

When Recorded, Return to:

Clunas Development Co.
16820 Greenbrier Road
Lake Oswego, OR 97034

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DEED OF TRUST, ASSIGNMENT OF RENTS AND SECURITY AGREEMENT

SUR 24467

DATE:

December 11, 2001

GRANTOR:

John E. Kitting
19480 S.E. Sunnyside Road
Boring, Oregon 97009

BENEFICIARY:

Clunas Development Co.
16820 Greenbrier Road
Lake Oswego, Oregon 97034

TRUSTEE:

Terry DeSylvia, Esq.
Brownstein, Rask, et al.
1200 S.W. Main Building
Portland, Oregon 97205

STREET ADDRESS OF PROPERTY:

52 Blue Lake Road
Stevenson, Washington

ASSESSORS PARCEL NO. OF PROPERTY:

02-07-09-0-0-0100-00

1. **Conveyance.** Grantor irrevocably grants and conveys to Trustee in trust, with power of sale, all of Grantor's right, title and interest in the real property legally described as follows:

The North Half of the Northeast Quarter of Section 9, Township 2 North, Range 7 East of the Willamette Meridian, in the county of Skamania, State of Washington

(the "Real Property"), to be held as security for the payment and performance of the obligations as defined below.

2. **Obligations Secured.** This Trust Deed, Assignment of Rents and Security Agreement, is given for the purpose of securing all obligations of Grantor under this Agreement, payment of all sums advanced by beneficiary to protect the Real Property, payment of all sums due under Grantor's Promissory Note to Beneficiary dated December 11, 2001, in the principal sum of \$70,000.00, (the "Note"), the final payment of which, if not sooner paid, is due and

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payable on January 1, 2003, and any other advances by Beneficiary to Grantor evidenced by promissory note(s) which reference the collateralization by this Trust Deed (collectively referred to herein as the "Obligations").

3. **Assignment of Rents and Security Interest.** As additional security for the Obligations, Grantor assigns to Beneficiary, all of Grantor's right, title and interest in all present and future leases of the Real Property and grants Beneficiary a Uniform Commercial Code Security Interest in the rents or other income relating to or arising from any lease of the Real Property and all fixtures, and other articles of personal property now or hereafter owned by Grantor, and now and hereafter attached or affixed to the Real Property, together with all accessions, parts and additions to, all replacements of and all substitutions for any such property, together with all proceeds (including without limitation all insurance proceeds and refunded premiums) from any sale or other disposition of such property. As used hereafter, the term "Collateral" shall mean collectively the Real Property and/or personal property subject to this security interest.

4. **Taxes, Liens and Assessments.** Grantor shall pay before delinquent all taxes, liens, encumbrances, charges and assessments affecting the Collateral.

5. **Trust Expenses.** Grantor shall pay all costs, fees and expenses of this trust and all lawful charges, costs and expenses of any reinstatement of this Deed of Trust following a default.

6. **Fire Insurance.** Grantor shall, at Grantor's expense, maintain in force fire and extended coverage insurance in any amount of not less than the full replacement value of the Collateral with loss payable to Beneficiary, with such insurance coverage to contain a waiver of the insurer's right of subrogation against Beneficiary.

7. **Liability Insurance.** Grantor shall, at Grantor's expense, maintain in force policies of liability insurance, with Beneficiary as an additional insured thereunder, insuring against any claims related to or arising from the use, occupancy or condition of the Collateral.

8. **Indemnification of Trustee and Beneficiary.** Grantor shall hold Trustee and Beneficiary harmless from and indemnify them for any and all claims raised by any third party against Trustee or Beneficiary resulting from their interests hereunder or the acts of Grantor. Such indemnification shall include reasonable attorneys' fees and costs.

9. **Right of Beneficiary or Trustee to Pay or Perform Obligations of Grantor.** If Grantor fails or refuses to pay any sums due to be paid by it under the provisions of this Deed of Trust, or fails or refuses to take any action as herein provided, then Beneficiary or Trustee shall have the right to pay any such sum due to be paid by Grantor and to perform any act necessary to protect the Beneficiary's interest in the Collateral. The amount of such sums paid by Beneficiary or Trustee and the cost of any such action, together with interest thereon at the lesser rate of 1.5% per month or the maximum legal rate permitted under Washington law, from the date of payment until satisfaction, shall be added to the Obligations. The payment by Beneficiary or Trustee of any such sums or the performance of any such action shall be prima facie evidence of the necessity therefor.

