

Please return this document after recording to
 FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA
 P.O. Box 759
 19925 West First Street
 Hilmar, California 95324-0759

(Space above this line for Recorder's use)

DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST is made February 20, 1989, between the following parties:

TRUSTOR (herein called "Trustor"):

FAIL, STANLEY C. JR.
 276 Terrace View
 P.O. Box 6882
 Stateline, Nevada 89449
 Social Security # [REDACTED]-4789
 Husband of Brenda M. Fail

BRENDA M. FAIL
 276 Terrace View
 Stateline, NV 89449
 Social Security # [REDACTED]-0671
 Wife of Stanley C. Fail, Jr.

TRUSTEE (herein called Trustee):

FARMERS/MERCHANTS CORP.

BENEFICIARY (herein called "Beneficiary"):

FARMERS & MERCHANTS BANK OF CENTRAL CALIFORNIA
 a CALIFORNIA banking corporation
 19925 West First Street
 P.O. Box 759
 Hilmar, California 95324-0759
 Tax I.D. # 94-0467440

Trustor irrevocably grants, transfers and assigns to Trustee, in trust and with power of sale, all of the real Property described as:

All that certain lot, piece or parcel of land situate in the County of Douglas, State of Nevada, described as follows: The North Half of the West 132.0 feet of the South one-half of the Northeast Quarter of the Southeast Quarter of the Northeast Quarter of Section 23 Township 13 North, Range 18 East, M.D.B. & M. EXCEPTING THEREFROM the Northerly 20.0 feet thereof, as described in that Instrument recorded January 3, 1968, in Book 56 of Official Records at page 419, Douglas County, Nevada, records. Assessment Parcel No. 07-263-24-7. Said Parcel of land also being shown on that certain Record of Survey for Donald W. Dalziel, recorded September 17, 1976, in Book 976 of Official Records at page 951, Douglas County, Nevada, as Document No. 03320.

Together with all improvements now or hereafter erected on the Property, and all easements, rights, appurtenances, rents (subject however to the rights and authorities given herein to Beneficiary to collect and apply such rents), royalties, mineral, oil and gas rights and profits, water, water rights, and water stock, trees, shrubbery, crops, and all fixtures now or hereafter attached to the Property, all of which, including replacements and additions thereto, shall be deemed to be and remain a part of the Property covered by this deed of trust; and all of the foregoing, together with said Property (or the leasehold estate if this deed of trust is on a leasehold) are herein referred to as the "Property."

1. THIS DEED OF TRUST SECURES:

- A. All of the obligations of Trustor, herein called "Obligor," in favor of Beneficiary or order under the terms of:
 A promissory note dated February 20, 1989 in the original principal sum of \$104,160.00, with interest thereon at the rate specified therein.
 The security of this deed of trust shall not be affected by the extension, renewal or modification from time to time of the obligations, instruments or agreements described above.
- B. Payment of any and all obligations and liabilities, whatsoever, whether primary, secondary, direct, indirect, fixed or contingent, whether now or hereafter due from Trustor, Obligor or any of them (or any successor in interest to Trustor or any of them) whether created directly or acquired by assignment if the document evidencing such obligation or liability or any other writing signed by Trustor, Obligor or any of them (or any successor in interest to Trustor or any of them) specifically provides that said obligation or liability is secured by this deed or trust.
- C. Performance of each agreement of Trustor and Obligor herein contained or contained in any other agreement, instrument or other writing to which Trustor is a party if the same is written in connection with any of the foregoing.
- D. Payment of all sums to be expended by the Beneficiary or Trustee pursuant to the terms of this Deed of Trust or the terms incorporated herein.

2. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

- A. To keep the 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 the Property or requiring any alteration or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer or permit any act upon the Property in violation of law; to cultivate, irrigate, fertilize, fumigate, prune and do all other acts which from the character of use of the Property may be reasonably necessary, the specific numerations herein not excluding the general.

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- B. To provide, maintain and deliver to Beneficiary fire and other insurance on the Property satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon indebtedness secured hereby and in 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 hereunder or invalidate any act done pursuant to such notice.
- C. 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 without limitation 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, and in any suit brought by Beneficiary to foreclose this deed of trust.
- D. To pay at least ten days before delinquency all taxes and assessments affecting the Property, including without limitation assessment or appurtenant water stock, all encumbrances, charges and liens, any interest, on the Property or any part thereof, which appear to be prior or superior hereto and all costs, fees and expenses of this Trust.
- E. That should Trustor fail to make any payment or do any act as herein provided, then Beneficiary or Trustee, but without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may:
 1. 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 the Property for such purposes.
 2. Appear in and defend any action or proceeding purporting to affect the security hereof or the rights or power of Beneficiary or Trustee.
 3. Pay, purchase, contest or compromise any encumbrance, charge or lien which in the judgment of either appears to be prior and superior hereto.
 4. In exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.
- F. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the maximum rate allowed by law in effect at the date hereof or at the option of Beneficiary, such sums may be added to the principal balance of any indebtedness secured hereby and shall bear the highest rate of interest as any such indebtedness.
- G. To pay for any statement provided for by law in effect at the date hereof regarding the obligation secured hereby any amount demanded by the Beneficiary not to exceed the maximum allowed by law at the time when said statement is demanded.

