

REQUESTED BY
Stewart Title of Douglas County
IN OFFICIAL RECORDS OF
DOUGLAS COUNTY, NV

2004 APR 28 PM 3:34

WERNER CHRISTEN
RECORDER

\$20⁰⁰ PAID *KJ* DEPUTY

APN 1220-01-002-065

Recording Requested By:

Stewart Title of Douglas County

1650 N. Lucerne, Ste. 101

Minden, NV 89423

CONSTRUCTION Loan Agreement
(Title of Document)

This page added to provide additional information required by NRS 111.312 Sections 1-2.
(Additional recording fee applies)

This cover page must be typed.

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APN# 1220-01-002-065
ESCROW # 040101254
RECORDING REQUESTED BY:
STEWART TITLE COMPANY

CONSTRUCTION LOAN AGREEMENT

This document being executed in
Counterpart and to be recorded as one document

The parties agree as follows: STERLING RANCH ESTATES, LLC, located at
3640 Gird Road, Fallbrook, CA. ⁹²⁰²⁸ herein referred to as "Lender", and
BLUE SKY DEVELOPMENT GROUP, LLC. A NEVADA LIMITED LIABILITY COMPANY
, residing at P.O. Box# 13382
South Lake Tahoe, CA. 96151, herein referred to as "Borrower". (If there is more
than one Borrower, the term "Borrower" includes them.)

1. Loan. Lender agrees to lend to Borrower THREE HUNDRED SIXTY-
THOUSAND * * * * * AND 00 /100 DOLLARS (\$360,000.00***). The
purpose of the loan is to pay for construction of a single-family residence on property described
in Exhibit "A" which is attached to this Contract and incorporated herein by reference. Borrower
agrees to pay interest on money advanced in accordance with the provisions of a Promissory
Note, secured by a Deed of Trust, referred to below.

2. Improvements, Plans and Specifications. The Plans and Specifications shall be
approved by Lender. No changes shall be made thereafter without Lender's consent.

3. Advances. Lender shall place monies in trust with Stewart Title, with the monies
being held subject to the draw schedule as approved by Asher Abravanel (Construction Control
Manager). Stewart Title shall advance monies to Borrower in accordance with Schedule B
attached hereto, in the Construction Control Manager's discretion.

4. How Work is to be Done. Borrower agrees to construct and complete the
improvements according to the Plans and Specifications. Work is to begin promptly after the
date of this contract. Borrower shall carry on the work with reasonable diligence.

5. Preliminary Title Report. Borrower has provided to Lender a Preliminary Title
Report and has provided authority to review the same. Borrower represents that the Preliminary
Title Report is current and no other liens or encumbrances affect title except as otherwise stated
in the Preliminary Title Report.

6. Note and Deed of Trust. On this date, Borrower has signed a Promissory Note for
the loan. The payment of the Note is secured by a Deed of Trust on the property signed by
Borrower on this date. The Deed of Trust is to be recorded on the date this Contract is signed.
This Contract is subject to the terms of the Promissory Note and Deed of Trust.

7. Approval of Work. No installment shall be due unless: (a) all work usually done at
that stage of construction is done in a good and workmanlike manner; and (b) all materials and
fixtures usually installed and furnished by that stage of construction are installed and furnished.
Lender or the Construction Control Manager shall inspect the work prior to the making of any
installment. Work is to be done to Lender's satisfaction. No installment is to be paid unless
construction is first approved by an engineer, architect or other party designated by, or
satisfactory to, Lender.

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8. Certificate of No Encumbrances. No installment is due and payable while there is any lien or other encumbrance on the Property (except, the Deed of Trust securing this Contract). Before any installment becomes due and payable, Borrower shall deliver to Lender a report, furnished by an abstract corporation or title company acceptable to the Lender, stating that no liens, orders or assignments of contract have been filed against the Property after the recording of the Deed of Trust. This can be done by a verbal report if the Lender or its Attorney so agrees in writing.

9. Lender's Right to Complete Work; Make Payments. If the construction work stops or does not proceed at a reasonable speed, Lender may employ workmen and purchase materials to complete or protect the work. If mechanics liens or orders or assignments of contract are filed against the property, Lender may pay and satisfy them. If any taxes, assessments, sewer rents or water rates charged against the property are not paid when due, Lender may pay them. Payments made by Lender under this paragraph are secured by the Note and Deed of Trust as if they were installments paid to Borrower.

10. Indemnification. Borrower agrees to pay for and indemnify Lender for all claims or liens for materials, labor or services furnished to make the improvements on the Property. Borrower shall pay for and defend against any action or proceeding brought against Lender on these liens or claims, using an attorney of Lender's choice.

11. Defaults; Remedies. The following are events resulting in an immediate default:

- (a) Assignment of this Contract or any installment by Borrower without prior written consent of Lender.
- (b) Death of Borrower before receipt of the last installment.
- (c) The improvements on the Property are, in the judgment of Lender, materially injured or destroyed by fire or other casualty.
- (d) A petition in bankruptcy is filed by or against Borrower; a receiver or trustee of the Property is appointed; Borrower files a petition for reorganization under any of the provisions of the Bankruptcy Act or of any other law; Borrower makes an assignment for the benefit of creditors; or Borrower is judged insolvent by any state or federal court.
- (e) Borrower does not make the improvements in accordance with the Plans and Specifications.
- (f) The Plans and Specifications are not approved by the government departments having authority to approve them.
- (g) In the sole judgment of Lender, the work either stops or does not proceed at a reasonable speed.
- (h) Borrower gives a security interest in any materials, fixtures or articles used in the construction or placed in the improvements.

