

WHEN RECORDED MAIL TO:  
SPENCE INVESTMENTS  
1165 INVESTMENT VLVD. SUITE 2  
EL DORADO HILLS, CA 95762

ESCROW NO: 81855

Phase#: 4 Lot#: 34  
Plan: 1350/2CAR  
Address: 1318 Penn Lane

## DEED OF TRUST WITH ASSIGNMENT OF RENTS

THIS DEED OF TRUST, made August 5, 1999, 1999, between,  
CLASSIC HOMES LLC, a Nevada Limited Liability Company, herein called "Trustor",  
Western Title Company, a Nevada Corporation, herein called "Trustee", and  
Bob F. Spence and Corinne Spence, herein called Beneficiary

### WITNESSETH

That Trustor irrevocably grants to Trustee in trust, with power of sale, all interest of Trustor in that certain property situate in Douglas County, State of Nevada, more particularly described as follows:

AS PER EXHIBIT "A" ATTACHED HERETO

TOGETHER with, the tenements, hereditaments and appurtenances thereunto belonging or appertaining, and the reversion and reversions, remainder and remainders, rents, issues and profits thereof, subject, however, to the right of Beneficiary, during any period of default hereunder, and without waiver of such default, to collect said rents, issues and profits by any lawful means, and to apply the same, less costs and expenses of collection, to any indebtedness secured hereby.

FOR THE PURPOSE OF SECURING (1) payment of the sum of \$109,000 and the 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; and (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.

AND THIS INDENTURE FURTHER WITNESSETH.

1. Trustor agrees to properly care for and keep said property in good condition and repair; not to remove or demolish any building thereon; to complete in a good and workmanlike manner any building which may be constructed thereon, and to pay when due all claims for labor performed and materials furnished therefore; to comply with all laws, ordinances and regulations relating to any alterations or improvements made thereon; not to commit or permit any waste thereof; not to commit, suffer or permit any act to be done in or upon said property in violation of any law, covenant, condition, or restriction affecting said property, to cultivate, irrigate, fertilize, fumigate, prune and/or do any other act or acts, all in a timely and proper manner, which, from the character or use of said property, may be reasonably necessary, the specific enumerations herein not excluding the general.
2. Trustor agrees to pay and discharge all costs, fees and expenses of this trust incurred in connection with any default by Trustor.

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## DEED OF TRUST WITH ASSIGNMENT OF RENTS - Page 2

3. During the continuance of this trust, Trustor covenants to keep all buildings that may now or at any time be on said property in good repair and insured against loss by fire, with extended coverage endorsement, in a company, or companies authorized to issue such insurance in the State of Nevada. Said insurance shall be at least in the sum of all obligations having priority over this deed of trust, or the maximum full insurable value of such buildings, whichever is less. Said insurance shall be payable to Beneficiary to the amount of any monetary loss suffered by Beneficiary as a result of the breach by Trustor of a provision of this deed of trust or of the Agreement hereby secured. The policy or policies of said insurance shall be delivered to Beneficiary or to the collection agent of Beneficiary, as further security, 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 Beneficiary shall deem necessary. The amount collected by Beneficiary under any fire or other insurance policy may be applied by Beneficiary upon any monetary loss suffered by Beneficiary as a result of the breach by Trustor of a provision of this Deed of Trust or of the Agreement secured hereby, or, at the 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.
4. Trustor promises and agrees that if, during the existence of this trust, there be commenced or pending any suit or action affecting said property, or any part thereof, or the title thereto, or if any adverse claim for or against said property, or any part thereof, be made or asserted, he will appear in and defend any such matter purporting to affect the security and will pay all costs and damages arising because of such action.
5. 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 affect as herein provided for disposition of proceeds of insurance.
6. Trustee shall be under no obligation to notify any party hereto of any pending sale of said property, whether such sale is by foreclosure or otherwise or of any action or proceeding in which Trustor or Beneficiary or Trustee shall be a party, unless brought by Trustee.
7. At anytime, and from time to time, without liability therefor and without notice to Trustor, upon written request of Beneficiary and presentation of this Deed of Trust and the Agreement secured hereby for endorsement, and without affecting the personal liability of any person for performance of the Agreement secured hereby or the effect of this deed of trust upon the remainder of said property, Trustee may: reconvey any part of said property; consent in writing to the making of any map or plat thereof; join in granting any easement thereon, or join in any extension agreement or subordination agreement in connection herewith.
8. Upon receipt of written request from Beneficiary that the Agreement secured hereby has been performed and upon the surrender of this Deed of Trust and the Agreement secured hereby to Trustee for cancellation and retention, or such other disposition as Trustee, in its sole discretion, may choose, and upon payment of its fees, the Trustee shall reconvey, without warranty, the property then held hereunder. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truth thereof. The Grantee in such reconveyance may be described in general terms as "the person or persons legally entitled thereto".

