

LETTER OF INTENT

This LETTER OF INTENT is made and entered into this 27th day of July 1988, by and between Swancoat, Nevada, Inc., a Nevada Corporation, hereinafter called "SNI", and Summit Developments, a Nevada General Partnership, hereinafter called "SUMMIT."

1. The purpose of this LETTER OF INTENT is to set forth the basic commercial terms for a real estate joint venture, and to empower SUMMIT to represent SNI in preliminary discussions with the various governmental and lending institutions concerned with the development and disposition of the subject real estate.
2. The subject real estate is owned by SNI, and consists of approximately nine (9) acres of land on Tramway Drive, Tahoe Village Unit Number 2, Douglas County, Nevada, and is more particularly described in Exhibit "A", attached hereto and incorporated herein by this reference, hereinafter called the "PROPERTY."
3. The Parties hereto agree to form a Nevada General ^{OR LIMITED} Partnership (the "PARTNERSHIP") for the purpose of acquiring the PROPERTY from SNI, improving the PROPERTY by implementation of a development plan, and marketing the lots or parcels created by the development plan.
4. The contributions by the Parties to the PARTNERSHIP shall be as follows:
 - a) by SUMMIT:
 - i) Such funds as may be necessary in SUMMIT's sole and reasonable discretion, to design and implement a development plan on the PROPERTY; and
 - ii) its best efforts, without compensation other than its share of the yield from the PROPERTY pursuant to Paragraph 6 hereof, to obtain development approvals from the Tahoe Regional Planning Agency and Douglas County; and to negotiate with Valley Bank of Nevada, regarding the first mortgage on the PROPERTY, Douglas County regarding unpaid realty taxes on the PROPERTY, and Kingsbury General Improvement District regarding unpaid assessments on the PROPERTY, in an effort to reduce these encumbrances against the PROPERTY. Details of these encumbrances, except Item No. 26 which SNI shall cause to be discharged prior to conveyance of the PROPERTY to the PARTNERSHIP, (the "ENCUMBRANCES") are outlined on the Preliminary Title Report dated March 23, 1988 attached hereto as Exhibit "B", and incorporated herein by this reference.
 - b) By SNI: The PROPERTY, at a cost to the PARTNERSHIP equal to the ENCUMBRANCES, immediately after same have been negotiated to their lowest possible amount; but in no event shall the conveyance by SNI to the PARTNERSHIP occur later

than 15 days after approval of the development plan by the Tahoe Regional Planning Agency.

5. The yield from the PROPERTY shall be equal to the sum of all proceeds from the disposition of lots or parcels of the PROPERTY, whether such proceeds are cash, promissory notes or other good and valuable consideration.
6. The yield from the PROPERTY, as defined in Paragraph 5 hereof, shall be distributed as follows:
 - a) Firstly, to the payment in full of all ENCUMBRANCES;
 - b) Secondly, to SNI, the next \$200,000;
 - c) Thirdly, immediately after payment to SNI of the \$200,000 referred to in Paragraph 6 b) hereof, the PARTNERSHIP shall convey to SUMMIT, two lots or parcels of SUMMIT's choice, free and clear of all encumbrances;
 - d) Fourthly, to SUMMIT, all funds contributed to the PARTNERSHIP pursuant to Paragraph 4 a) i) hereof; and
 - e) Fifthly, to the Parties on an equal 50/50 basis, the balance, if any.
7. The Parties hereto agree to execute such further documents, including a detailed Partnership Agreement, and agree to perform such further acts as may be necessary to fully and faithfully comply with the terms of this LETTER OF INTENT.
8. SNI shall provide the principals of SUMMIT, Mr. Jack Sievers and Mr. Jim Nairne, with a letter granting them authority to represent the PROPERTY, in a form similar to the letter attached hereto as Exhibit "C".

SUMMIT, Sievers and Nairne hereby acknowledge and agree that prior to the execution of a Partnership Agreement, the authority to act as agents pursuant to the above-named letter, does not include any authority to bind SNI to any contract agreement or obligation; or to incur any liability on the part of SNI without SNI's written approval.

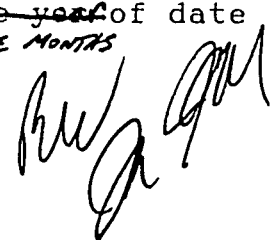
9. This LETTER OF INTENT shall terminate, and the parties hereto shall be free of any and all obligations or liabilities hereunder upon the occurrence of any one of the following events:

- a) any alteration in the ownership of SUMMIT which results in James C. Nairne owning less than 50% of SUMMIT; or

- b) failure by SUMMIT to obtain approval of the development plan by the Tahoe Regional Planning Agency within ~~one year~~ ^{NINE MONTHS} of date of execution hereof.

