

301

OFFICIAL RECORD

Requested By:

NORBERT KOBLITZ

A.P. No. 1220-10-811-037 & 1220-10-811-038

Mail tax statements to:

DNH, Inc.
1035 Riverview Drive
Gardnerville, Nevada 89410

Douglas County - NV
Werner Christen - Recorder

Page: 1 Of 17 Fee: 30.00
BK-0406 PG- 9893 RPTT: 0.00



Recording requested by
and when recorded mail to:

Heinz W. Blaume
David Probert
P.O. Box 13086
S. Lake Tahoe, California 96151

✓ NORBERT KOBLITZ
1029 RIVERVIEW DR.
GARDNERVILLE, NV, 89410

DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Deed of Trust") is made this 14th day of May, 2006, by and among DNH, Inc., a Nevada corporation (hereinafter referred to as "Trustor"), Stewart Title of Douglas County, a Nevada corporation, as trustee (hereinafter referred to as "Trustee") and HEINZ W. BLAUME of P.O. Box 13086, S. Lake Tahoe, California 96151 and DAVID PROBERT of P.O. Box 601, Zephyr Cove, Nevada 89449, as beneficiaries and secured parties (hereinafter referred to collectively as "Beneficiary").

W I T N E S S E T H:

THAT TRUSTOR grants, bargains, sells and conveys to Trustee in trust, with power of sale, to have and to hold upon the trusts, covenants and agreements hereinafter set forth:

DESCRIPTION OF COLLATERAL

That certain real property situate in the County of Douglas, State of Nevada, that is more particularly described on that certain exhibit marked Exhibit "A", affixed hereto and by this reference incorporated herein and made a part hereof (the "Land"), together with and including, without limitation:

(a) All right, title and interest of Trustor, if any, whether now owned or hereafter acquired, in or to any real property lying within the right of way of any street, open or proposed, which adjoins any of said Land and any and all sidewalks, bridges, elevated walkways, tunnels, alleys, strips and gores of real property adjacent to, connecting or used in connection with any of said Land (collectively, the "Adjacent Property");

(b) All buildings, structures and all other improvements and fixtures that are, or that may be hereafter erected or placed on, or in, the Land and all right, title and interest of Trustor, if any, which is now owned or hereafter acquired, in or to, all buildings, structures and all other improvements and fixtures that are, or that may be hereafter, erected or placed on, or in, any of the Adjacent Property (collectively, the "Improvements");

(c) All water rights and conditional water rights that are now, or may hereafter be, appurtenant to, used in connection with or intended for use in connection with the Land, the Adjacent Property, if any, and/or the Improvements, including, without limitation: (i) ditch, well, pipeline, spring and reservoir rights, whether or not adjudicated or evidenced by any well or other permit; (ii) all rights with respect to groundwater underlying the Land or the Adjacent Property; (iii) any permit to construct any water well, water from which is intended to be used in connection with the Land or the Adjacent Property, if any; and (iv) all of Trustor's right, title and interest under any decreed or pending plan of augmentation or water exchange plan (collectively, the "Water Rights", and together with the Land, the Adjacent Property, if any, and the Improvements, the "Real Estate");

(d) All present and future interest of Trustor as lessor, sublessor, licensor, concessionor, franchisor, grantor, or similar party to any lease, sublease, license, concession, franchise and other use or occupancy agreement now or hereafter relating to any of the Real Estate and all renewals, extensions, amendments, restatements and other modifications thereof (collectively, the "Occupancy Agreements");

(e) All present and future rents, issues, products, earnings, revenues, payments, profits, royalties and other proceeds and income of the Real Estate, and of any activities conducted thereon or in connection therewith, regardless of whether such proceeds or income accrue by virtue of the Occupancy Agreements, or otherwise (collectively, the "Rents"), subject, however, to the absolute assignment given to Beneficiary in Section 9 hereof entitled Assignment of Rents, and to which Section this grant to the Trustee is subject and subordinate;

(f) All right, title and interest of Trustor, whether now owned or hereafter acquired, in, or to, any and all present and future awards or payments, including without limitation, interest on them, and the right to receive them, which may be made with respect to the Real Estate, the Occupancy Agreements, and/or the Rents as a result of: (i) the exercise of the right of eminent domain; (ii) the alteration of the grade of any street; (iii) any loss of or damage to any building or other improvement included in the Real Estate; (iv) any other injury to or decrease in the value of the Real Estate, the Occupancy Agreements, and/or the Rents (including, without limitation, proceeds of any policy of insurance); and (v) any refund due on account of the payment of real estate taxes, assessments or other charges levied against or imposed upon the Real Estate, the Occupancy Agreements, and/or the Rents (collectively, the "Awards");