3. TRUSTOR FURTHER AGREES THAT:

- A. Any award of damages in connection with any condemnation for public use of or injury to the Property or any part thereof is hereby assigned and shall be paid to Beneficiary who may apply or release such monies received by it in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.
- B. By accepting payment of any sum secured hereby after its due date, or after the filing of notice of default and of election to sell, Beneficiary shall not waive its right to require prompt payment when due of all other sums so secured, or to declare default for failure so to pay, or to proceed with the sale under any such notice of default and of election to sell, for any unpaid balance of said indebtedness. If Beneficiary holds any additional security for any obligation secured hereby, it may enforce the sale thereof at its option, either before, contemporaneously with, or after the sale is made hereunder, and on any default of Trustor or Obligor, Beneficiary may, at its option, offset against any indebtedness owing by it to Trustor or Obligor, the whole or any part of the indebtedness secured hereby.
- C. Without affecting the liability of any person, including, without limitation, Trustor or Obligor, for the payment of any indebtedness secured hereby, or the lien of this deed of trust on the remainder of the Property for the full amount of any indebtedness unpaid, Beneficiary and Trustee are respectively empowered as follows:
 1. Beneficiary may from time to time and without notice (a) release any person liable for the payment of any of the indebtedness, (b) extend the time or otherwise alter the terms of payment of any of the indebtedness, (c) accept additional security therefor of any kind, including deeds of trust or mortgages, (d) alter, substitute or release any of the Property securing the indebtedness.
 2. Trustee may, at any time, and from time to time, upon the written request of Beneficiary (a) consent to the making of any map or plat of the Property, (b) join in granting any easement or creating any restriction thereon, (c) join in any subordination or other agreement affecting this deed of trust or the lien or charge thereof or, (d) reconvey, without any warranty, all or any part of the Property.
- D. Upon written request of Beneficiary stating that all sums secured hereby have been paid, cancellation of any note, guarantee, Agreement or other writing evidencing the indebtedness secured hereby and performance of all obligations of the Trustor and Obligor hereunder and thereunder, and upon other evidence of indebtedness secured hereby to Trustee for cancellation and retention and upon payment of its fees, Trustee shall reconvey, without warranty, the Property then held hereunder. The recital in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Five years after issuance of such reconveyance, Trustee may destroy said note, guarantee, Agreement or other evidence of indebtedness and this deed of trust (unless directed in such request to retain them).
- E. 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 the Property and of any personal property located thereon, and hereby absolutely and unconditionally assigns all such rents, issues and profits to Beneficiary; provided, however, that Beneficiary hereby consents to the collection and retention of such rents, issues and profits as they accrue and become payable only if Trustor or Obligor is not, at such times, in default with respect to payment of any indebtedness secured hereby or in the performance of any agreement hereunder. 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, and without limiting the generality of section 2.E.(1), above, enter upon and take possession of the Property or any part thereof, and in its 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; also perform such acts of repair, cultivation, irrigation or protection, as may be necessary or proper to conserve the value of the Property; also lease the same or any part thereof for such rental, term, and upon conditions as its judgment may dictate; also prepare for harvest, sever, remove, and sell any crops that may be growing upon the premises, and apply the net proceeds thereof upon the indebtedness secured hereby. The entering upon and taking possession of the Property and performance or failure to perform any of the acts described in the preceding sentence, the collection of such rents, issues and profits, and the application thereof as aforesaid, shall not waive or cure any default or notice of default hereunder, or invalidate any act done pursuant to such notice and shall not constitute or otherwise result in any assumption by or liability of Beneficiary for maintenance, depreciation, misuse or risk of loss other than for damage or loss to the Property due to Beneficiary's gross negligence or intentional torts. Trustor also assigns to Trustee, as further security for the performance of the obligations secured hereby, all prepaid rents and all monies which may have been or may hereafter be deposited with said Trustor by any lessee of the premises herein described, to secure the payment of any rent, and upon default in the performance of any of the provisions hereof, Trustor agrees to deliver such rents and deposits to the Trustee.
- F. Upon default by Trustor or Obligor in the performance of any payment or other obligation secured hereby or in the performance of any agreement hereunder or, if all or any part of the Property or an interest therein is sold, transferred or encumbered, whether voluntarily or involuntarily, or if a beneficial interest in Trustor is sold, transferred or encumbered, voluntarily or involuntarily, and Trustor is not a natural person, Beneficiary may declare all sums secured hereby immediately due without notice or demand and no waiver of this right shall be effective unless in writing and signed by Beneficiary.
- G. Waiver of a right granted to Beneficiary hereunder as to one transaction or occurrence shall not be deemed to be a waiver of the right as to any subsequent transaction or occurrence. Beneficiary may rescind any notice before Trustee's sale by executing a notice of rescission and