185696

BOOK 988 PAGE 536



IN WITNESS WHEREOF, the Parties hereto have executed this LETTER OF INTENT, this 27th day of July, 1988.

"SNI"

Rw
[Signature]

Swancoat Nevada, Inc.

By *[Signature]*
By President
Robert R. Williams

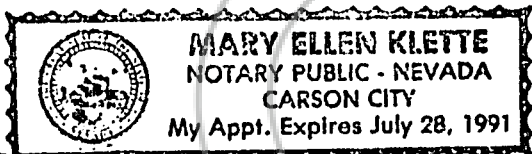
"SUMMIT"

Summit Development,
A Nevada Partnership

By *[Signature]*
General Partner
Jack K. Seivers
By *[Signature]*
General Partner
James C. Nairne

STATE OF NEVADA)
) ss:
COUNTY OF DOUGLAS)

On this 27th day of July, 1988, personally appeared before me, a Notary Public, Robert R. Williams, known to me to be the President of Swancoat Nevada, Inc. who acknowledged that he executed the above instrument on behalf of said corporation.

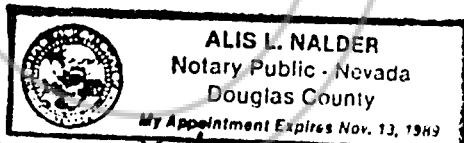


Mary Ellen Klette
Notary Public

On this _____ day of _____, 1988, personally appeared before me, a Notary Public, _____, known to me to be the _____ of Swancoat Nevada, Inc. who acknowledged that he executed the above instrument on behalf of said corporation.

Notary Public

On this 27 day of July, 1988, personally appeared before me, a Notary Public Jack K. Sievers, who acknowledged that he executed the above instrument.



Alis L. Nalder
Notary Public

On this 27th day of July, 1988, personally appeared before me, a Notary Public, James C. Nairne, who acknowledged that he executed the above instrument.



Mary Ellen Klette
Notary Public

185696

Exhibit "A"

DESCRIPTION SHEET

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

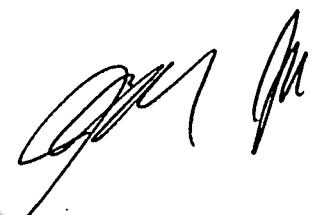
A parcel of land being a portion of the East 1/2 of Section 30, Township 13 North, Range 19 East, M.D.B. & M., and being further described as follows:

All that land delineated as Parcel A - Commercial Area, as shown on Sheet 2 of the Amended Map of Tahoe Village No. 2, recorded March 29, 1974 in Book 374, Page 751, Document No. 72495, Official Records of Douglas County, State of Nevada.

EXCEPTING THEREFROM that portion of said land as granted to Heavenly Valley, a partnership, in Deed recorded May 16, 1975, in Book 575, Page 638, Document No. 80243, Official Records of Douglas County, State of Nevada.

ALSO EXCEPTING THEREFROM that portion lying West of the North - South Section line of said Section 30 and North of the parcel conveyed to Heavenly Valley, Inc., as set forth hereinabove; said parcel being assessed as a portion of Assessor's Parcel No. 41-010-04 by the Douglas County Assessor's office.

Assessor's Parcel No. 41-010-05



At the date hereof exceptions to coverage in addition to the printed exceptions and exclusions contained in said policy form would be as follows:

1. Taxes for the fiscal year 1987-1988, in the amount of \$2,899.96 are delinquent plus penalties and interest. Assessor's Parcel No. 41-010-05.
2. Delinquent taxes for 1986-1987 in the amount of \$2,595.30 plus penalties and interest.
3. Delinquent taxes for 1985-1986 in the amount of \$ 2,748.39 plus Penalties and interest.
4. Delinquent taxes for 1984-1985 in the amount of \$ 2,625.42 plus penalties and interest.
5. Delinquent taxes for 1983-1984 in the amount of \$ 2,659.22 plus penalties and interest.
6. Delinquent taxes for 1982-1983 in the amount of \$ 1,788.80 plus penalties and interest.
7. Delinquent taxes for 1980-1981 in the amount of \$ 2,404.54 plus penalties and interest.
8. Taxes for the fiscal year July 1, 1988 to July 1, 1989, a lien not yet due or payable.
9. A deed to Yvonne Bernard, treasurer and Ex-officio tax receiver of the County of Douglas, State of Nevada for Delinquent taxes for the year 1980-1981 with right of redemption recorded June 4, 1984 in Book 684, Page 169, Document No. 101605 of Official Records, and subsequent tax deeds of record.

