED, Grantors covenants and agrees:

7. 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.
8. 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 Trust Deed.
9. 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 Trust Deed. All policies shall be held by the Beneficiaries, and be in such companies as the Beneficiaries may approve and have loss payable first to the Beneficiaries as its interest may appear and then to the Grantors. The amount collected under any insurance policy may be applied upon any indebtedness hereby secured in such order as the Beneficiaries shall determine. Such application by the Beneficiaries shall not cause discontinuance of any proceedings to foreclose this Trust Deed. 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.
10. To defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiaries 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 Beneficiaries to foreclose this Trust Deed.
11. To pay all costs, fees and expenses incurred in enforcing the obligation secured hereby including Trustee's and attorney's fees actually incurred, as provided by statute.
12. To pay when due any taxes, assessments, insurance premiums, liens, encumbrances or other charges against the Property hereinabove described. Should Grantor fail to do so, Beneficiaries 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 Trust Deed.
13. Inspection Beneficiaries may make or cause to be made reasonable entries upon and inspections of the Property, provided that Beneficiaries shall give Grantors notice prior to any such inspection specifying reasonable cause therefor related to Beneficiaries' interest in the Property.
14. 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 Beneficiaries to be applied to said obligation.

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

16. The trustee shall reconvey all or any part of the property covered by this Trust Deed to the person entitled hereto, on written request of the Grantors and the Beneficiaries, or upon satisfaction of the obligation secured and written request for reconveyance made by the Beneficiaries or the person entitled thereto.

17. In the event of the death, incapacity, disability or resignation of Trustee, Beneficiaries may appoint in writing a successor trustee, and upon the recording of such appointment in the mortgage records of the county in which this Trust deed 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 Trust Deed of any action or proceeding in which Grantors, Trustee or Beneficiaries shall be a party unless such action or proceeding is brought by the Trustee.

18. Notice. Except for any notice required under applicable law to be given in another manner, (a) any notice to Grantors provided for in this Trust Deed shall be given by mailing such notice by certified mail addressed to Grantors at the Property Address or at such other address as Grantors may designate by notice to Beneficiaries as provided herein, and (b) any notice to Beneficiaries shall be given by certified mail, return receipt requested, to Beneficiaries shall be given by certified mail, return receipt requested, to Beneficiaries' address stated herein or to such other address as Beneficiaries may designate by notice to Grantors or Beneficiaries when given in the manner designated herein.

19. This Trust Deed 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 Beneficiaries shall mean the holders and owners of the note secured hereby, whether or not named as Beneficiaries herein.

20. Default. Grantor shall be in default under this Trust Deed in any of the following circumstances:

20.1 Any default by Grantor under the Note, as described therein, or any default in the payment of any indebtedness secured hereby when due or in the timely performance of any covenant or the observance of any condition contained in the Note, the Loan Agreement or other related loan documents; or

20.2 The breach of any warranty or any material inaccuracy of any representation of Grantor contained herein or in the Note, the Loan Agreement or other related loan document; or should any representation, document, exhibit, statement,

certificate, or schedule furnished to Beneficiary by Grantor contain any untrue or misleading statement of a material fact or fail to state any material fact necessary to make the statement of facts contained therein not misleading, or should the same thereafter become untrue or misleading in any material respect; or

20.3 Any failure to perform any obligation which is secured by any lien against or interest in the Property, rights or interests encumbered hereby or any portion thereof, regardless of whether such lien or interest is prior or subordinate to these presents, and which default or failure to perform is not cured within any applicable grace period or which in any manner threatens the lien of this Trust Deed; or

20.4 Any failure of Grantor to pay when due taxes, municipal or special assessment, insurance premium, or any lien or charge upon the Property; or

20.5 Any of the following shall occur with respect to the Property, the Grantor, any guarantor of the Note or the then owner of the Property:

- a. the appointment of a receiver, liquidator or trustee;
- b. the filing of any voluntary or involuntary petition for bankruptcy or reorganization;
- c. if any such person be unable, or admit in writing an inability, to pay its debts when due;
- d. the dissolution, termination of existence, insolvency or business failure of any such person;
- e. any assignment for the benefit of creditors;
- f. the making or suffering of a fraudulent transfer under applicable federal or state law;
- g. the concealment of any of its property in fraud of creditors;
- h. the making or suffering by a preference within the meaning of the federal bankruptcy law; and
- i. the imposition of a lien through legal proceedings or distraint upon any of the Property which is not contested in the manner permitted by this Trust Deed; or