(g) All development rights, governmental or quasi-governmental licenses, permits or approvals, zoning rights and other similar rights or interests which relate to the development, use or operation of, or that benefit or are appurtenant to, any portion of the Real Estate (collectively, the "Entitlements");

(h) All and singular the tenements, easements, hereditaments and appurtenances now, or hereafter, belonging to or in any wise appertaining to the Real Estate, the Rents, the Awards, the Entitlements and the reversion and reversions, remainder and remainders thereof and all the estate, right, title, interest or other claim which Trustor now has or hereafter may acquire of, in and to the Real Estate, the Occupancy Agreements, the Rents, the Awards, the Entitlements and/or any part thereof, with the appurtenances thereto (collectively, the "Other Interests"); and

(i) All right, title and interest of Trustor, whether now owned, or hereafter acquired, in or to, the Personal Property which is referred to below.



The Real Estate, the Occupancy Agreements, the Rents, the Awards, the Entitlements and the Other Interests are hereinafter collectively referred to as the "Real Property."

AND THAT TRUSTOR ALSO grants to Beneficiary a security interest in the following described collateral which Trustor now has, or may hereafter acquire, pursuant to applicable provisions of the Uniform Commercial Code (which is also defined below):

DESCRIPTION OF COLLATERAL

All right, title and interest of Trustor, which is now owned, or hereafter acquired, in or to, any of the following described personal property, whether now existing or hereafter coming into existence (collectively, the "Personal Property"):

(a) All goods, equipment, fixtures, furnishings, building materials, books, accounts, general intangibles, chattel paper, and records of Trustor, now or which may hereafter be located on or used in connection with the Real Property;

(b) All plans, specifications, soil reports, contracts, engineering reports, blueprints, designs, land planning maps, surveys, and any other reports, exhibits or plans used or to be used in connection with the construction, planning, operation, maintenance, improvement or development of the Real Property, together with all amendments and modifications thereof;

(c) Any water rights located on or used in connection with the Real Property;

(d) Any awards declared, granted or issued in connection with the Real Property, including eminent domain and insurance awards;

(e) Any entitlements associated with the Real Property;

(f) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(g) All rights, remedies, powers and/or privileges of Trustor with respect to any of the foregoing; and

(h) Any and all proceeds, products, rents, income and profits of any of the foregoing, including, without limitation, all money, entitlements, rights to payment and any other tangible or intangible property received upon the sale or disposition of any of the foregoing.

The Real Property and the Personal Property described hereinabove are hereinafter collectively referred to as the "Property."

FOR THE PURPOSE OF SECURING THE FOLLOWING (collectively, the "Secured Obligations"):

A. Payment of the principal sum to beneficiary Heinz W. Blaume ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000.00) and to beneficiary David Probert ONE HUNDRED TWENTY THOUSAND DOLLARS (\$120,000.00), together with: (i) interest thereon; (ii) loan fees payable in connection therewith; and (iii) other charges related thereto; all according to the terms of a Secured Promissory Note, dated concurrently, or substantially concurrent, herewith made by Trustor payable to the order of Beneficiary, according to the tenor and effect of said Promissory Note and all renewals, extensions, modifications, amendments and substitutions of, or for, said Promissory Note (hereinafter collectively referred to as the "Note").



B. Payment by Trustor of the expenses and costs incurred or paid by Beneficiary in the preservation and enforcement of the rights and remedies of Beneficiary and the duties and liabilities of Trustor hereunder, including, but not by way of limitation, attorney's fees, court costs, witness fees, expert witness fees, collection costs, and costs and expenses paid by Beneficiary in performing for Trustor's account any obligation of said Trustor under this instrument or under any obligation secured hereby.

C. Payment of additional sums and interest thereon which may hereafter be loaned to Trustor when evidenced by a promissory note or notes which recite that this Deed of Trust is security therefor.

D. Payment and performance of every obligation, covenant, agreement and warranty of Trustor contained in this Deed of Trust, or in any other Loan Documents (which are defined below).

AND IT IS FURTHER PROVIDED THAT:

1. Definitions. All capitalized words and terms which are utilized herein, and which are not otherwise defined herein, shall have the meaning set forth below:

"Default Rate" shall mean the rate of interest which is so defined by the Note.

