

RECORDING REQUESTED BY AND
AFTER RECORDED MAIL TO:

Egenolf and Moore
130 East Carrillo
Santa Barbara, California 93101

App. # _____

Escrow No. 7155 LB

(Above Space for Recorder's Use)

SECURITY AGREEMENT AND
COLLATERAL ASSIGNMENT OF NOTE AND DEED OF TRUST

This Security Agreement and Collateral Assignment of Note and Deed of Trust is made this 22 day of August, 1992 by and among ELLSWORTH C. CEDAR and KATHERINE M. CEDAR as Trustees of the Cedar Trust Dated September 6, 1988, ("Ellsworth"), and TERRANCE E. CEDAR and ANN L. CEDAR, husband and wife, ("Terry") with reference to the following facts:

- A. Terry and Ellsworth are parties to an Indemnity Agreement of even date herewith, a copy of which is attached hereto as Exhibit A and by this reference made a part hereof, ("Indemnity Agreement").
- B. Terry is the Beneficiary and Joseph Kruth and Donna D. Buddington are the Makers of a certain Note dated August 31, 1992, in the original principal amount of \$250,000.00, ("Kruth Note"), secured by a Deed of Trust, recorded in the County of Douglas, State of Nevada on September 1, 1992 as instrument number 287421, ("Kruth Deed of Trust"), copies of which are attached hereto as Exhibit B and C and by this reference made a part hereof.

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C. Terry has agreed to assign to Ellsworth as security for full performance of the terms of the Indemnity Agreement, all of Terry's right title and interest in the Kruth Note and Kruth Deed of Trust.

D. Ellsworth has agreed to accept the assignment of the Collateral as security for the full performance of the terms of the Indemnity Agreement, pursuant to the terms and conditions hereof.

NOW, THEREFORE, the Parties hereto agree as follows:

1. Definitions: For purposes of this Agreement the following capitalized terms shall have the following meanings:

"Agreement" means this Security Agreement, any concurrent or subsequent rider to this Security Agreement and any extensions, supplements, amendments or modifications to this Security Agreement or to any such rider.

"Kruth Deed of Trust" means the deed of trust referred to in "B" above and any replacements, amendments, renewals, or substitutions thereof.

"Kruth Note" means all of Terry's right, title and interest in and to the Note described in "B" above, together with all rights of Terry to receive payment thereof and all guarantees or other rights of Terry obtained in connection therewith, and all collateral therefore.

"Code" means the California Uniform Commercial Code, and any and all terms used in this Agreement which are defined in

the Code shall be construed and defined in accordance with the meaning and definition ascribed to such terms under the Code.

"Collateral" means: (i) The Kruth Note and all rights to payment and obligations owing to Terry thereunder, together with any and all security therefor; (ii) The Kruth Deed of Trust and all rights thereunder; (iii) The proceeds and benefits arising from the Kruth Note and Kruth Deed of Trust including, but not limited to, tangible or intangible property resulting from the sale or other disposition thereof, and the proceeds of such proceeds; and (iv) The title insurance policy issued to Terry in connection with the Kruth Deed of Trust.

"Dollar(s)" and "\$" means United States of America dollars or such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts in the United States of America.

"Obligation" means any and all debts, loans, all interest owed and not paid when due, obligations, covenants, duties owing by Terry to Ellsworth of any kind or description, arising from or by reason of the Indemnity Agreement.

"Person" means natural persons, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, vehicle trusts, business trusts or other organizations irrespective of whether they are legal

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entities, and governments and agencies and political subdivisions thereof.

"Property" means the real property described in the Kruth Deed of Trust.

2. Grant of Security Interest. As security for full performance of all terms and conditions of the Indemnity Agreement, Terry hereby grants to Ellsworth a continuing first priority security interest in, and assigns and transfers to Ellsworth the Collateral.

3. Retention of Security Interest. Ellsworth shall retain its security interest in all Collateral until all Obligations have been fully satisfied as required hereunder, and by this reference made a part hereof. Terry shall not modify, amend, subordinate, renegotiate, or in any fashion alter the terms and conditions of the Collateral.

