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RECORDING REQUESTED BY

'97 FEB -7 P1:02 Vol. 1797 Page 3845

WHEN RECORDED MAIL TO

Owens Financial Group, Inc.  
P. O. Box 2308  
Walnut Creek CA 94595

Loan #50342

49601-D

## Deed of Trust and Assignment of Rents

Dated January 30th, 1997

and entered into by and between

OLD STRATFORD L.L.C., a Nevada limited liability company  
hereinafter referred to as "Trustor",

KLAMATH COUNTY TITLE COMPANY, hereinafter referred to as "Trustee" and

OWENS FINANCIAL GROUP, INC., a California Corporation, hereinafter referred to as  
"Beneficiary",

WITNESSETH: That Trustor irrevocably GRANTS, TRANSFERS AND ASSIGNS TO TRUSTEE IN  
TRUST WITH POWER OF SALE, all that real property located in the:  
City of Klamath Falls, County of Klamath, State of Oregon

and described as follows:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF FOR LEGAL DESCRIPTION.

APN #: 3909-31BB-300

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

Initial PS ( ) ( ) ( )

McKaye

FOR THE PURPOSE OF SECURING: 1. Performance of each agreement of Trustor herein contained. 2. Payment of the indebtedness evidenced by one promissory note of even date herewith in the Principal sum of:  
\$500,000.00

Five Hundred Thousand and 00/100 Dollars.....

Initial (H) ( ) ( ) ( )

payable to Beneficiary or order.

A. To protect the security of this Deed of Trust, Trustor agrees:

1. To Keep said property in good condition and repair; not to remove or demolish any building thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged or destroyed thereon and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon said property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

2. To provide, maintain and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary, or Trustee; and to pay all costs and expenses, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear.

4. To pay at least ten days before delinquency all taxes and assessments affecting said property, including assessments on appurtenant water stock; when due, all encumbrances, charges and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees and expenses of this Trust.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, with interest from date of expenditure at the same interest rate as set forth in the promissory note(s) secured by this Deed of Trust.

6. Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: 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 said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or



powers of Beneficiary or Trustee; pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

B. It is mutually agreed that:

1. Any award of damages in connection with any condemnation for public use of or injury to said property or any part thereof is hereby assigned and shall be paid to Beneficiary, who may apply or release such moneys received by him in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

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

3. At any time or from time to time, without liability therefore and without notice, upon written request of Beneficiary and presentation of this Deed and said note for endorsement, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, Trustee may: reconvey all or any part of said property; consent to the making of any map or plat thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

4. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in any reconveyance executed under this deed of trust 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."

5. As additional security, Trustor hereby gives to and confers upon Beneficiary the right, power and authority, during the continuance of these Trusts, to collect the rents, issues and profits of said property, reserving unto Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, Beneficiary may 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 for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such 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, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

6. Upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In the event of default Beneficiary shall execute or cause the Trustee to execute a written notice of such

default and of his election to cause to be sold the herein described property to satisfy the obligations hereof, and shall cause such notice to be recorded in the office of the recorder of each county wherein said real property or some part thereof is situated.

Notice of sale having been given as then required by law and not less than the time then required by law having elapsed after recordation of such notice of default, Trustee, without demand on Trustor, shall sell said property at the time and place of sale fixed by it in said notice of sale, either as a whole or in separate parcels and in such order as it may determine, at public auction to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone sale of all or any portion of said property by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. Trustee shall deliver to the purchaser its deed conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee, or Beneficiary, as hereinafter defined, may purchase at such sale.

After deducting all costs, fees and expenses of Trustee and of this Trust, including cost of evidence of title and reasonable counsel fees in connection with sale, 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 same interest rate as set forth in the promissory note(s) secured by this Deed of Trust; all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

7. This Deed applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors and assigns. The term Beneficiary shall mean the holder and owner of the note secured hereby; or, if the note has been pledged, the pledgee thereof. In this Deed, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural.

8. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary or Trustee shall be a party unless brought by Trustee.

9. Beneficiary may, from time to time, as provided by statute, or by a writing, signed and acknowledged by him and recorded in the office of the county recorder of the county in which said land or such part thereof as is then affected by this deed of trust is situated, appoint another Trustee in place and stead of Trustee herein named, and thereupon, the Trustee herein named shall be discharged and Trustee so appointed shall be substituted as Trustee hereunder with the same effect as if originally named Trustee herein.



10. If two or more persons be designated as Trustee herein, any, or all, powers granted herein to Trustee may be exercised by any of such persons, if the other person or persons is unable, for any reason, to act, and any recital of such inability in any instrument executed by any of such persons shall be conclusive against Trustor, his heirs and assigns.

11. If any part of the real property affected by this deed of trust shall be sold or transferred, or agreed to be sold or transferred, said promissory note shall at the option of the holder become due and payable.

12. Should Trustor further encumber the real property described in this deed of trust, or any part thereof or any interest therein, without first obtaining the written consent of Beneficiary, which consent shall not be unreasonably withheld, then, at the option of Beneficiary, all obligations secured by this deed of trust may be declared due and payable. Consent to one transaction of this type will not constitute a waiver of the right to require consent to future or successive transactions.

13. For any statement regarding the obligations secured hereby, Beneficiary may charge the maximum amount permitted by law at the time of the request therefore.

14. The promissory note secured by this Deed of Trust contains a provision which provides that upon Trustor's failure to make any of the payments required to be paid under the terms of the promissory note and/or Deed of Trust, or in the event Beneficiary, or his agent, advances sums on behalf of the Trustor to protect the security of this Deed of Trust, then said amounts shall accrue additional interest at the rate of 3.00% percentage points above the interest rate in effect under the promissory note at the time of such delinquency or default.