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recording the same. The recordation of such notice shall constitute also a cancellation of any prior declaration of default and demand for sale, and of any acceleration of maturity of indebtedness affected by any prior declaration or notice of default. The exercise by Beneficiary of the right of rescission shall not constitute a waiver of any default then existing or subsequently occurring, nor impair the right of the Beneficiary to execute other declarations of default and demand for sale, or notices of default and of election to cause the Property to be sold, nor otherwise affect the note or, deed of trust, or any of the rights, obligations or remedies of the Beneficiary or Trustee hereunder.

- H. At least three months or any lesser period required by law having elapsed between the recordation of the notice of default and the date of sale, Trustee, having first given notice of sale as then required by law, and without demand on Trustor, shall sell the Property at the time and place of sale fixed by it in the notice of sale, either as a whole or in separate parcels, and in such order as the Trustee may determine, at public auction to the highest bidder for cash, in lawful money of the United States of America, payable at the time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at the time of sale, and from time to time thereafter may postpone the sale by public announcement at the time fixed by the previous postponement, and without further notice it may make such sale at the time to which the same shall be so postponed. Trustee shall deliver to the purchaser its deed conveying the Property so sold, but without any covenant or warranty, expressed or implied. The recital in any such deed of any matters or facts, stated either specifically or in general terms, or as conclusions of law or fact, shall be conclusive proof of the truthfulness thereof. Any person, including Trustor, Trustee or Beneficiary, may purchase at the sale. After deducting all costs, fees and expenses of Trustee and of this trust, including costs of evidence of title in connection with the sale, Trustee shall apply the proceeds of the sale to the payment of all sums then secured hereby, in such order and manner as may be required by the Beneficiary; the remainder, if any, to be paid to the person or persons legally entitled thereto. If Beneficiary shall elect to bring suit to foreclose this deed of trust in the manner and subject to the provisions, rights and remedies relating to the foreclosure of a mortgage, Beneficiary shall be entitled to a reasonable sum to be fixed by the court as attorney's fees expended in the prosecution of said action.
- I. Beneficiary, or any successor in ownership of any indebtedness secured hereby, may from time to time, by instrument in writing, substitute a successor or successors to any Trustee named herein or acting hereunder, which instrument, executed by the Beneficiary and duly acknowledged and recorded in the office of the recorder of the county or counties where the Property is situated, shall be conclusive proof of proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the Trustee predecessor, succeed to all its title, estate, rights, powers and duties. Said instrument must contain the name of the original Trustor, Trustee and Beneficiary hereunder, the book and page where this deed of trust is recorded and the name and address of the new Trustee.
- J. 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. The term Beneficiary shall mean the owner and holder, including without limitation pledgees, of the note, guarantee, Agreement, or other evidence of indebtedness secured hereby, whether or not named as Beneficiary herein. In this deed of trust, whenever the context so requires, the neuter gender includes the masculine and/or the feminine, and the singular number includes the plural.
- K. Trustee accepts this trust when this deed of trust, duly executed and acknowledged, is made a public record as provided by law. 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.
- L. Any Trustor or Obligor who is a married person expressly agrees that his or her community property and separate property shall be liable for any deficiency after the sale of the Property to the extent such Trustor or Obligor is personally obligated to pay the indebtedness secured hereby.
- M. If Trustor or any successor in interest to Trustor sells, transfers or encumbers any interest in the Property, whether voluntarily or involuntarily, or if a beneficial interest in Trustor is sold or transferred, voluntarily or involuntarily, and Trustor is not a natural person: (a) the transferor and the transferee shall each immediately give written notice of said transfer to the Beneficiary, at its address designated on the first page of this deed of trust; (b) if the deed of trust secures Trustor's or Obligor's obligation under an Agreement as defined herein, all credit extended by Beneficiary under the Agreement, whether before or after the property is transferred, shall be secured under this deed of trust as if no transfer had occurred except for credit extended by Beneficiary more than five days after it has received the written notices required by this paragraph.
- N. The pleading of any statute of limitations as a defense to any and all obligations secured by this deed of trust is hereby waived to the full extent permitted by law.