10. **Condemnation.** Any award of damages in connection with any condemnation or injury to any of the Collateral by reason of public use or for damages for private trespass or injury thereto are assigned and shall be paid to Beneficiary, to be applied to the payment of the Obligations in such manner as Beneficiary may elect. Any remaining balance shall be paid to Grantor. Beneficiary may, at Beneficiary's option, appeal from any such award in the

name of Grantor. Unless Grantor and Beneficiary otherwise agree in writing, any application of such proceeds shall not extend or postpone the due dates of any installment payments of the Obligations or change the amount of such payments.

11. **Care of Collateral.** Grantor shall take reasonable care of the Collateral and shall maintain it in good repair and condition as at the original date of this Deed of Trust. Grantor shall not commit or permit waste to the Collateral and shall do no act which will unduly impair or depreciate the value of the Collateral or affect its insurability. If Grantor fails to maintain the Collateral as required, then Beneficiary or Trustee, at their option, may make necessary repairs and add the cost thereof to the Obligations. Grantor shall take any necessary action to maintain any water rights, power rights or any rights of whatever nature which are appurtenant to the Collateral.

12. **Right to Inspect Collateral.** Upon reasonable prior notice to Grantor, Beneficiary or Trustee shall have the right and license to go on and into the Collateral to inspect it in order to determine whether the provisions of this Deed of Trust are being performed.

13. **Event of Default.** Each of the following shall be considered an event of default of this Deed of Trust: (a) the failure of Grantor to make any payment under the Obligations on or before the due date thereof; (b) the failure of Grantor to perform any duty required by this Deed of Trust; (c) the removal or attempted removal by Grantor of any property included in the Collateral without the consent of Beneficiary; (d) the abandonment of the Collateral by Grantor; (e) a determination by Beneficiary the Collateral is inadequate or in danger of being impaired or threatened from any cause whatsoever; (f) sale or assignment of any interest in the collateral (including without limitation, assignment for security purposes) without the prior written consent of Beneficiary, which may be granted, withheld or conditioned in Beneficiary's sole discretion; or (g) the filing, execution or occurrence of: (1) a petition in bankruptcy by or against Grantor, (2) a petition or answer seeking a reorganization, composition, readjustment, liquidation, dissolution or other relief of the same or different kind under any provision of the Bankruptcy Act, (3) the adjudication of Grantor as a bankrupt or insolvent, or insolvency in the bankruptcy equity sense, (4) an assignment by Grantor for the benefit of creditors, whether by trust, mortgage or otherwise, (5) a petition or other proceedings by or against Grantor for the appointment of a trustee, receiver, guardian, conservator or liquidator of Grantor with respect to all or substantially all its property, (6) Grantor's dissolution or liquidation or the taking of possession of Grantor's property by any governmental authority in connection with dissolution or liquidation.

14. **Remedies on Default.** On default, Beneficiary shall have all rights and remedies available under this Agreement or applicable law (all such rights and remedies to be cumulative) including without limitation:

14.1 To foreclose this Trust Deed as a Mortgage or by advertisement and sale under applicable Washington law;

14.2 To exercise all rights of a secured creditor under the Uniform Commercial Code of Washington;

14.3 To enter upon and take possession of the Collateral;

14.4 To collect any rents or other income from the Collateral, including that past due and unpaid; and apply the same, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any of the Obligations, and in such order as Beneficiary may determine;

14.5 The entering upon and taking possession of the Collateral, the collection of such rents and income and the application thereof, shall not cure or waive any default or notice of Trustee's Sale hereunder or invalidate any act done pursuant to such notice;

14.6 To have a receiver appointed by a Court to collect the rents and income as provided above; and

14.7 To declare all Obligations immediately due and payable.

15. **Deficiency Judgment.** Unless prohibited by law, Beneficiary shall be entitled to a deficiency judgment against Grantor if the Trustee's Sale yields an amount insufficient to fully satisfy the Obligations.

16. **Acts of Trustee Affecting Collateral.** If the Trustee, in its sole discretion, releases or conveys all or any portion of the Collateral such action shall not affect the personal liability of any person for payment of the Obligations and without affecting the security hereof for the full amount secured hereby on all remaining Collateral, and without the necessity that any sum representing the value or any portion thereof of the Collateral affected by Trustee's action be credited on the indebtedness.