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9. Should Trustor default in any term, covenant or condition of the Agreement secured hereby, or in the performance of any of the covenants and agreements herein contained or incorporated herein by reference, Beneficiary may proceed to exercise the remedies herein provided.

(a) Should default be made by Grantor in payment of any indebtedness secured hereby and/or in performance of any agreement herein, then Beneficiary may declare all sums secured hereby immediately due by delivery to Trustee of a written declaration of default and demand for sale, and of written notice of default and election to cause said property to be sold (which Trustee shall cause to be filed for record) and shall surrender to Trustee this Deed, the notes and all documentation evidencing any expenditure secured hereby.

(b) After three months shall be elapsed following recordation of such notice of default, Trustee shall sell said property at such time and at such place in the State of Nevada as the Trustee, in its sole discretion, shall deem best to accomplish the objects of these Trusts, having first given notice of such sale as then required by law. Place of sale may be either in the county in which the property is to be sold, or any part thereof, is situated, or at an office of the Trustee located in the State of Nevada.

(c) The Grantor, Pledgor and Mortgagor of the personal property herein pledged and/or mortgaged waives any and all other demands or notices as condition precedent to sale of such property.

(d) Trustee may postpone sale of all, or any portion, of said property by public announcement at the time fixed by said notice of sale, and may thereafter postpone said sale from time to time by public announcement at the time previously appointed.

(e) At the time of sale so fixed, Trustee may sell the property so advertised or any part thereof, either as a whole or in separate at its sole discretion, at public auction, to the highest bidder for cash in lawful money of the United States, payable at time of sale, and shall deliver to purchaser, a deed conveying the property so sold, but without covenant or warranty, express or implied, Grantor hereby agrees to surrender, immediately and with demand, possession of said property to such purchaser.

10. Trustee shall apply the proceeds of any such sale to payment of; expenses of sale and all charges and expenses of Trustee and of these Trusts, including cost of evidence of title and Trustee's fee in connection with sale; all sums expended under the terms hereof, not then repaid, with accrued interest at the rate of ten percent (10%) per annum, all other sums then secured hereby, and the remainder, if any, to the person or persons legally entitled thereto.

11. The following covenants No. 1, 3,4 (interest 12%), 5,6,7 (counsel fees - a reasonable percentage), 8 and 9 of Nevada Revised Statutes 107.030, are hereby adopted and made a part of this Deed of Trust.

12. 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 the covenants hereinabove adopted by reference.

13. 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. It is expressly agreed that the Trust created hereby is irrevocable by Trustor.

14. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged is made a public record as provided by law, reserving, however, unto the Trustee, the right to resign from the duties and obligations imposed herein whenever Trustee, in its sole discretion, deems such resignation to be in the best interest of the Trustee. Written notice of such resignation shall be given to Trustor and Beneficiary.

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15. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and/or neuter, and the singular number includes the plural. The term 'Beneficiary' includes any future holder of the note secured hereby. The term 'Trustor' includes the term 'Grantor'.

16. Trustor agrees to comply with the covenants and conditions of the Building Loan Agreement, hereby incorporated by reference and made a part of this Deed of Trust. All advances made by Beneficiary pursuant to the Building Loan Agreement shall be indebtedness of Trustor secured by this Deed of Trust.