Deed of Reconveyance will be required upon issuance of any policy of title insurance based upon any conveyance by the named vestee.

10. Special Assessment levied by the Kingsbury General Improvement District,
Project No. : KB 73-1
Account No. : 59-1440
Original Amount: \$ 7,476.56
Current Balance: \$ 4,153.64
Installment No.: 16 through 28 Delinquent Plus Penalties and Interest
Installment No.: 29 Principal: \$ 276.91
Due: July 1988

Total amount due through installment No. 28: \$8,424.27

11. Special Assessment levied by the Kingsbury General Improvement District,
Project No. : KB 73-2
Account No. : 65-183
Original Amount: \$ 161,150.00
Current Balance: \$ 104,457.50
Installment No.: 15 through 28 Delinquent Plus Penalties and Interest
Installment No.: 29 Principal: \$ 6,528.58
Due: July 1988

Total amount due through installment No. 28: \$161,978.52

12. Rights of way for any existing roads, canals, ditches, drain ditches, pipe, pole or transmission lines traversing said lands.

13. Any liens which may be levied by Kingsbury General Improvement District by reason of said land lying within its boundaries.

14. Any amounts that may be due the Tahoe Village Homeowners Association by reason of the subject property lying within the boundaries of said subdivision.

15. Matters contained in the notes and legends of the map referred to herein.

16. Covenants, Conditions and Restrictions in an instrument recorded January 11, 1973 in Book 173, Page 229, Document No. 63681, of Official Records.

Said Covenants, Conditions and Restrictions were amended by an instrument recorded September 28, 1973 in Book 973, Page 812, Document No. 69063, of Official Records.

Said Covenants, Conditions and Restrictions were amended by an instrument recorded July 2, 1976 in Book 776, Page 087, Document No. 01472, of Official Records.

Said Covenants, Conditions and Restrictions provide that a violation thereof shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value.

17. An easement as set forth in an instrument
Recorded : December 29, 1967 in Book 56, Page 356, Document
No. 39724 of Official Records
In favor : Sierra Pacific Power Company and California
Interstate Telephone Co.
For : public utilities
Affects : as set forth in said document

18. An Agreement dated April 28, 1971, executed by Lake Tahoe Land Company and Heavenly Valley, a partnership, upon the terms and Conditions contained therein, recorded May 26, 1971, in Book 87, Page 289, Document No. 52862, Official Records of Douglas County, State of Nevada.

"Second Supplemental Agreement" recorded May 14, 1976 in Book 576, Page 714, Document No. 00313, and re-recorded December 30, 1976, in Book 1276, Page 1959, Document No. 05788, Official Records of Douglas County, State of Nevada.

"First Supplemental Agreement" recorded June 17, 1976, in Book 676, Page 909, Official Records of Douglas County, State of Nevada.

19. Matters set forth on survey map for Heavenly Valley, a Nevada Limited Partnership filed for record February 24, 1973 as Document No. 64394, Official Records of Douglas County, State of Nevada, and amended record of survey recorded February 22, 1973 in Book 273, Page 582, Document No. 64394 of Official Records.

20. A Deed of Trust to secure an indebtedness of \$ 95,000.00
Dated : May 29, 1973
Recorded : June 11, 1973 in Book 673, Page 389, Document
No. 66762 of Official Records
Trustor : Lake Tahoe Land Co., Inc., a Nevada corporation
Trustee : Silver State Title Insurance Company
Beneficiary : Security National Bank of Nevada

Affects this and other property

21. A Deed of Trust to secure an indebtedness of \$ 250,000.00
Dated : July 16, 1973
Recorded : August 22, 1973 in Book 873, Page 767, Document
No. 68317 of Official Records
Trustor : Lake Tahoe Land Co., Inc., a Nevada corporation
Trustee : Silver State Title Insurance Company
Beneficiary : Security National Bank of Nevada

Affects this and other property

22. A Deed of Trust to secure an indebtedness of \$ 125,000.00
Dated : March 12, 1974
Recorded : April 3, 1974 in Book 474, Page 103, Document
No. 72564 of Official Records
Trustor : Lake Tahoe Land Co., Inc., a Nevada corporation
Trustee : Silver State Title Insurance Company
Beneficiary : Security National Bank of Nevada

Affects this and other property

23. Notice of default under items 20, 21, and 22 herein recorded March 5, 1984 in Book 384, Page 174, Document No. 97679 of Official Records.