The undersigned Trustor requests that a copy of any notice of default and of any notice of sale hereunder be mailed to him at this mailing address opposite his signature hereto.

15. (a) Trustor, without expense to Beneficiary, shall, upon receipt of written request from Beneficiary, furnish to Beneficiary: (1) an annual statement of the operation of the property prepared and certified by Trustor, showing in reasonable detail satisfactory to Beneficiary total rents received and total expenses together with an annual balance sheet and profit and loss statement, within one hundred twenty (120) days after the close of each fiscal year of Trustor, beginning with the fiscal year first ending after the date of delivery of this Deed of Trust; (2) within thirty (30) days after the end of each calendar quarter (March 31, June 30, September 30, December 31) interim statements of the operation of the property showing in reasonable detail satisfactory to Beneficiary total rents and other income and receipts received and total expenses for the previous quarter, certified by Trustor; and (3) copies of Trustor's annual state and federal income tax returns within thirty (30) days of filing. Trustor shall keep accurate books and records, and allow Beneficiary, its representatives and agents, upon notice, at any time during normal business hours, access to such books and records regarding acquisition, construction and development of the property, including any supporting or related vouchers or papers, shall allow Beneficiary to make extracts or copies of any thereof, and shall furnish to Beneficiary and its agents convenient facilities for the audit of any such statements, books, and records.

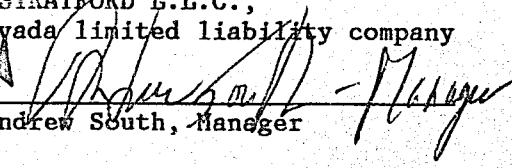
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(b) Trustor within three (3) days after a request by Beneficiary in person or within five (5) days after Beneficiary's request by mail, shall furnish Beneficiary or any third party a written statement duly acknowledged of all amounts due on any indebtedness secured hereby, whether for principal or interest on the Note or otherwise, and stating whether any offsets or defenses are claimed by Trustor to exist against the indebtedness secured by this Deed of Trust and covering other matters with respect to any such indebtedness as Beneficiary may reasonably require.

16. In the event the Property consists of several known lots or parcels, trustor hereby authorizes the trustee to determine the order of sale of said lots or parcels. The presence of trustor at the sale shall not operate to revoke the authority of the trustee hereunder.

TRUSTORS:

OLD STRATFORD L.L.C.,  
a Nevada limited liability company

BY:   
Andrew South, Manager

Mailing Address

c/o The Dwares Group  
Attn: Peter Dwares  
World Trade Center, Suite 205  
San Francisco, CA 94111

FORM OF REQUEST TO RECONVEY

THE PROMISSORY NOTE OR NOTES, AND ANY EVIDENCES OF FURTHER AND/OR ADDITIONAL ADVANCES MUST BE PRESENTED WITH THIS REQUEST: Walnut Creek, California, \_\_\_\_\_ 19\_\_\_\_

To INVESTORS YIELD, INC., a California corporation, Trustee:

You are hereby authorized and requested to execute a reconveyance hereunder and deliver same to \_\_\_\_\_

The undersigned hereby certifies that they are the owner and holder of the debt mentioned in said deed of trust and that the same has never been assigned nor transferred.

By: \_\_\_\_\_  
Beneficiary



## Exhibit A

A portion of Tracts 36 and 43 Enterprise Tracts, City of Klamath Falls, Klamath County, Oregon, more particularly described as follows:

Beginning on the Southerly line of Shasta Way, South  $0^{\circ}00\frac{1}{2}'$  East 73 feet and North  $89^{\circ}54'$  East 280 feet from the section corner common to Sections 33 and 34, Township 38 South, Range 9 East of the Willamette Meridian and Sections 3 and 4, Township 39 South, Range 9 East of the Willamette Meridian; thence South  $0^{\circ}00\frac{1}{2}'$  East parallel with the West line of said Tract 43 along the East line of the tracts of land described in 2 deeds recorded in Deed Volume 255 at page 261 and Deed Volume 255 at page 613, 659.44 feet to the Northeast line of Pershing Way; thence South  $55^{\circ}50\frac{1}{2}'$  East 277.99 feet along said Northeasterly line of Pershing Way; thence North  $0^{\circ}00\frac{1}{2}'$  West 820 feet more or less to the Southerly line of Shasta Way; thence South  $89^{\circ}54'$  West 230 feet to the point of beginning.

APN: 3909-31BB-300

NB

STATE OF OREGON,

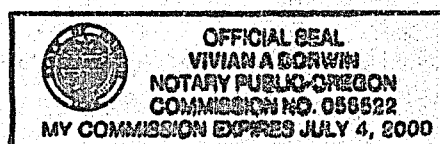
County of WASHINGTON  
before me appeared ANDREW SOUTH

} ss.

On this 4th day of FEBRUARY, 1997,  
and

both to me personally known, who being  
duly sworn, did say that he/she, the said MANAGER  
is the President, and he/she, the said MANAGER  
is the Secretary of OLD STRATFORD L.L.C. a NEVADA limited liability  
the within named Corporation, and that the seal, if any, affixed to said instrument is the corporate seal of said CORP.  
Corporation, and that the said instrument was executed on behalf of said Corporation by authority of its Board  
of Directors, and ANDREW SOUTH and  
acknowledge said instrument to be the free act and deed of said Corporation.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed  
my official seal the day and year last above written.



My commission expires

Notary Public for Oregon.

STATE OF OREGON : COUNTY OF KLAMATH: ss.

Filed for record at request of Klamath County Title the 7th day  
of February A.D., 19 97 at 1:02 o'clock P.M., and duly recorded in Vol. M97  
of Mortgages on Page 3845

FEE \$45.00

Bernetha G. Letsch, County Clerk

by Kathleen Rose