4. Collection of Kruth Note. All payments under the Kruth Note shall be paid to Terry.

5. Ellsworth's Rights and Remedies. Upon the occurrence of a default by Terry in the performance of the Indemnity Agreement, Ellsworth may, at their election, without notice of its election and without demand, do any one or more of the following, all of which are authorized by Terry:

- (a) Proceed in the foreclosure of its security interests in the Collateral in any manner permitted by law, or provided herein, and sell or otherwise dispose of the Collateral at public or private sale, without

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having the Collateral at the place of sale, and upon terms and in such manner as Ellsworth may determine and Ellsworth may purchase same at any public sale, or retain the Collateral in full satisfaction of the Obligations secured thereby.

- (b) Exercise any and all other rights and remedies of a secured creditor under the Code or under any other applicable law;
- (c) Ellsworth may credit bid and purchase at any public sale;
- (d) Ellsworth rights and remedies under this Agreement and under all other agreements shall be cumulative. No exercise by Ellsworth of one right or remedy shall be deemed an election, and no waiver by Ellsworth of any default shall be deemed a continuing waiver. No delay by Ellsworth shall constitute a waiver, election or acquiescence by it.

6. Representations and Warranties.

(a) Each party represents and warrants to the other that:

- (i) At the time of execution hereof; they had the requisite authority and legal power to execute this Agreement;
- (ii) The signatures of such party are genuine and properly executed on behalf of such party;

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- (iii) This Agreement is enforceable against such party according to its terms;
- (b) Terry represents and warrants to Ellsworth that:
 - (i) No defenses or setoffs exist with respect to the Kruth Note;
 - (ii) The Collateral is free of any claims, credits, deductions, discounts, allowances, defenses, counter-claims or setoff;
 - (iii) The Kruth Note is assignable;
 - (iv) The Kruth Note has not been previously assigned.

7. Notices. Any notice, or delivery to be given hereunder by one party to the other shall be in writing, and may be effected by personal delivery in writing or by certified mail, U.S. postage prepaid, return receipt requested, and shall be deemed communicated as of mailing. Mailed notices shall be addressed to the addresses set forth herein, but either party may change his address by written notice in accordance with this paragraph.

Terry
37 Santa Teresita
Santa Barbara, CA 93105

Ellsworth
161 Conejo Road
Santa Barbara, CA 93108

8. General Provisions.

A. This agreement shall be binding on and shall inure the benefit of the respective heirs, successors and assigns of the parties hereto.

B. Any term or condition of this agreement may be waived, but only with the agreement of each party the term or condition was intended to benefit, and only by means of a written waiver that has either been signed or approved in writing by the party or parties the term or condition was intended to benefit. Any purported oral waiver shall be ineffective and invalid.

C. In the event of any legal action or arbitration to enforce or interpret any term or provision of this Agreement, the prevailing party shall be entitled to actual attorneys fees incurred whether or not any legal action is filed, or whether or not such action is pursued to judgment.

D. The parties hereto agree to execute such other and further documentation as is reasonably necessary to carry out the purpose and intent of this Agreement.

E. No failure or delay on the part of Ellsworth in the exercise of any power, right, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right, or privilege preclude other or further exercise thereof or of any other right, power, or privilege. All rights and remedies existing under this

Agreement are cumulative and in addition to, and not exclusive of, any rights or remedies otherwise available.

F. Time is of the essence of this Agreement and each and every term and provision hereof.

G. This agreement shall be interpreted under the laws of the State of California.

H. This agreement may be executed in counterparts.

I. The various headings used in this Agreement are inserted for convenience only and shall not affect the meaning or interpretations of this Agreement or any provision hereof.

J. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of all parties hereto.

Executed on the day herein first above written at Santa Barbara, California.

"Ellsworth"

"Terry"


ELLSWORTH C. CEDAR*


TERRY E. CEDAR


KATHERINE M. CEDAR*


ANN L. CEDAR

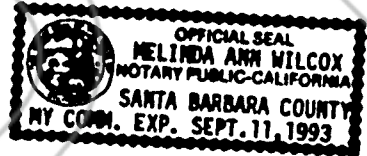
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STATE OF CALIFORNIA)
: ss.
COUNTY OF SANTA BARBARA)

On this 27th day of August, 1992, before me the undersigned, a Notary Public in and for said state and county, personally appeared ELLSWORTH C. CEDAR personally known to me, (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal. (seal)

Melinda Ann Wilcox

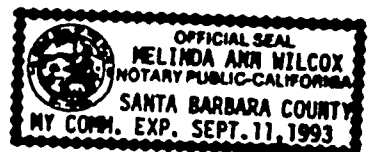


STATE OF CALIFORNIA)
: ss.
COUNTY OF SANTA BARBARA)