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- (i) Borrower fails to produce, on Lender's demand, documents proving Borrower's unconditional ownership of the materials, fixtures or articles used in the construction or placed in the improvements.
- (j) Borrower fails to make any payment of principal and/or interest due on any deed of trust on the property.
- (k) At the time any installment is due, the title to the Property is not satisfactory to the Lender and/or its attorney.
- (l) Borrower fails to keep any other condition in this Contract, or in the Note or Deed of Trust.

12. In the event of a Default:

- (a) Lender's obligation to pay further installments ceases.
- (b) At Lender's option, the Note and Deed of Trust shall become immediately due and payable.
- (c) Lender may continue to pay installments without giving up any of Lender's rights or waiving them.

13. Advances of Loan Funds. Borrower will receive the advances secured by the Deed of Trust. The advances will be applied first to pay the cost of the improvements. Borrower agrees to apply the advances first to pay the cost of the improvements before using any part of the advances for any other purpose.

14. Oral Changes. This Contract cannot be changed or ended orally.

15. Successors. This Contract shall apply to and bind Lender's and Borrower's distributees, executors, administrators, successors and assigns.

SIGNED, this 9 day of APRIL, 2004.

LENDER:

STERLING RANCH ESTATES, LLC.
A NEVADA LIMITED LIABILITY COMPANY

By: _____

BORROWER:

BLUE SKY DEVELOPMENT GROUP,
LLC, A NEVADA LIMITED LIABILITY COMPANY

Asher Abrahanel
ASHER ABRÁVANEL/MEMBER

Jon Mustacchio
JON MUSTACCHIO/MEMBER

Lisa Jill Mustacchio
LISA JILL MUSTACCHIO/MEMBER

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STATE OF NV)
)
COUNTY OF Douglas) : ss.

On this 26th day of APRIL, 2004, before me, the undersigned, a Notary Public in and for said state, personally appeared John Mustachio & Lisa Jill Mustachio, personally known or proved to me to be the person whose name is subscribed to the within instrument and acknowledged to me that they executed the same in his authorized capacity, and that by ~~his~~ the signature on the instrument, the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Suzanne Cheechov
Notary Public



SUZANNE CHEECHOV
NOTARY PUBLIC
STATE OF NEVADA
Appt. Recorded in Douglas County
My Appt. Expires June 25, 2007
No: 99-36456-5

STATE OF NV)
)
COUNTY OF Douglas) : ss.

The above-instrument was subscribed before me this 26th day of April, 2004 by Asher Abbravane.

WITNESS my hand and official seal.

Suzanne Cheechov
Notary Public



SUZANNE CHEECHOV
NOTARY PUBLIC
STATE OF NEVADA
Appt. Recorded in Douglas County
My Appt. Expires June 25, 2007
No: 99-36456-5

STATE OF _____) WHEN RECORDED MAIL TO:
) STERLING RANCH ESTATES LLC.
) : ss. 3640 GIRD ROAD
COUNTY OF _____) FALLBROOK, CA. 92028

The above-instrument was subscribed before me this _____ day of _____, 200_ by _____.

WITNESS my hand and official seal.

Notary Public

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- (i) Borrower fails to produce, on Lender's demand, documents proving Borrower's unconditional ownership of the materials, fixtures or articles used in the construction or placed in the improvements.
- (j) Borrower fails to make any payment of principal and/or interest due on any deed of trust on the property.
- (k) At the time any installment is due, the title to the Property is not satisfactory to the Lender and/or its attorney.
- (l) Borrower fails to keep any other condition in this Contract, or in the Note or Deed of Trust.

12. In the event of a Default:

- (a) Lender's obligation to pay further installments ceases.
- (b) At Lender's option, the Note and Deed of Trust shall become immediately due and payable.
- (c) Lender may continue to pay installments without giving up any of Lender's rights or waiving them.

13. Advances of Loan Funds. Borrower will receive the advances secured by the Deed of Trust. The advances will be applied first to pay the cost of the improvements. Borrower agrees to apply the advances first to pay the cost of the improvements before using any part of the advances for any other purpose.

14. Oral Changes. This Contract cannot be changed or ended orally.

15. Successors. This Contract shall apply to and bind Lender's and Borrower's distributees, executors, administrators, successors and assigns.

SIGNED, this 13th day of APRIL, 2004

LENDER:

STERLING RANCH ESTATES, LLC.
A NEVADA LIMITED LIABILITY COMPANY

By: _____

Ronald R. Sharp

BORROWER:

BLUE SKY DEVELOPMENT GROUP,
LLC, A NEVADA LIMITED LIABILITY COMPANY

ASHER ABRAVANEL/MEMBER

JON MUSTACCHIO/MEMBER

LISA JILL MUSTACCHIO/MEMBER

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STATE OF Calif.)
 : ss.
COUNTY OF San Diego)

On this 13th day of April, 2004, before me, the undersigned, a Notary Public in and for said state, personally appeared Ronald R. Sharp, personally known or proved 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 entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

[Signature]

Notary Public



STATE OF _____)
 : ss.
COUNTY OF _____)

The above-instrument was subscribed before me this _____ day of _____, 200_ by _____.

WITNESS my hand and official seal.

Notary Public

STATE OF _____)
 : ss.
COUNTY OF _____)

The above-instrument was subscribed before me this _____ day of _____, 200_ by _____.

WITNESS my hand and official seal.

Notary Public

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BK0404PG14276