17. If all or any portion of the property which is the subject of this Deed of Trust is conveyed from Trustor by deed, contract, 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 Trustors' interest or title in said property, or if Trustor records additional debt on the public record using the subject property as security without the written authorization of the Beneficiary, then and in that event the note secured hereby shall accelerate and the entire balance of principal and interest shall forthwith become due and payable without notice or demand.

Executed this 5<sup>th</sup> day of August, 1999,

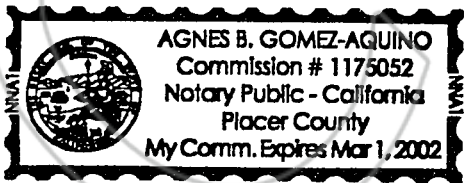
CLASSIC HOMES LLC  
A NEVADA LIMITED LIABILITY COMPANY

BY: *B. R. Sutherland*  
BRUCE R. SUTHERLAND

State of California }  
                                  } ss.  
County of Placer }

On August 5, 1999

, before me, Agnes B. Gomez-Aquino, Notary Public, personally appeared Bruce R. Sutherland, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.  
*Agnes Gomez-Aquino*  
Signature of Notary Public

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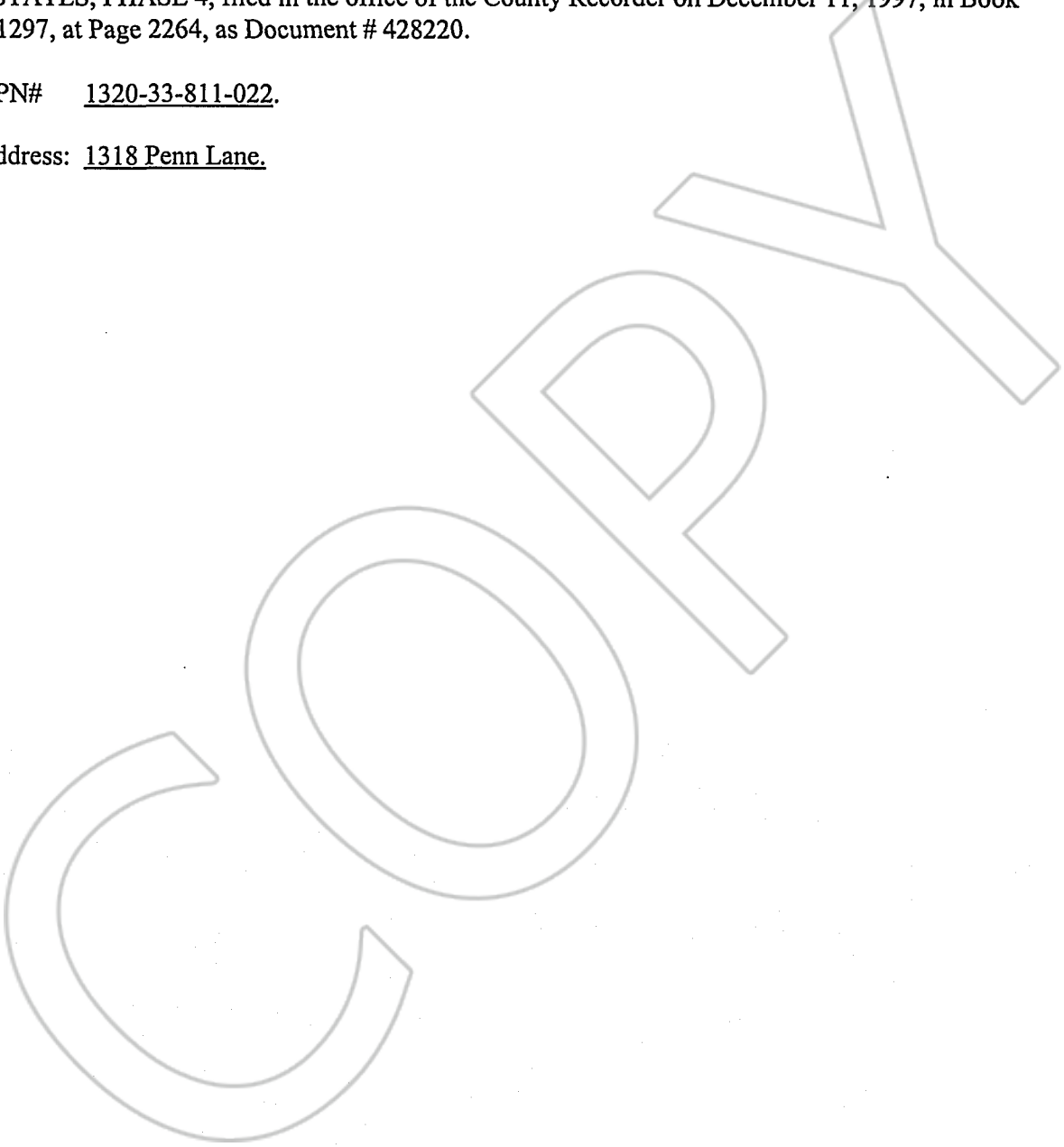
EXHIBIT 'A'