On this 27th day of August, 1992, before me the undersigned, a Notary Public in and for said state and county, personally appeared KATHERINE M. CEDAR personally known to me, (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal. (seal)

Melinda Ann Wilcox



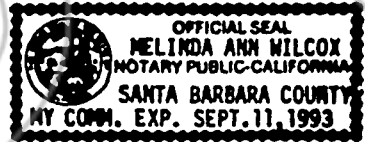
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STATE OF CALIFORNIA)
 : ss.
COUNTY OF SANTA BARBARA)

On this 27th day of August, 1992, before me the undersigned, a Notary Public in and for said state and county, personally appeared TERRY E. CEDAR personally known to me, (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal. (seal)

Melinda Ann Wilcox

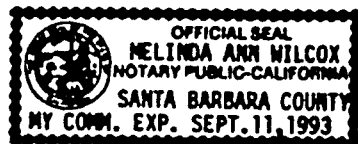


STATE OF CALIFORNIA)
 : ss.
COUNTY OF SANTA BARBARA)

On this 27th day of August, 1992, before me the undersigned, a Notary Public in and for said state and county, personally appeared ANN L. CEDAR personally known to me, (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity(ies) upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal. (seal)

Melinda Ann Wilcox



INDEMNITY AGREEMENT

This Indemnity Agreement is made this 27th day of August 1992 by and between ELLSWORTH C. CEDAR and KATHERINE M. CEDAR as Trustees of the Cedar Trust Dated September 6, 1988 ("ELLSWORTH") and TERRY E. CEDAR and ANN L. CEDAR, husband and wife, ("TERRY") with reference to the following facts:

A. ELLSWORTH is the owners of an undivided one-half (1/2) interest as a tenant-in-common, of certain real property known as the Teakwood Gardens, located at 4656 Shields Avenue, Fresno, California, ("Property").

B. Terry CEDAR is the holder of a master lease on the Property.

C. The Property is secured by a deed of trust to secure a loan in favor of Home Savings of America ("Loan").

D. As holder of the master lease, CEDAR is obligated to make certain of the required payments on the Loan.

E. TERRY and ELLSWORTH desire to define their respective obligations with regard to the Loan pursuant to the terms and conditions hereof.

NOW THEREFORE, the parties hereto agree as follows:

1. The present principal balance of the Loan is \$881,672.00.
2. The obligation for repayment of the Loan shall be as defined herein.
3. ELLSWORTH and TERRY shall be responsible for the following shares of the Loan:

FEC
DMC
KMC

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EXHIBIT A

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ELLSWORTH 21.437% ("ELLSWORTH Share")
TERRY 78.563% ("TERRY Share")

4. Each shall be obligated to pay all costs of the Loan only to the extent of the their Share as set forth above, and shall have no liability for any cost, expense or obligation of the Loan in excess of such Share

5. Each party agrees to indemnify, hold harmless and defend the other party from any and all cost, expense, liability, loss, damage arising out of or incident to the principal of the Loan in excess of the indemnified party's share, including, without limitation, any and all consequential damages arising therefrom. In addition, each party agrees to fully perform all obligations of their share of the Loan, as well as all obligations secured thereby, including but not limited to making all required payments on that share of the Loan in a timely fashion.

6. In the event that any legal action is necessary to enforce or interpret any term or provision of this Agreement, the prevailing party in such action shall be entitled to recover all court costs as well as all actual attorney's fees incurred.

7. This agreement shall be interpreted under the laws of California.

8. This Agreement shall be binding upon and shall inure to the benefit of the respective heirs, successors and assigns of the parties hereto.

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9. Time is of the essence of each and every term and provision of this Agreement.

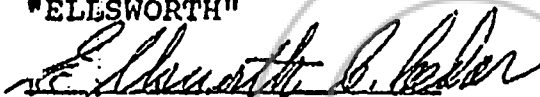
10. This agreement may be executed in counterpart.


11. The obligations of TERRY as defined herein shall be secured by that certain Security Agreement of even date herewith.

12. All parties hereto are advised that this agreement has been prepared by counsel for TERRY. ELLSWORTH is advised to seek independent legal advice concerning their rights, duties and obligations created hereunder.

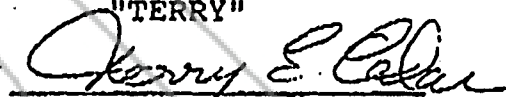
Executed at Santa Barbara, CA on the day and year first above written.