24. An unrecorded modification agreement combining items 20, 21 and 22 as evidenced by the Notice of Default shown as item 23 hereinabove.

25. An easement for construction and operation of a parking lot, with incidental rights thereto, over said premises, as granted to Heavenly Valley, a partnership, in Grant of Easement, dated January 29, 1975 recorded August 22, 1975, in Book 875, Page 939, Document No. 82577, and re-recorded December 30, 1976, in Book 1276, Page 1953, Document No. 05787, Official Records of Douglas County, State of Nevada.

26. A Deed of Trust to secure an indebtedness of \$ 250,000.00
Dated : April 10, 1980
Recorded : April 10, 1980 in Book 480, Page 636, Document
No. 43557 of Official Records
Trustor : Gura Nevada, Inc., a Nevada corporation
Trustee : Silver State Title Company, a Nevada corporation
Beneficiary : G.S. Land Co., Inc., a Nevada corporation

The Beneficial interest under said Deed of Trust was assigned to Robert Raymond Williams
Dated : May 30, 1980
Recorded : June 5, 1980 in Book 680, Page 718, Document
No. 45102 of Official Records

27. The requirement that a corporate resolution of each of the vested corporations be examined in this office prior to the issuance of any policy of title insurance based on a conveyance by either corporation.

28. The requirement that a deed conveying said parcel to the herein named vestees executed by Tahoe Village, Inc., a Non Profit Nevada Corporation be recorded in the office of the Douglas County Recorder.

Tahoe Village Inc. received their interest in said land by deed recorded January 30, 1975 in Book 175, Page 1485, Document No. 77956 of Official Records.

29. Voluntary Petition in Bankruptcy of Swancoat Nevada, Inc., filed June 1, 1984 in the United States Bankruptcy Court, District of Nevada, Case No. 84-419. (Chapter 11)

Attorney for Plaintiff: Steve Harris
232 Court
Reno, Nevada 89501

NOTE: Swancoat, Nevada, Inc. is a Nevada corporation current and in good standing.

President : Robert Raymond Williams
Secretary : Robert Raymond Williams
Treasurer : Robert Raymond Williams

NOTE: This report is subject to a minimum cancellation charge of \$90.00 as required by the rate schedule on file with the insurance commissioner of the State of Nevada pursuant to N.R.S. 692A.120-692A.140.