All that certain lot, piece or parcel of land situate in the County of Douglas, State of Nevada, described as follows:

Lots 34, in Block C as set forth on FINAL SUBDIVISION MAP #1006-4 for CHICHESTER ESTATES, PHASE 4, filed in the office of the County Recorder on December 11, 1997, in Book # 1297, at Page 2264, as Document # 428220.

APN# 1320-33-811-022.

Address: 1318 Penn Lane.



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# BUILDING LOAN AGREEMENT

Phase #: 4 Lot #: 34  
Plan #: 1350/2CAR Address: 1318 Penn Lane

The undersigned, Classic Homes LLC, a Nevada Limited Liability Company (hereinafter referred to as "Borrower"), in consideration of a loan from Bob F. Spence and Corinne Spence (hereinafter "Lender"), in the amount of \$109,000 (the Loan Amount) to be used for the construction of improvements on property in the City of Gardnerville, County of Douglas, Nevada, described in Exhibit "A" attached hereto and incorporated by reference herein hereby agrees:

1. To execute and deliver to Lender in form and substance satisfactory to Lender a note, deed of trust, and such other instruments as Lender may require governing, evidencing and or securing said loan (the Loan Documents) and to procure for Lender a policy of title insurance in form, substance and amount satisfactory to Lender showing the lien or liens applicable to said loan as having the dignity and priority requested by Lender in the instructions given by Lender to the title through which said loan transaction is closed;
2. To commence said construction or cause said construction to be commenced within thirty (30) days from the date hereof; to cause the construction of the improvements to be prosecuted with diligence and continuity and to complete the same in accordance with the complete plans and specifications and the cost breakdown submitted to and approved by Lender in connection with said loan; to strictly enforce any construction contract for the work of improvement to the end that the contractor promptly and diligently performs all of the obligations on its part to be performed thereunder, such performance to be in a manner which will preserve to the Lender its security on the property and improvements thereon;
3. To cause said construction to be in accordance with good building practice and in compliance with all applicable laws, ordinances, rules and regulations of federal, state, county or municipal governments or agencies now in force or that may be enacted hereafter, and with all directions, rules and regulations of the fire marshal, health officer, building inspector or other officers of every governmental agency now having or hereafter acquiring jurisdiction;
4. To complete said improvements with such degree of diligence as is usual and customary in such cases; provided, however, that the time within which the improvements must be completed may be extended for a period equal to the period of delays beyond the control of the contractor as set forth in the construction contract. In no event, however, may the time for completion of the improvements extend beyond six months from the date hereof. Time is of the essence hereof;
5. To permit Lender to inspect such construction at any and all times. It is expressly understood and agreed, however that Lender is under no duty to supervise the work of construction or inspect the work in process or Borrower's books and that any such inspection is for the sole purpose of preserving Lender's rights hereunder. No such inspection on the part of Lender shall constitute a representation that there has been or will be compliance with the Plans and specifications or that the construction is free from defective materials or workmanship;
6. To permit Lender to examine and make copies or extracts of Borrower's books and records and, if and when requested to do so by Lender. To exhibit to Lender and permit Lender to make copies of all contracts incident to said construction and of all bills incurred in connection therewith;
7. To furnish Lender such instructions or certificates as may be requested by Lender prior to each disbursement to be made hereunder and to use or cause each such disbursement to be used solely for the payment of materials, labor, services, and other costs incurred in connection with said construction and for no other purpose until all bills, claims, and demands for said materials, labor, services, and other costs have been paid in full;
8. To accept disbursements hereunder in accordance with the Disbursement Plan indicated in Exhibit "B", attached hereto and incorporated herein by reference thereto or in such manner as agreed upon by Lender & Borrower;
9. That borrower will pay on demand such amounts which are required to pay for:
  - a. Insurance premiums, taxes and assessments;
  - b. Payments of interest becoming due according to the terms of said note;
10. That any waiver by Lender of any provision of this agreement shall be in writing and shall be effective only to the extent in such writing specifically set forth, and that no waiver of any provision of this agreement, and no acquiescence in or waiver of, any default by Borrower, shall constitute a waiver of any provision or an acquiescence in or waiver of, any default whether the same as, or different from said default and whether past or future;
11. That there shall be no change in the approved plans and specifications without the prior written consent of Lender to each change. Any contracts let by Borrower or its contractors relating to the work of construction shall contain a prohibition against such change without Lender's prior written approval;