"ELLSWORTH"


ELLSWORTH C. CEDAR*


KATHERINE M. CEDAR*

"TERRY"


TERRY E. CEDAR


ANN L. CEDAR

*As Trustee of the Cedar Trust Dated September 6, 1988

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Exhibit "B"

PROMISSORY NOTE SECURED BY DEED OF TRUST

\$250,000.00

Stateline, Nevada

For value received, undersigned promise to pay to CHATEAU NORMAN APARTMENTS, LTD., a California Limited Partnership or order, at Santa Barbara, California, the principal sum of Two Hundred Fifty Thousand Dollars (\$250,000.00) with interest from September 1, 1992, until paid at the rate of Eight Percent (8%) per annum; principal and interest payable as follows:

Payments shall be made each month on the first day in the amount of Two Thousand Three Hundred Eighty Nine and 13/100 Dollars (\$2,389.13), or more, beginning October 1, 1992, and shall be made by Kruth and Buddington in the ratio which they owe principal. Of the \$250,000.00, Joseph Kruth shall be obligated for \$200,000.00 and Donna Buddington shall be obligated for \$50,000.00.

At any time Kruth or Buddington may prepay principal. With a prepayment of at least \$25,000.00, the monthly payment shall be reduced so the payoff of the remaining principal will be made by the end of the original scheduled term of 15 years, and the party making the payment shall have their share of the monthly payment reduced by a prorata amount. For example, if Kruth makes a payment of \$25,000.00 when he owes \$125,000.00, then his share of the monthly payment will be reduced by 20%.

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If either Kruth or Buddington pays off their entire share of the principal, the holder shall acknowledge such fact.

The default by either Kruth or Buddington in the performance of any of the terms hereof shall also constitute an act of default by the other until such default is fully cured.

Principal and interest payable in lawful money of the United States. If any installment is not paid within 15 days of its due date, there shall be a late charge of four (4) percent of the installment due.

The undersigned promise and agree that in case of default in the payment of any installment of principal and/or interest as provided herein, or in the event of default in the payment of any installment of principal and/or interest on any promissory note secured by the deed of trust securing payment of this note and described therein, or in case of failure to perform any covenant in the deed of trust securing this note, or in the event of failure to pay any installment of principal and/or interest in accordance with the terms of any note secured by a deed of trust having priority over the deed of trust securing this note, or in the event of failure to perform any covenant contained in said prior deed of trust to be performed by the trustor named therein, or in the event that any maker of this note shall make a general assignment for the benefit of creditors or be adjudged a bankrupt, then upon the happening of any one of such events the whole sum of

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principal and interest which shall then remain unpaid shall become forthwith due and payable although the time of maturity as expressed in this promissory note shall not have arrived. In the event of such default the undersigned agree to pay all costs of collection, including any attorney's fee, in addition to and at the time of payment of such sum of money and/or the performance of such acts as may be required to cure such default. In the event of foreclosure of the deed of trust securing payment of this note the proceeds from the exercise of power of sale, or the interest in real property derived from said sale, shall be distributed pro rata between the holders of this promissory note and the holders of any other promissory note secured by the deed of trust securing payment of this note, in the event that said proceeds are insufficient to fully pay all obligations secured by said deed of trust.

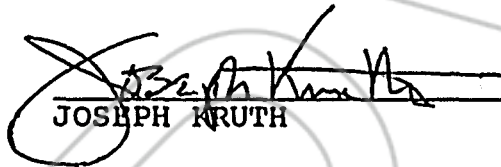
The undersigned promise and agree that in case any suit or legal or equitable action is instituted to collect this note or any portion thereof, or any interest thereon, to pay all costs and expenses and such additional sum as the Court may adjudge reasonable as an attorney's fee in said suit or action, the same to be included in any judgment obtained on this note.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This note shall be the several obligation of all makers, sureties, guarantors and endorsers, and shall be

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binding upon them and their heirs, personal representatives, successors and assigns, and all other parties who may become secondarily liable for the payment of the obligation evidenced hereby, such liability to continue in the event that any extension of time for repayment is given to maker, trustor or his successors in interest. This note is secured by a deed of trust of even date herewith, with First Nevada Title Company, a Nevada corporation, Trustee.