20.6 Any default by Grantor under any lease, any termination of such lease, or any modification, surrender or cancellation of such lease without Beneficiary's prior written consent; or

20.7 Any material adverse change, including, without limitation, actual or



threatened removal, demolition, or other impairment, of the Property or any improvements thereon; or

20.8 Any impending or proposed: (i) condemnation; (ii) rezoning; or (iii) modification or enactment of any ordinances or regulations, any of which could materially affect any improvements on the Property or the use or cost thereof; or

20.9 Any assignment of this Trust Deed without Beneficiary's prior written consent; or

20.10 Any conveyance, lease or encumbrance of all or any part of the Property without the consent of Beneficiary herein being first given in writing.

20.11 Any default in or breach of any covenant, term, requirement or obligation contained in the Loan Agreement executed contemporaneously herewith.

20.12 Lender in good faith deems itself insecure.

21. Rights and Remedies on Default. Upon the occurrence of any default under this Trust Deed and at any time thereafter, Trustee or Beneficiary may exercise any one or more of the following rights and remedies:

21.1 Loan Document Remedies. Beneficiary may exercise any right or remedy provided for the Note, Loan Agreement or other document executed in connection with or to secure the Note;

21.2 Acceleration. Beneficiary may declare the Note and all other sums secured by this Trust Deed immediately due and payable;

21.3. Nonjudicial Foreclosure. Upon written request of Beneficiary, Trustee shall sell the Property, at public auction to the highest bidder for cash at such time and at such place as are statutorily prescribed. Grantor acknowledges that there is no right to an extension of the Trustee's sale on "equitable" or other grounds, and that Beneficiary's remedies under this Trust Deed shall not be affected or impaired by the exercise of any right of set off or to collect and apply rents, profits, insurance proceeds or condemnation awards. Any person except Trustee may bid at a Trustee's sale. Subject to applicable law, Trustee shall apply the proceeds of the sale in the following order: (1) to the expense of sale, including a reasonable Trustee's fee and attorney fees; (2) to the obligation secured by this Trust Deed; (3) the surplus, if any, shall be distributed in accordance with said Trust Deed Act. 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 Grantor's execution of this Trust Deed, and such as Grantor 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 this Trust Deed, which recital shall be prima facie evidence of such compliance and conclusive evidence thereof in favor of

bona fide purchasers and encumbrancers for value. The Trustee is not obligated to notify any party hereto of pending sale under any other Trust Deed 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.

**21.4 Judicial Foreclosure.** Beneficiary shall have the right to judicially foreclose this Trust Deed as a mortgage. If this Trust Deed is foreclosed by judicial procedure, Beneficiary will be entitled to a judgment which will provide that if the foreclosure sale proceeds are insufficient to satisfy the judgment, execution may issue for any amount by which the unpaid balance of the obligations secured by this Trust Deed exceeds the net sale proceeds payable to Beneficiary. In the event Grantor remains in possession of the Property after the Property is sold as provided above or Beneficiary otherwise becomes entitled to possession of the Property upon default of Grantor, Grantor shall become a tenant at will of Beneficiary or the purchaser of the property and shall pay a reasonable rental for use of the Property while in Grantor's possession. The purchaser at any foreclosure sale may (but shall be under no obligation to), during any redemption period, make such repairs and alterations to the improvements as may be appropriate for the proper operation, care, preservation, and protection thereof; pay any taxes and assessments due during such period; insure the improvements on the Property against loss by casualty and itself against liability arising from its ownership and use of the Property; and pay liens not extinguished by the foreclosure and any other amounts relating to the Property to the extent due during such redemption period, and all of such expenses and payments, together with interest thereon from the date so paid to reimbursement at the rate provided for any other redemption amounts, shall be included in the amount required to be paid by any person to redeem the Property.