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12. That Borrower agrees to fully pay and discharge all claims for labor done, material and services furnished in connection with the construction of the improvements, to diligently file or procure the filing of a valid notice of completion within 10 days of the completion of the work or improvement, and to take all other reasonable steps to forestall the assertion of claims of lien against the property upon which the improvements are to be constructed and of claims against the building loan commitment.

13. That performance of Borrower's obligation under this Building Loan Agreement is secured by that certain Deed of Trust applicable to the property described in Exhibit A attached hereto in which Borrower is the Trustor and Lender is the Beneficiary;

14. That no materials, equipment, fixtures or any other part of the Improvements shall be purchased or installed under conditional sales agreement or other arrangements wherein the Seller reserves or purports to reserve the right to remove or to repossess any such items or to consider them personal property after their incorporation in the work of construction, unless authorized by Lender in writing;

15. That Borrower irrevocably appoints, designates and authorizes Lender as its agent (said agency being coupled with an interest) to file for record any notices of completion, cessation of labor, or any other notice that Lender deems necessary or desirable to protect its interest hereunder, or under the Note or Deed of Trust;

16. That all persons, firms and/or entities identified by the designation Borrower herein, shall be jointly and severally liable to Lender for the faithful performance of the terms hereof;

17. That all provisions hereof shall bind and inure to the benefit of successors and assigns of Lender and of heirs, executors, administrators, successors and assigns of borrowers; provided, however, that Borrower shall not assign this agreement or any right, title or interest thereunder without the prior written consent of Lender.

In witness whereof, the parties hereto have executed this agreement on the date below written.

See Exhibits "A", "B" and additional provisions attached hereto and incorporated by reference herein.

By:  8/5/, 1999  
Bruce R. Sutherland  
CLASSIC HOMES LLC

The undersigned, being the contractor for the construction of the improvements covered by the foregoing Building Loan Agreement, hereby consents thereto and agrees that all money disbursed hereunder shall be used as trust funds solely for the payment of materials, labor, services and other costs involved in said construction and for no other purpose until all bills, claims and demands for said materials, labor, services and other costs have been paid in full. The undersigned agrees to be bound by the provisions of the foregoing agreement to the extent they are applicable to the undersigned, including, but without limiting the generality of the foregoing, the provisions regarding changes in plans and specifications as set forth in Section 11 thereof. Contractor further agrees that Lender shall have the right to examine its books and records and to make extracts therefrom to the extent pertaining to the construction herein contemplated and further agrees that all subcontractors and material purchase contracts pertaining to the work shall contain similar provisions.

Contractor: CLASSIC HOMES LLC

By:  8/5/, 1999  
Bruce R. Sutherland

Accepted:

By:  8/6, 1999  
Bob F. Spence

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REQUESTED BY  
**WESTERN TITLE COMPANY, INC.**

IN OFFICIAL RECORDS OF  
DOUGLAS CO., NEVADA

1999 AUG 20 PM 3: 30

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LINDA SLATER  
RECORDER

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\$ 14.00 PAID AL DEPUTY