"Environmental Law" shall mean any federal, state or local law, whether common law, statute, ordinance, rule, regulation, or judicial or administrative decision or policy or guideline, pertaining to Hazardous Substances, health, industrial hygiene, environmental conditions, or the regulation or protection of the environment, and all amendments thereto as of this date and to be added in the future and any successor statute or rule or regulation promulgated thereto.

"Event of Default" shall have the meaning set forth in Section 14.

"Financing Statement" shall mean a UCC-1 Financing Statement in a form and substance acceptable to Beneficiary which shall be filed in the office of the Nevada Secretary of State concurrently, or substantially concurrent, with recording of this Deed of Trust.

"Governmental Authority" means any government, any court, and any agency, authority, body, bureau, department, or instrumentality of any government.

"Hazardous Substance" shall mean all of the following: (i) Any substance, material, or waste that is included within the definitions of "hazardous substances," "hazardous materials," "hazardous waste," "toxic substances," "toxic materials," "toxic waste," or words of similar import in any Environmental Law; (ii) Those substances listed as hazardous substances by the United States Department of Transportation (or any successor agency) (49 C.F.R. 172.101 and amendments thereto) or by the Environmental Protection Agency (or any successor agency) (40 C.F.R. Part 302 and amendments thereto); and (iii) Any substance, material, or waste that is petroleum, petroleum-related, or a petroleum by-product, asbestos or asbestos-containing material, polychlorinated biphenyls, flammable, explosive, radioactive, freon gas, radon, or a pesticide, herbicide, or any other agricultural chemical.

"Impositions" means all of the following relating to any portion of the Property: (i) real property taxes and assessments (general and special); (ii) personal property taxes; (iii) other taxes and assessments of any kind or nature that are assessed or imposed upon or in respect of the Property or that may result in a Lien upon any of the Property (including, without limitation, non-governmental assessments, levies, maintenance and other charges whether resulting from covenants, conditions, and restrictions or otherwise, water and sewer rents and charges, assessments on any water stock, utility



charges and assessments, and owner association dues, fees and levies); and (iv) taxes or assessments on any of the Property in lieu of or in addition to any of the foregoing.

"Lien" means each and all of the following: (i) any leases or other right to occupy or use; (ii) any assignments as security, conditional sales, liens, pledges, security interests, title retention arrangements, other encumbrances, or other interests or rights securing the payment of money or the performance of any other obligation, whether voluntarily or involuntarily created and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state, or local), or otherwise; and (iii) any option, right of first refusal, other right to acquire, or other claim, interest, or right.

"Loan" shall mean the loan transaction evidenced by the Note.

"Loan Documents" shall mean a collective reference to the Note and any other document or instrument executed by Trustor in favor of Beneficiary relating to the Loan.

"Permitted Exceptions" means: (i) Liens for Impositions, the payment of which is not delinquent; (ii) all items, other than Impositions, in Schedule B to any title policy which is accepted and approved by Beneficiary in its absolute and sole discretion; and (iii) any other Liens consented to by Beneficiary in advance in writing from time to time in its absolute and sole discretion

"Person" means a natural person, a partnership, a joint venture, an unincorporated association, a corporation, a trust, any other legal entity, or any Governmental Authority.

"Requirements" means any and all obligations, other terms and conditions, requirements and restrictions in effect now or in the future by which Trustor or any portion of the Property is bound or which are otherwise applicable to: (i) any portion of the Property; (ii) construction of any Improvements on the Real Property; or (iii) occupancy, operation, ownership, or use of the Property; (all including, without limitation, such obligations, other terms and conditions, restrictions, and requirements imposed by: (i) any law, ordinance, regulation, or rule (federal, state, or local); (ii) any Permitted Exceptions; (iii) any condition, covenant, restriction, easement, right-of-way, or reservation applicable to the Property; (iv) any insurance policies; (v) any other agreement, document, or instrument to which Trustor is a party or by which Trustor or any portion of the Property is bound; or (vi) any judgment, order, or decree of any arbitrator, other private adjudicator, or Governmental Authority to which Trustor is a party or by which Trustor or any of the Property is bound).

"Transfer" and "Transfers" mean, respectively, each and all of the following: (i) any or all of the Property, or any interest or right of Trustor in or to the Property is conveyed to, or becomes vested in, any Person, other than Trustee, Trustor, and Beneficiary, voluntarily or involuntarily; (ii) the occurrence of any event that results in any option, right of first refusal, other right to acquire, or any other claim, interest, or right in, to, or against, any or all of the Property being held by a Person other than Trustor, Trustee, or Beneficiary, whether occurring voluntarily or involuntarily and whether arising by agreement, under any law, ordinance, regulation, or rule (federal, state or local), or otherwise; or (iii) Trustor enters into any agreement whereby the performance of which would result in a Transfer under clause (i) or (ii) above, and the consummation of such agreement is not expressly conditioned upon the prior written consent of Beneficiary in its absolute and sole discretion..

