

DEED OF TRUST AND
ASSIGNMENT OF RENTS
(Due-on-Sale and Release Provisions)

THIS DEED OF TRUST, made this 10th day of April, 1991, by and between GERDA E. CANOVA, an unmarried woman, and PETER CANOVA, III, a single man, hereinafter called "TRUSTOR", and FIRST CENTENNIAL TITLE COMPANY, hereinafter called "TRUSTEE", and NOVASEL & SCHWARTE INVESTMENTS, INC., dba WESTERN HIGHLAND MORTGAGE CO., a California corporation, hereinafter called "BENEFICIARY".

W I T N E S S E T H:

WHEREAS, the said Trustor is indebted to Beneficiary, in the sum of ONE HUNDRED NINETY THOUSAND DOLLARS (\$190,000.00) in lawful money of the United States, and has agreed to pay the same in like lawful money, according to the terms of a Promissory Note to the Beneficiary of even date herewith, executed and delivered therefore by the said Trustor to the said Beneficiary, which Promissory Note is incorporated by reference herein and made a part hereof.

NOW, THEREFORE, the Trustor in consideration of the foregoing and for the purpose of securing all the covenants and conditions of said Promissory Note, together with any further amounts loaned by Beneficiary to Trustor by way of increase to said Notes or otherwise, and this Deed of Trust, has granted, bargained, sold, conveyed, and confirmed, and by these presents does hereby grant, bargain, sell, convey, and confirm unto the Trustee, its successors and assigns, all that certain real property in Carson City, State of Nevada, described as follows:

PARCEL NO. 1:

Lots 1 and 2, Block 1, as shown on the Official Map of CAVE ROCK VILLAGE SUBDIVISION, recorded in the office of the County Recorder on October 5, 1953, as Document No. 9223 and shown on Amended Map recorded June 25, 1969, as Document No. 44707, Official Records of Douglas County, State of Nevada.

EXCEPTING THEREFROM that portion of said Lot 1 as conveyed to the State of Nevada, by Deed recorded December 29, 1953, in Book B-1 of Deeds, at Page 5, Douglas County, Nevada, records.

Parcel No. 03-145-01

RETUN TO: NOVASEL & SCHWARTE INVESTMENTS, INC.,
dba Western Highland Mortgage Co.
P. O. Box 11355
Tahoe Paradise, California 95708

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PARCEL NO. 2:

Lot 508 as shown on the Amended Subdivision Map of SUMMIT VILLAGE, recorded in the office of the County Recorder of Douglas County, State of Nevada, on January 13, 1969, as Document No. 43419, and on Second Amended Map recorded December 24, 1959, as Document No. 46671, Official Records of Douglas County, State of Nevada.

Parcel No. 11-290-01

PARCEL NO. 3:

Unit 20, as set forth on the Official Plat of CAVE ROCK VILLAS, being a subdivision of Lot 3, Cave Rock Estates, Unit No. 1, recorded August 16, 1977, in Book 877, Page 862, Document No. 12016 of Official Records of Douglas County, State of Nevada, and as amended by Record of survey of Cave Rock Villas, recorded October 9, 1979, in Book 1079, Page 634, Document No. 37479 of Official Records of Douglas County, State of Nevada.

TOGETHER WITH an undivided 1/22nd interest in and to that portion designated as Common Area, as set forth on the Official Plat of CAVE ROCK VILLAS, being a subdivision of Lot 3, Cave Rock Estates, Unit No. 1, recorded August 16, 1977, in Book 877, Page 862, Document No. 12016 of Official Records of Douglas County, State of Nevada, and as amended by Record of survey of Cave Rock Villas, recorded October 9, 1979, in Book 1079, Page 634, Document No. 37479 of Official Records of Douglas County, State of Nevada.

Parcel No. 03-230-20

TOGETHER WITH the tenements, hereditaments, and appurtenances thereto belonging or in anywise appertaining thereto and all fixtures now or hereafter attached to or used in connection with the property herein described, and all rents, issues, and profits of said real property.

IN AND UPON THE USES AND TRUSTS, HERINAFTER DECLARED, that is to say:

To permit the said Trustor, its successors and assigns to possess and enjoy said described premises, and to receive the issues and profits thereof until default be made in the payment of any manner of the indebtedness hereby secured or in the performance of any of the covenants herein provided; and upon full payment of said Note and of any extensions or renewals thereof, and the interest thereon, and all moneys advanced or expended, as herein provided, and all other proper costs, charges, commissions, half-commissions, and expenses, to obtain the release and reconveyance in fee unto and at the cost of the

said Trustor, its successors and assigns, the said described lands and premises.