17. **Satisfaction of the Obligation.** Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Obligations for cancellation, and upon payment of Trustee's fees, Trustee shall release and reconvey, without covenant or warranty, express or implied, the Collateral. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

18. **Notices.** Copies of all notices and communications concerning this Deed of Trust shall be mailed to the parties at the addresses specified in this Deed of Trust. Any change of address shall be communicated to the other parties in writing. Any documents which may adversely affect the rights of any party to this Deed of Trust shall be delivered by Certified Mail, Return Receipt Requested, facsimile, personal service or any other means which will reasonable result in actual notice.

19. **Headings.** The marginal or topical headings of the provisions herein are for convenience only and do not define, limit or construe the contents of these provisions.

20. **Interpretation.** In this Deed of Trust, whenever the context so requires, masculine gender includes the feminine and neuter, and the singular includes the plural and vice versa.

21. **Applicable Law.** This Deed of Trust shall be subject to and governed by the laws of the State of Washington, regardless of the fact that one or more parties now is or may become a resident of a different state.

22. **Waiver.** Any waiver by any party of a breach of any provision of this Deed of Trust shall not operate or be construed as a waiver of any subsequent breach hereof.

23. **Succession of Benefits.** The provisions of this Deed of Trust shall benefit and bind the parties, their heirs, personal representatives and permitted assigns.

24. **Successor Trustee.** Beneficiary may appoint a Successor Trustee by delivering written notice of such appointment to the Successor Trustee, or in the manner prescribed by law. A Successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, rights, powers and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Grantor.

25. **Entire Agreement.** The terms of this Deed of Trust constitute the entire agreement among the parties, and the parties represent that there are no collateral or side agreements not otherwise provided for within the terms of this Deed of Trust.

26. **Time of Essence.** Time is of the essence in this Deed of Trust and every term, condition, covenant and provision hereof.

27. **Modification.** No modification of this Deed of Trust shall be binding unless evidenced by an agreement in writing and signed by all parties.

28. **Partial Invalidity.** If any provision of this Deed of Trust is held to be invalid or unenforceable, all the remaining provisions shall nevertheless continue in full force and effect.

29. **Representation and Warranties.** Grantor represents and warrants to Beneficiary:

29.1 Grantor is the owner of the Collateral free and clear of all liens and encumbrances.

29.2 The Collateral has not been used for the storage or disposal of hazardous materials.

29.3 Individuals signing this Trust Agreement on behalf of Grantor have the right and authority to do so.

29.4 The Real Property is not used principally for agricultural purposes.

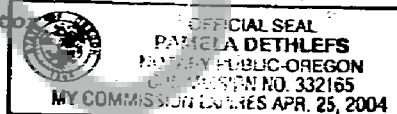
30. **Miscellaneous.**

30.1 In the event of legal action or suit related to or arising from this Agreement, the prevailing party shall be entitled to recover, in addition to any other remedy or relief, their reasonable attorney fees as may be established by the Court at trial or on appeal.

30.2 If Beneficiary is made a Defendant to any litigation concerning this Deed of Trust or the trust estate or any part hereof, Grantor shall indemnify, defend and hold Beneficiary harmless from all liability relating to or arising from such litigation, including reasonable attorneys fees and expenses incurred by Beneficiary in any such litigation.

DATED this 11th day of December, 2001.

*Grantor



This instrument was acknowledged before me on December 11th, 2001, by John E. Kitting.

John E. Kitting
JOHN E. KITTING

Pamela Dethlefs
Notary Public for the State of Washington

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REQUEST FOR FULL RECONVEYANCE

TO: _____: Trustee

The undersigned is the legal owner and holder of all indebtedness secured by the foregoing trust deed. All sums secured by the trust deed have been fully paid and satisfied. You hereby are directed, on payment to you of any sums owing to you under the terms of the trust deed or pursuant to statute, to cancel all evidences of indebtedness secured by the trust deed (which are delivered to you herewith together with the trust deed) and to reconvey, without warranty, to the parties designated by the terms of the trust deed and estate now held by you under the same. Mail reconveyance documents to _____

DATED: _____

(Secretary)