JOSEPH KRUTH



DONNA D. BUDDINGTON

August 31, 92

Exhibit c

DEED OF TRUST WITH ASSIGNMENT OF RENTS

THIS DEED OF TRUST, made August 31st, 1992 between JOSEPH KRUTH and DONNA D. BUDDINGTON, as joint tenants, who are both unmarried, TRUSTOR,

whose address is P.O. Box 32, Glenbrook, Nevada 89413 (Number and Street) (City) (State/Zip)

First Nevada Title Company, a Nevada corporation, TRUSTEE, and CHATEAU NORMAN APARTMENTS, LTD., a California Limited Partnership, BENEFICIARY,

WITNESSETH: That Trustor grants to trustee in trust, with power of sale, that property in the

, County of Douglas, State of NEVADA described as:

(Legal Description Attached)

Together with the rents, issues and profits thereof, subject, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such rents, issues and profits.

For the purpose of securing (1) payment of the sum of \$ 250,000.00 with interest thereon according to the terms of a promissory note or notes of even date herewith made by Trustor, payable to order of Beneficiary, and all extensions or renewals thereof; and (2) the performance of each agreement of Trustor incorporated herein by reference or contained herein; (3) payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or to his successors or assigns, when evidenced by a promissory note or notes reciting that they are secured by this Deed of Trust.

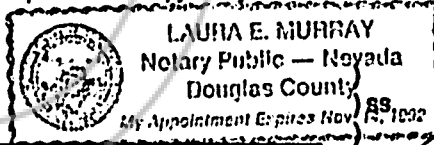
To protect the security of this Deed of Trust, and with respect to the property above described, Trustor expressly makes each and all of the agreements, and adopts and agrees to perform and be bound by each and all of the terms and provisions set forth in subdivision A, and it is mutually agreed that each and all of the terms and provisions set forth in subdivision B of the fictitious Deed of Trust recorded in the office of each County Recorder in the State of Nevada on January 30, 1968, in the book and at the page thereof, or under the document or file number, noted below opposite the name of such county, namely:

COUNTY	BOOK	PAGE	DOC. NO.	COUNTY	BOOK	PAGE	DOC. NO.
Churchill	39 Mortgages	363	115384	Lincoln			45902
Clark	850 Off. Rec.		882747	Lyon	37 Off. Rec.	341	100661
Douglas	87 Off. Rec.	115	40060	Mineral	11 Off. Rec.	129	89073
Elko	92 Off. Rec.	652	35747	Nye	105 Off. Rec.	107	04823
Esmeralda	3-X Deeds	195	35922	Ormsby	72 Off. Rec.	537	32867
Eureka	22 Off. Rec.	138	45941	Parshing	11 Off. Rec.	249	68107
Humboldt	28 Off. Rec.	124	131075	Storey	*S* Mortgages	208	31508
Lander	24 Off. Rec.	168	50782	Washoe	300 Off. Rec.	617	107192
				White Pine	295 R.E. Records	258	

shall inure to and bind the parties hereto, with respect to the property above described. Said agreements, terms and provisions contained in said subdivision A and B, (identical in all counties, and printed on the reverse side hereof) are by the within reference thereto, incorporated herein and made a part of this Deed of Trust for all purposes as fully as if set forth at length herein, and Beneficiary may charge for a statement regarding the obligation secured hereby, provided the charge therefor does not exceed a reasonable amount.

The undersigned Trustor requests that a copy of any notice of default and any notice of sale hereunder be mailed to him as his address above set forth.

STATE OF NEVADA
County of Douglas



On August 31st, 1992

personally appeared before me, a Notary Public,
Joseph Kruth &
Donna D. Buddington

Signature of Trustor
JOSEPH KRUTH
DONNA D. BUDDINGTON

who acknowledged that they executed the above instrument.

Laura E. Murray Notary Public

When Recorded Mail To: Egenolf & Moore
130 East Carrillo St.
Santa Barbara, CA 93101

FOR RECORDER'S USE

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DESCRIPTION SHEET

ALL THAT CERTAIN LOT, PIECE OR PARCEL OF LAND SITUATE IN THE COUNTY OF DOUGLAS, STATE OF NEVADA, DESCRIBED AS FOLLOWS:

Lot 190, as shown on the Map of CAVE ROCK ESTATES, UNIT NO. 1, filed in the office of the Recorder of Douglas County, Nevada on January 3, 1962, Document No. 19323, Official Records.

Assessor's Parcel No. 03-124-01

COPY

REQUESTED BY
WESTERN TITLE COMPANY, INC.
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'92 SEP -1 P4:14

SUZANNE BEAUDREAU
RECORDER
\$25⁰⁰ PAID *Bh* DEPUTY

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