COPY

DESCRIPTION SHEET

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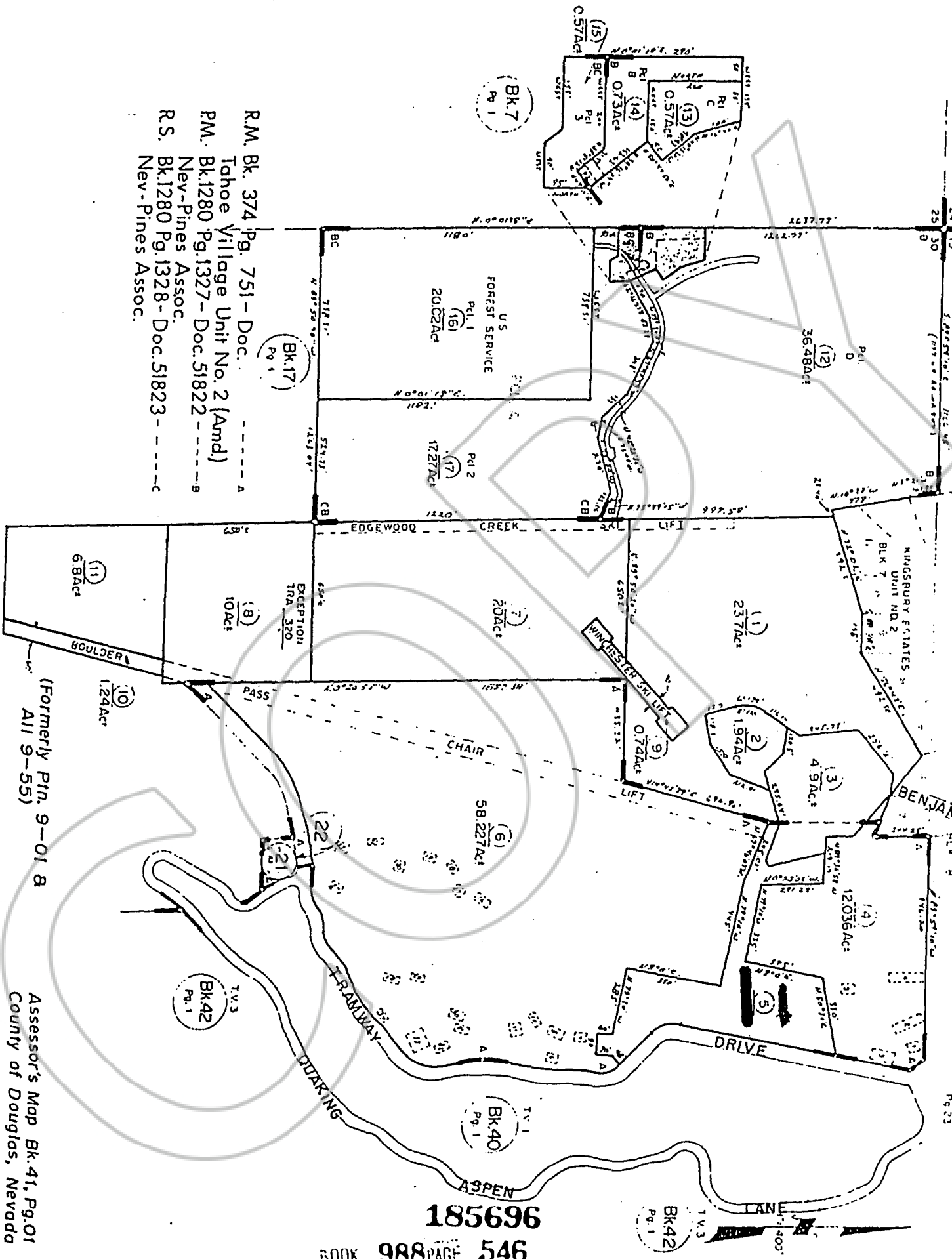
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Assessor's Parcel No. 41-010-05



R.M. Bk. 374 Pg. 751 - Doc. ----- A
 Tahoe Village Unit No. 2 (Amd)
 P.M. Bk. 1280 Pg. 1327 - Doc. 51822 ----- B
 Nev-Pines Assoc.
 R.S. Bk. 1280 Pg. 1328 - Doc. 51823 ----- C
 Nev-Pines Assoc.

(Bk. 17)
Pg. 1

(Bk. 7)
Pg. 1

(Bk. 42)
Pg. 1

(Bk. 40)
Pg. 1

(Bk. 42)
Pg. 1

185696

BOOK 988 PAGE 546

(Formerly Ptn. 9-01 B
All 9-55)

Assessor's Map Bk. 41, Pg. 01
County of Douglas, Nevada

Exhibit "C"

Swancoat Investments Limited

1000 - 363 Broadway
Winnipeg, Manitoba
R3C 3N9
943-2985

August 20, 1987

Mr. Jack Sievers
510 P.O. Box 6780
Stateline, Nevada
U.S.A. 89449

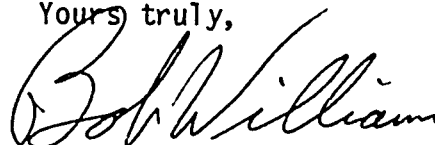
Dear Sir:

This letter authorizes Mr. Jack Sievers and/or Mr. Jim Nairne to act as agents for Swancoat Nevada Inc. in representing and developing Swancoat Nevada Inc. land known as:

All that land delineated as Parcel A - Commercial Area as shown on Sheet 2 of the Amended Map of Tahoe Village No. 2, recorded March 29, 1974 in Book 374, Page 751, Document No. 72495, Official Records of Douglas County, State of Nevada.

This authorization is for the time period of September 1, 1987 to March 1, 1988.

Yours truly,



Bob Williams
Vice-President

REQUESTED BY
Alex Nalder
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

BW/1w
Enclosure

'88 SEP -6 AM 11:33

SUZANNE BEAUDREAU
RECORDER

185696

\$17.00 PAID BH DEPUTY BOOK 988 PAGE 547