4. WITH REGARD TO HAZARDOUS SUBSTANCES, TRUSTOR AGREES:

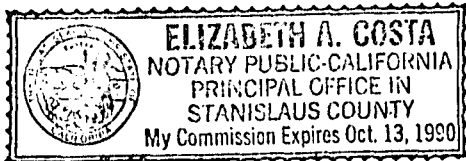
- A. As used in this section, the term "hazardous substance" means any substance which has characteristics of ignitability, corrosivity, toxicity, reactivity or radio-activity or has other characteristics which render the substance dangerous to health, safety or the environment if such substance is or becomes regulated by any federal, state or local law, regulation or ordinance. The term includes, without limitation, substances defined as "hazardous material," "toxic substances," "hazardous wastes" or "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., and in Chapters 6.5 through 7.7 of Division 20 of the California Health and Safety Code, Section 25100, et seq., and in the regulations adopted and publications promulgated pursuant to said laws.
- B. As used in this section, the terms "disposal," "release" and "threatened release" shall have the definitions assigned to them in CERCLA.
- C. Trustor represents and warrants that during the period of Trustor's ownership or leasehold interest in the Property there has been no use, generation, manufacture, storage, disposal, release or threatened release of any hazardous substance by any person on, under or about the Property nor are there or have there been any claims of any kind asserted or threatened to be asserted by any third party relating thereto except as previously disclosed to and acknowledged by Beneficiary in writing. Trustor further represents and warrants that Trustor has no knowledge of, or reason to believe that there has been, any use, generation, manufacture, storage disposal, release or threatened release of any hazardous substance by any person on, under or about the Property before Trustor acquired an interest in the Property or any claims of any kind asserted or threatened to be asserted by any third party relating thereto except as previously disclosed to and acknowledged by Beneficiary in writing.
- D. Trustor represents, warrants and agrees that neither Trustor nor any agent, contractor, tenant or other authorized user of the Property shall use, generate, manufacture, store, dispose or release any hazardous substance on, under or about the Property except as first disclosed to and acknowledged by Beneficiary in writing and that any such activity shall be conducted in compliance with all applicable federal, state or local laws, regulations or ordinances, including, without limitation, the provisions of the federal, state and local laws, regulations, ordinances and publications described in the first paragraph of this section.
- E. Trustor agrees to indemnify and hold Beneficiary and its successors or assigns harmless from and against all losses, claims, demands, liabilities, damages, response costs, penalties and expenses, including, without limitation all costs of litigation and, attorneys' fees, which Beneficiary and its successors or assigns may directly or indirectly sustain or suffer as a consequence of any inaccuracy or breach of any representation, warranty or agreement contained in this section, or as a consequence of any use, generation, manufacture, storage, disposal, release or threatened release occurring prior to Trustor's ownership or interest in the Property whether or not the same was or should have been known to Trustor.
- F. The provisions of this section shall not be affected by the acquisition by Beneficiary or its successors or assigns of any ownership or other interest in the Property beyond Beneficiary's security interest in the Property created under this deed of trust, whether or not such acquisition is pursuant to the foreclosure of this deed of trust or a merger of the interest of the Beneficiary or its successors and assigns in the Property.

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If a mailing address is set forth below any Trustor's name herein, Trustor, unless otherwise indicated herein, shall be deemed to have requested that a copy of any notice of default, and of any notice of sale hereunder, be mailed to said Trustor at said address.

By signing below, Trustor agrees to all the terms and conditions of this deed of trust.

TRUSTOR:



Stanley C. Jr.
FAIL, STANLEY C. JR.
Individually
Brenda M. Fail
BRENDA M. FAIL
Individually

STATE OF California

ss:

COUNTY OF MERCED

On this 27th day of February 1989, before me, a notary public, personally appeared FAIL, STANLEY C. JR., personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to this instrument, and acknowledged that (he/she) executed it.

My commission expires:
10/13/90

Elizabeth A. Costa
NOTARY PUBLIC

STATE OF California

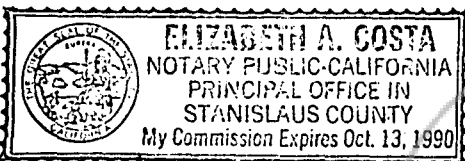
ss:

COUNTY OF MERCED

On this 15th day of February 1989, before me, a notary public, personally appeared BRENDA M. FAIL, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to this instrument, and acknowledged that (he/she) executed it.

My commission expires:
10/13/90

Elizabeth A. Costa
NOTARY PUBLIC



REQUESTED BY
STEWART TITLE of DOUGLAS COUNTY
IN OFFICIAL RECORDS OF
DOUGLAS CO., NEVADA

'89 MAR 14 P12:55

SUZANNE BEAUDREAU
RECORDER

198128

\$ 8.00 PAID *[Signature]* DEPUTY

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