**21.5 UCC Remedies.** With respect to all or any part of the Property that is personal or intangible (including but not limited to the standing timber to be harvested with the express written consent of Beneficiary), Beneficiary shall have all the rights and remedies of a secured party under the Uniform Commercial Code. Upon request, Grantor shall assemble and make such collateral available to Beneficiary at a place to be designated by Beneficiary which is reasonably convenient to both parties. Upon repossession, Beneficiary may propose to retain the collateral in partial satisfaction of the Note or sell the collateral at public or private sale in accordance with the Uniform Commercial Code as adopted in the state where the Property is situated or any other applicable statute. Such sale may be held as a part of, distinctive from or without a Trustee's sale or foreclosure of the real property secured by this Trust Deed. If any notification or disposition of all or any portion of the collateral is required by law, such notification shall be deemed reasonably and properly given if mailed at least ten (10) days prior to such disposition. If Beneficiary disposes of all or any part of the collateral after default, the proceeds of disposition shall be applied in the following order:

- a. to the reasonable expenses of retaking, holding, preparing for sale, selling the collateral, and the like;



b. to the reasonable attorney fees and expenses incurred by Beneficiary; and

c. to the satisfaction of the indebtedness secured by this Trust Deed.

**21.6 Remedial Advances.** Should Grantor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, without obligation so to do and without demand upon Grantor and without releasing Grantor from any obligation hereof, may (i) make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof, Beneficiary or Trustee being authorized to enter upon the Property for such purposes; (ii) commence, appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; (iii) pay, purchase, contest, or compromise any encumbrance, charge, lien, tax or assessment, or the premium for any policy of insurance required herein; and in exercising any such power, incur any liability, expend whatever amounts in its absolute discretion it may deem necessary therefor, including cost of evidence of title, employ counsel and pay such counsel's fees. Beneficiary shall be subrogated to the rights and lien interests of any person who is paid by Beneficiary pursuant to the terms of this paragraph. Grantor shall repay immediately on written notice to Grantor all sums expended or advanced hereunder by or on behalf of Beneficiary, with interest from the date of such advance or expenditure at the Default Rate provided for in the Note, and the repayment thereof shall be secured hereby.

**21.7 Prohibition of Timber Cutting during Default.** Following an event of default as described herein or in any loan document, Grantor shall not engage in nor permit anyone else to engage in the harvesting, cutting or logging of the timber/trees located on the Property. It is agreed by Beneficiary that any violation of this covenant will cause irreparable injury to the Property and to Beneficiary, for which no adequate remedy at law exists. Grantor hereby consents and agrees to Beneficiary obtaining and being awarded by a court with appropriate jurisdiction in the event of a default, a Temporary Restraining Order, Preliminary Injunction and Permanent Injunction restraining any logging, cutting or harvesting of trees/timber from the Property for duration of the event of default and further order of the court.

**21.8 Summary Possession.** Beneficiary may, at its option, and in person or by agent, employee or court-appointed receiver, enter upon and take possession of the Property and continue any improvement, repair or renovation thereof at Grantor's expense and to lease the same or any part thereof, making such alterations as it finds necessary, and may terminate in any lawful manner any lease of the Property, exercising with respect thereto any right or option available to the Grantor. The entering upon and taking possession of the Property, the collection of rents, issues and profits, or the proceeds of fire and other insurance policies or compensation or awards for any taking or damage of the Property, and the application or release thereof shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

**21.9 Collection of Rents.** Beneficiary may require any tenant or other user to make payments of rent or use fees directly to Beneficiary regardless of whether Beneficiary has taken possession of the Property. If any rents are collected by Beneficiary, then Grantor irrevocably designates Beneficiary as Grantor's attorney-in-fact to endorse instruments received in payment thereof in the name of Grantor and to negotiate the same and collect the proceeds. Payments by tenants or other users to Beneficiary in response to Beneficiary's demand shall satisfy the obligation for which the payments are made, whether or not any proper grounds for the demand existed. Beneficiary may exercise its rights under this paragraph either in person, by agent or through a receiver.