"Uniform Commercial Code" means the Uniform Commercial Code as enacted in the State of Nevada at NRS Chapter 104, as it may be amended or recodified from time to time.

2. Representations and Warranties. Trustor warrants and represents to Beneficiary as of the date of this Deed of Trust:

a. Trustor is the legal and beneficial owner of the Property and is seized of good and merchantable title in fee simple to the Real Property, subject only to the Permitted



Exceptions. There are no Liens on any of the Property or claims thereof, except the Permitted Exceptions;

b. The liens, security interests and assignments which Trustor has granted hereunder: (i) are all legal, valid, binding and enforceable; and (ii) are of first priority. Upon filing of the Financing Statement with the Nevada Secretary of State, the security interest granted hereunder will be duly perfected; and

3. Compliance with Requirements. Trustor shall, at all times, comply with, and take such steps as are necessary to perform under, the Requirements. At no time shall Trustor allow any circumstance or condition to exist which is in violation of any of the Requirements.

4. Restrictions on Transfers.

a. Trustor shall not allow the occurrence of any Transfer. Except for Permitted Exceptions, Trustor shall not allow any Lien, judgment, deed of trust or encumbrance to attach, or exist with respect to, any portion of the Property (regardless of the priority of such Lien in relation to this Deed of Trust). Trustor shall immediately notify Beneficiary upon occurrence of any claim by any Person that a Lien, other than a Permitted Exception, has attached to, or exists with respect to, any portion of the Property.

b. If there shall be commenced or pending any suit or action affecting the Property, or any part thereof, or the title thereto, or if any adverse claim for or against the Property, or any part thereof, be made or asserted, Trustor will appear in and defend any such matter purporting to affect the security of this Deed of Trust and will pay all costs and damages arising because of such action.

5. Repair and Maintenance. Trustor agrees to properly care for and keep the Property in good, safe, sanitary and reasonably clean condition, order and repair; to care for, protect and repair all Improvements and Personal Property; not to remove or demolish any Improvements; to restore any Improvement which is damaged or destroyed; to complete in a good workmanlike manner any Improvement which may be constructed or performed with respect to the Personal Property; and to pay, when due, all claims for labor performed and for materials furnished in connection with such Improvement; and otherwise to protect and preserve the Property; to comply with all Requirements having application to any alterations or improvements made to the Property; not to commit or permit any waste or deterioration of the Property; and to do any other act or acts all in a timely and proper manner, which, from the character or use of the Property may be reasonably necessary to maintain the Property in a good, safe, sanitary and reasonably clean condition, the specific enumerations herein not excluding the general.

6. Taxes.

a. Trustor agrees to pay all Impositions, at least ten (10) days before default and/or delinquency.

b. Trustor shall have the right before any delinquency occurs to contest or object to the amount or validity of any Imposition, but this shall not relieve, modify, or extend the time for

performance of Trustor's covenant to pay each Imposition at the time and in the manner provided in subsection 6(a), above, unless Trustor is contesting the Imposition by appropriate legal proceedings and at least ten (10) days prior to the delinquency date of the Imposition: (i) Trustor gives written notice to Beneficiary of Trustor's intent to contest or object to the same; (ii) Trustor demonstrates to Beneficiary's satisfaction that the procedures will conclusively operate to prevent the sale of any part of the Property to satisfy the Imposition prior to final determination of such proceedings; (iii) Trustor takes any and all such other action as Beneficiary may deem necessary in order to conclusively prevent a sale of any or all of the Property to satisfy the Imposition prior to final determination of such proceedings, and to also prevent any other impairment of the liens, assignments and security interests granted hereunder; and (iv) if requested by Beneficiary in its absolute and sole discretion, during such contest or objection Trustor provides to Beneficiary a bond or other security satisfactory to Beneficiary assuring payment of the Imposition and any additional charges or other amounts arising out of the contest or objection. When the contest or objection is finally decided, whether by judicial decision or otherwise, Trustor will pay immediately the Imposition contested to the extent that it is obligated to do so.

