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When recorded
Brian H. Wolfe
PO Box 1148
Vancouver WA 98666-1148

FILED
SMITH
BY Amanda Cates
JAN 22 10 50 AM '03
J. MICHAEL WILSON

DEED OF TRUST

THIS DEED OF TRUST, made this 21 day of January, 2003, between JERRY R. CATES and DIANE F. CATES, husband and wife, Grantor, whose address is 721 Wantland Road, Washougal, Washington and TIMOTHY DACK, Trustee, 105 W. Evergreen Blvd., 200, Vancouver, Washington, 98660, and MICHAEL CATES and HEATHER CATES, husband and wife, Beneficiary, whose address is 682 Wantland Road, Washougal, Washington, 98671-7726;

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

The North half of the Northeast quarter of the Southwest Quarter of Section 34, Township 2 North, Range 5 East, Willamette Meridian, Skamania County, Washington.

Assessor's Property Tax Parcel Account Number: 02-05-34-0-0-0701-00

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.

This deed is made in trust to secure the performance of each agreement of Grantor specified herein, and the payment of the principal sum of Twenty Thousand \$20,000.00 in accordance with the terms of a promissory note of even date herewith payable to Beneficiary or order, and made by Grantor, and all renewals, modifications and extensions thereof, and also such further sums as may be advanced or loaned by Beneficiary to Grantor, or any of its successors or assigns, together with interest thereon at such rate as shall be agreed upon.

As used herein, Beneficiary shall mean the designated payee of the aforesaid Note, or any subsequent lawful owner or holder of such note or of any indebtedness secured hereby.

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TO PROTECT THE SECURITY OF THIS DEED OF TRUST THE GRANTOR AGREES THAT:

1. All buildings now or hereafter erected on the property described herein shall be continuously insured against loss by fire or other hazards in an amount no less than the total debt secured by this Deed of Trust or, at the option of the Beneficiary, in such greater or lesser amount as shall be reasonably necessary to preserve the security interest of the Beneficiary.
 2. All hazard insurance policies shall be in such companies as the Beneficiary may approve with loss payable first to the Beneficiary, and then to the Grantor, as their interests may appear.
 3. Beneficiary, at Beneficiary's option, shall have the authority to act as the Grantor's agent to settle and adjust any loss under hazard insurance. At Beneficiary's option, Beneficiary may require that all insurance payments for such loss, over and above the reasonable expense, if any, of procuring the same, be applied to the extent necessary for the restoration of the improvements to their condition prior to the loss, or be applied to pay the Note and any other debt secured hereby.
 4. In the event of foreclosure all rights of the Grantor in all insurance policies in force shall pass to the Beneficiary.
 5. The buildings now on or hereafter erected on the premises shall be kept in good repair, not altered, extended, removed or demolished without written consent of the Beneficiary. Grantor shall comply with all laws, ordinances, regulations, covenants and restrictions which may affect the property.
 6. Grantor will pay when due any obligations which are or may become a lien against the within described premises.
 7. Grantor shall pay, on or before the dates due, all premiums to maintain insurance coverage, and all taxes and assessments charged against the within described property.
 8. Grantor shall exhibit to Beneficiary a copy of the receipt evidencing payment of taxes and assessments and showing such payments are current, on or before May 2 and November 2 of each year. Any failure of Grantor to pay insurance premiums or taxes and assessments as called for by this Deed of Trust shall constitute an event of default.
 9. At its sole option, Beneficiary may pay any delinquent taxes or assessments charged against the property, or pay any insurance premiums necessary to place or reinstate insurance coverage on the property, and charge the costs thereof to Grantor, which costs shall be added to the principal balance owing and bear interest at a like rate. An election by Beneficiary to take advantage of the options set forward in this Paragraph 9 shall not constitute a waiver by Beneficiary of the defaults of Grantor which prompted the election, and Beneficiary shall be
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entitled to take all steps allowed by this Deed of Trust or the law to foreclose this Deed of Trust for such defaults.

10. It is understood that the loan secured by this Deed of Trust is personal to the Grantor or to any successor in interest approved by the Beneficiary and that the Grantor's personal responsibility and control of the real property encumbered by this Deed of Trust is a material inducement to the Beneficiary to make the loan. If title to or control of the property shall pass from the Grantor or the successor in interest by deed or otherwise, or the property shall be sold on contract, irrespective of whether such change in title or control affects the risk of the Beneficiary, the Beneficiary may declare the unpaid balance immediately due and payable or, at Beneficiary's sole option, may consent to the change in title or control upon such terms and conditions as Beneficiary may require.