**21.10 Appointment of Receiver.** Beneficiary shall have the right to have a receiver appointed to take possession of any or all of the Property, with the power to protect and preserve the Property, to operate the Property preceding foreclosure or sale, to collect the income from the Property and apply the proceeds, over and above cost of the receivership, against the Note. The receiver may serve without bond if permitted by law. Beneficiary's right to the appointment of a receiver shall exist whether or not apparent value of the Property exceeds the indebtedness secured hereby by a substantial amount. Employment by Beneficiary shall not disqualify a person from serving as a receiver. Upon taking possession of all or any part of the Property, the receiver or Beneficiary may: (i) use, operate, manage, control and conduct business on the Property and make expenditures for all maintenance and improvements as in its judgment are necessary and proper, (ii) collect the income from the Property and apply such sums to the expenses of use, operation and management, and (iii) at Beneficiary's option, complete any construction in progress on the Property, and in that connection pay bill, borrow funds, employ contractors and make any changes in plans or specifications as Beneficiary deems reasonably necessary or appropriate. If the revenues produced by the Property are insufficient to pay expenses, the receiver may borrow, from Beneficiary or otherwise, or Beneficiary may borrow or advance, such sums as the receiver or Beneficiary may deem reasonably necessary for the purposes stated in this paragraph. The amounts borrowed or advanced shall be payable on demand and bear interest from the date of expenditure until repaid at the interest rate then applicable under the Note. Such sums shall become a part of the debt secured by this Trust Deed.

**21.11 Specific Enforcement.** Beneficiary may specifically enforce any covenant in this Trust Deed or the Grantor's compliance with its warranties herein and may restrain and enjoin the breach or prospective breach of any such covenant or the noncompliance with any condition, and Grantor waives any requirement of the posting of any bond in connection therewith.

**21.12 General Creditors' Remedies.** Beneficiary shall have such other rights and remedies as are available under any statute or at law or in equity generally, and the delineation of certain remedies in this Trust Deed shall not be deemed in limitation thereof.



22. Application of Sale Proceeds. After deducting all costs and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable attorney fees in connection with sale, as above set forth, Trustee shall apply the proceeds of sale to payment of all sums expended under the terms hereof, not then repaid, with accrued interest at the Default Rate provided for in the Note; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

23. Remedies Cumulative. All rights and remedies of Beneficiary herein specified are cumulative and are in addition to, not in limitation of, any rights and remedies Beneficiary may have at law.

24. Nonagricultural Property. Grantor covenants and warrants that the Property is not used principally or primarily for agricultural or farming purposes. Grantor acknowledges that the loan and obligation secured hereby are not primarily for a personal, family, or household use.

25. Usury Disclaimer. Grantor acknowledges and warrants that the proceeds of the loan evidenced by the Note are intended to be and shall be, used exclusively for commercial and business purposes, and not for personal, family or household purposes. It is the specific intent of Grantor and Beneficiary that the Note bear a lawful rate of interest. If any court of competent jurisdiction should determine that the rate therein provided for exceeds that which is statutorily permitted for the type of transaction evidenced thereby, the interest rate shall be reduced to the highest rate permitted by applicable law, with any excess interest theretofore collected being applied against the Note principal or, if such principal has been fully repaid, returned to Grantor on demand.

26. Beneficiary's Right to Inspect. Beneficiary and its agents and representatives may enter upon the Property at all reasonable times to attend to Beneficiary's interest and to inspect the Property.

27. Legal Relationships. The relationship between Beneficiary and Grantor is that of lender and borrower, and no partnership, joint venture, or other similar relationship shall be inferred from this Trust Deed. Grantor shall not have the right or authority to make representations, act, or incur debts or liabilities on behalf of Beneficiary. Grantor is not executing this Trust Deed as an agent or nominee for an undisclosed principal, and no third party beneficiaries are or shall be created by the execution of this Trust Deed, other than by the assignment by Beneficiary of this Trust Deed.

28. Mutual Negotiation. Beneficiary and Grantor confirm that they have mutually negotiated this Trust Deed and that none of the terms or provisions of this Trust Deed shall be construed against either party.

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EAGLE RIDGE DEVELOPMENT  
CORPORATION

  
By: Ronald G. Powell

Title: President

The undersigned personally, individually  
and severably guarantees and is liable for  
the performance of this promissory note.

  
RONALD G. POWELL

STATE OF WASHINGTON

COUNTY OF Cowlitz

I certify that I know or have satisfactory evidence that RONALD G. POWELL is  
the person who appeared before me, and said person acknowledged that he/she  
signed this instrument on oath stated that he/she was authorized to execute the  
instrument and acknowledge it as the President of EAGLE RIDGE  
DEVELOPMENT CORPORATION to be the free and voluntary act of such party  
for the uses and purposes mentioned in the instrument.

Dated: 7/30/98

  
TITLE



COMMISSION EXPIRES: 4/19/2002