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

A. 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.

B. To keep all buildings that may now or at any time be on said property during the continuance of this trust in good repair and insured against loss by fire, with extended coverage endorsement, with a company or companies authorized to issue such insurance in the State of Nevada, and as may be approved by Beneficiary, for such sum or sums as shall equal the total indebtedness secured by this Deed of Trust and all obligations having priority over this Deed of Trust and shall be payable to Beneficiary to the amount of the unsatisfied obligation to Beneficiary hereby secured, and to deliver proof of insurance policy to Beneficiary or to a collection agent of Beneficiary, and in default thereof, Beneficiary may procure such insurance and/or make such repairs, and expend for either of such purposes such sum or sums as Beneficiary shall deem proper.

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 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. 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 and 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

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prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel and pay his reasonable fees.

E. To pay immediately and without demand all sums so expended by Beneficiary or Trustee, with interest from date of expenditure at the then current prime rate plus 2% per annum. Said prime rate to be that of any banking institution authorized to transact business in the State of Nevada.

F. That if all or any portion of the real property described herein is conveyed from Trustor by deed, contract, encumbrance, hypothecation, execution, instrument or any other mode or means, voluntarily or involuntarily, not caused by the demise of Trustor, which will effect, in law or equity, a divestiture of Trustor's interest or title in the property, EXCEPT AS PROVIDED HEREINBELOW FOR RELEASE, the balance of principal then unpaid upon the Promissory Note together with accrued interest, shall accelerate and shall forthwith become due and payable without notice or demand.

G. That, as and for additional consideration for the loan secured by this Deed of Trust, Trustor hereby covenants and agrees that in the event Trustor causes a petition for relief to be filed under the United States Bankruptcy Code, including, but not limited to, a petition for relief pursuant to Chapters 7, 11, or 13, Trustor shall, upon written request from Beneficiary, stipulate to immediate relief from stay arising from the filing of Trustor's petition under the United States Bankruptcy Code.

Trustor further acknowledges that this provision constitutes a material inducement to Beneficiary to lend Trustor the funds secured by the within Deed of Trust. Trustor further acknowledges Beneficiary would not loan said funds to Trustor without Beneficiary agreeing to immediate from stay as aforesaid.

In the event Trustor fails to stipulate to immediate relief from stay upon written request from Beneficiary, Trustor hereby stipulates and agrees that the court wherein Trustor's petition is pending shall, upon application by Beneficiary, order relief from stay with respect to all of Beneficiary's rights under the within note and Deed of Trust.

Trustor represents that Trustor understands the provisions of this Paragraph 1(G) and agrees to the provisions of this Paragraph 1(G) freely and voluntarily.

2. It is mutually agreed:

A. That if the premises, or any part thereof, be condemned under any power of eminent domain, or acquired for a public use, the damages, proceeds and the consideration for such acquisition to the extent of the full amount of indebtedness upon this Deed of Trust and the Notes secured hereby remaining unpaid, are hereby assigned by the Trustor to the Beneficiary to be applied by them on account of the unpaid balance of such indebtedness.

B. That 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.

C. That at any time or from time to time, without liability therefor 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 any part of said property; consent to the making of any map or plot thereof; join in granting any easement thereon; or join in any extension agreement or any agreement subordinating the lien or charge hereof.

D. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this deed and said note to Trustee for cancellation and retention or other disposition as Trustee in its sole discretion may choose, and upon payment of its fees, Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance 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".

PROVIDED FURTHER, HOWEVER, that the TRUSTEE shall, upon the TRUSTOR'S demand, effect, execute, and deliver to the TRUSTOR instruments of release or reconveyance releasing from the lien of this Deed of Trust certain parcels of the property encumbered hereby as the TRUSTOR may require. The TRUSTOR, to be entitled to the execution of each such release, shall pay to the TRUSTEE, simultaneously with the receipt of each such release or reconveyance, the following amounts:

a) The sum of FIFTY THOUSAND AND 00/100 DOLLARS (\$50,000.00) to effect a release of Parcel No. 2 hereinabove, described as follows:

Lot 508 as shown on the Amended Subdivision Map of SUMMIT VILLAGE, recorded in the office of the County Recorder of Douglas County, State of Nevada, on January 13, 1969, as Document No. 43419, and on Second Amended Map recorded December 24, 1959, as Document No. 46671, Official Records of Douglas County, State of Nevada.