11. In case of default in the payment of any installment of the Note or a breach of any agreement herein, the entire debt hereby secured, at the option of the Beneficiary, shall become immediately due without notice and this Deed of Trust may be foreclosed in the manner herein provided or in any other manner provided by law as the Beneficiary may elect, subject only to such reinstatement rights as may be provided by law.

12. Upon bringing an action to foreclose this Deed of Trust, the Beneficiary at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security of the indebtedness hereby secured, may enter upon and take possession of the property or any part thereof and in Beneficiary's own name sue for or otherwise collect the rents, issues and profits, including those past due and unpaid, and apply the same less costs and expenses of operation and collection, including reasonable attorney's fees, to reduce the indebtedness secured hereby.

13. 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 compensations or awards for any taking or damage of the property, and the application or release thereof as aforesaid, Beneficiary shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

14. The Grantor will pay the cost of searching title and costs, disbursements and attorney's fees actually incurred in any suit which the Beneficiary defends or prosecutes to protect the lien hereof or to foreclose this Deed of Trust, which sums shall be secured hereby. Should this Deed of Trust be foreclosed non-judicially, repayment of all of said costs and fees shall be a condition precedent to reinstatement.

15. In the event any portion of the property is taken in condemnation proceedings, the entire amount of the award, after deduction of the reasonable costs of securing the award, shall be paid to Beneficiary to satisfy the obligations secured hereby. Any excess shall be paid to Grantor.

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

IT IS MUTUALLY AGREED THAT:

17. After default and during such period of time prior to the time and date set by the trustee for the trustee's sale as may be prescribed by law, this Deed of Trust and the obligation secured hereby may be reinstated by the Grantor or other person then privileged by law to reinstate, in the manner prescribed by law.

18. The Trustee may postpone sale of all or any portion of said property by public announcement at the time and place of sale, and thereafter may further postpone the sale from time to time by public announcement at the time and place fixed by the preceding postponement, for periods of time and for a total period of time not exceeding that permitted by law.

19. Any person, including the Grantor, Trustee, or Beneficiary, may purchase at the sale unless prohibited by law. After deducting all costs, fees, and expenses of the Trustee and of this trust, including cost of title evidence and reasonable Trustee's and attorney's fees actually incurred in connection with sale to the extent permitted by law, the Trustee shall apply the proceeds of sale to the payment of all sums expended under the terms hereof not then repaid, with accrued interest at the rate provided in the Note, and all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto.

20. For any reason permitted by law, the Beneficiary may from time to time appoint a successor or successors to any Trustee named herein or to any successor Trustee appointed hereunder. Upon such appointment, and without conveyance to the successor Trustee, the latter shall be vested with all title, powers and duties conferred upon any Trustee herein named or appointed hereunder. Each such appointment and substitution shall be made by written instrument executed by the Beneficiary, containing reference to the Deed of Trust and its place of record, which, when recorded in the office of the Auditor of Clark County, Washington, shall be conclusive proof of proper appointment of the successor Trustee.

21. The power of sales conferred by this Deed of Trust is not an exclusive remedy. Beneficiary may cause this Deed of Trust to be foreclosed as a mortgage.

22. The Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. The Trustee is not obligated to notify any party hereof of a pending sale under any other deed of trust or of any action or proceeding in which the Grantor, Beneficiary or Trustee shall be a party unless such action or proceeding is brought by the Trustee.

23. This Deed of Trust applies to, inures to the benefit of and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns.

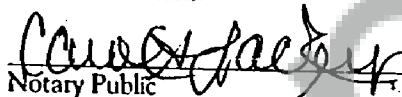

JERRY R. CATES


DIANE F. CATES

STATE OF WASHINGTON)
COUNTY OF Clark) ss.

I certify that I know or have satisfactory evidence that JERRY R. CATES and DIANE F. CATES, husband and wife signed this instrument and acknowledged it to be their free and voluntary act for the uses and purposes mentioned in the instrument.

DATED: 01-21-03


Notary Public
My Appointment Expires: 01-15-06