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b) The sum of FORTY THOUSAND AND 00/100 DOLLARS (\$40,000.00) to effect a release of Parcel No. 3 hereinabove, described as follows:

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Unit 20, as set forth on the Official Plat of CAVE ROCK VILLAS, being a subdivision of Lot 3, Cave Rock Estates, Unit No. 1, recorded August 16, 1977, in Book 877, Page 862, Document No. 12016 of Official Records of Douglas County, State of Nevada, and as amended by Record of survey of Cave Rock Villas, recorded October 9, 1979, in Book 1079, Page 634, Document No. 37479 of Official Records of Douglas County, State of Nevada.

TOGETHER WITH an undivided 1/22nd interest in and to that portion designated as Common Area, as set forth on the Official Plat of CAVE ROCK VILLAS, being a subdivision of Lot 3, Cave Rock Estates, Unit No. 1, recorded August 16, 1977, in Book 877, Page 862, Document No. 12016 of Official Records of Douglas County, State of Nevada, and as amended by Record of survey of Cave Rock Villas, recorded October 9, 1979, in Book 1079, Page 634, Document No. 37479 of Official Records of Douglas County, State of Nevada.

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If the TRUSTOR sells either or both of the parcels which may be released hereunder, and gives written notice of such sale to the TRUSTEE, the TRUSTEE shall execute a partial release or reconveyance of such property from the lien of the within Deed of Trust whenever the release amount, computed in accordance with the terms set forth above, is paid to the TRUSTEE. The TRUSTOR may give notice of such sale to the TRUSTEE at any time before a trustee's sale or final decree of foreclosure has been made, the effect of which would foreclose this Deed of Trust. For the purposes of this paragraph, a sale will be deemed to have been made when the TRUSTOR executes a deed of conveyance to a purchaser or enters into a valid and binding contract to sell and deliver to a purchaser. Any moneys paid to and received by the TRUSTEE for the execution of releases pursuant to the terms of this paragraph shall not, if paid after notice of default and of election to cause to be sold said property encumbered hereby has been recorded or foreclosure shall have been otherwise instituted, waive the rights of the BENEFICIARY to continue the foreclosure sale and/or action, nor shall they have any effect upon the exercise by the BENEFICIARY of any acceleration privilege; nor shall they have any effect upon the pendency of the sale or foreclosure proceedings, except to entitle the person effecting such payment to the release of the property for which the release amount was paid and, insofar as the BENEFICIARY is concerned, to constitute a credit against the encumbrance debt.

Such releases or reconveyances shall be executed and delivered, when sought in compliance with the provisions contained herein, including, but not limited to payment, not later than five (5) days after written demand for such release has been made upon the TRUSTEE.

E. That 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 operations 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.

F. That upon default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice of default and of election to cause to be sold said property, which notice Trustee shall cause to be recorded. Beneficiary also shall deposit with Trustee this Deed of Trust, said note and all documents evidencing expenditures secured hereby.

After the lapse of such time as may then be required by law following the recordation of said notice of default, and notice of sale having been given as then required by law, Trustee, without demand on Trustor, shall sell said property or any part thereof at the time and place 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 any 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.

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After deducting all costs, fees and expenses of Trustee, including a reasonable fee for the attorney of Trustee, and of this trust, including cost evidence of title in connection with sale, Trustee shall apply the proceeds of sale as follows: First to all sums expended under the terms hereof, not then repaid, with accrued interest at ten per cent per annum; thence to all other sums then secured hereby; and the remainder, if any, to the person or persons legally entitled thereto.

G. That Beneficiary, or his assignee, 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 and acknowledged and recorded in the office of the recorder of the county or counties where said 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, or document or file number under which, this Deed of Trust is recorded, and the name and address of the new Trustee. If notice of default shall have been recorded, this power of substitution cannot be exercised until after the costs, fees and expenses of the then acting Trustee shall have been paid to such Trustee, who shall endorse receipt thereof upon such instrument of substitution.

H. The rights and remedies hereby granted shall not exclude any other rights or remedies granted by law, and all rights and remedies granted hereunder or permitted by law shall be concurrent and cumulative. A violation of any of the covenants herein expressly set forth shall have the same effect as the violation of any covenant herein adopted by reference.

I. That 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 pledgees, of the note secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender shall include all other genders, and the singular number includes the plural.

J. Trustor agrees to pay any deficiency arising from any cause after application of the proceeds of the sale held in accordance with the provisions of this Deed of Trust.

K. The following covenants, Nos. 1, 3, 4 (interest Prime + 2%), 5, 6, 7 (counsel fees: 5%), 8 and 9 of the Nevada Revised Statutes Sec. 107.030, are hereby adopted and made a part of this Deed of Trust.

L. The Trusts created herein are irrevocable.