7. Insurance.

a. Trustor agrees to keep all buildings and/or improvements, which are ever located on the Real Property, and all goods, equipment, and fixtures which are subject to the security interest of this Deed of Trust insured by policies of insurance providing coverage against loss by fire, earthquake, flood, hazard, vandalism and/or malicious mischief, which policy(ies) shall: (i) have extended coverage endorsements; (ii) be issued by company(ies) authorized to issue such policy(ies) in the State of Nevada; and (iii) include an endorsement requiring thirty (30) days' notice to Beneficiary prior to cancellation; (iv) a standard mortgagee clause; (v) a waiver of subrogation endorsement; and (vi) name Beneficiary as an additional insured. Said insurance shall provide coverage in 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, or the full replacement value of such insured Property, whichever is less (such policies shall not contain a co-insurance provision whereby Trustor becomes a co-insurer in the event of loss). Said insurance shall be payable to Beneficiary to the amount of the unsatisfied obligation to Beneficiary hereby secured. The policy or policies of said insurance (together with in-force certificates of coverage) shall be delivered to Beneficiary, as further security, and in default thereof, Beneficiary may procure such insurance, and expend such sum or sums therefor as Beneficiary shall deem necessary. The amount collected by Beneficiary under any fire or other insurance policy may be applied by Beneficiary upon the indebtedness secured hereby and in such order as Beneficiary may determine, 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.

b. Trustor shall give prompt written notice to Beneficiary of any casualty to, or in connection with, the Property and of any claim of liability whether or not covered by insurance. Trustor shall file a timely and proper proof of claim with respect to each casualty and/or claim of liability.

8. Impound Accounts. If required by Beneficiary, in its sole and absolute discretion, Trustor shall pay to Beneficiary, on the first day of each calendar month, an amount, to be estimated by Beneficiary, which will be sufficient to provide for payment, at least thirty (30) days prior to the applicable due date(s), of one or more (as required by Beneficiary) of the following: (i) satisfying the impositions which are required to be paid under Section 6 above; and (ii) payment of the premiums necessary to maintain the insurance coverage required by Section 7 above. In such event, Trustor shall cause all bills, statements, and other documents relating to impositions and premiums for required insurance to be mailed directly to Beneficiary. Beneficiary shall provide for timely payment of such impositions and insurance premiums so long as such bills and statements have been received by Beneficiary and so long as sufficient amounts have been deposited with Beneficiary under this



Section 8. Amounts held by Beneficiary hereunder shall not be, nor be deemed to be, trust funds, but may be commingled with the general funds of Beneficiary, and no interest shall be payable in respect thereof. Upon demand of the Beneficiary, Trustor agrees to deliver to Beneficiary such additional monies as are necessary to make up any deficiencies in the amounts necessary to enable Beneficiary to pay such Impositions and insurance premiums.

9. Assignment of Rents and Condemnation Proceeds.

a. Trustor hereby irrevocably and absolutely assigns and transfers to Beneficiary, all rents, issues, profits and income derived from the Real Property, or any business activity conducted thereon, and each and every part thereof, including all present and future leases and rental agreements, reserving unto Trustor a license to collect such rents, issue, profits and income (but not more than one (1) month in advance) prior to occurrence of any Event of Default. Subsequent to such an Event of Default, any rents, issues, profits and income, including those past due, unpaid or undetermined, may be collected by Beneficiary or its agent, and shall be applied, less costs and expenses of operation and collection, including reasonable attorneys' fees, upon any indebtedness and/or obligation secured hereby, and in such order as Beneficiary shall determine. Rights assigned to Beneficiary under this Section 9 may be enforced by Beneficiary without regard to the adequacy of the security hereof or the solvency of Trustor by any one or more of the following methods: (i) appointment of a receiver; (ii) Beneficiary's taking possession of the Real Property; (iii) Beneficiary's collecting any monies payable under leases or rental agreements directly from the parties obligated for payment; (iv) injunctions; and (v) any other method permitted by law. The collection of such rents, issues and profits and income, and the application thereof as aforesaid, shall not cure or constitute a waiver of any default or notice of default hereunder or invalidate any act done pursuant to such notice. Trustor and Beneficiary intend that this assignment shall be a present, absolute and unconditional assignment, not an assignment for additional security only, and shall, immediately upon the execution hereof, subject to the license granted above, give Beneficiary, and its agent, the right to collect the rents, issues, profits and income and to apply them as aforesaid. Nothing contained herein, nor any collection of rents, issues, profits and income by Beneficiary, or its agent, or a receiver, shall be construed to make Beneficiary a "Mortgagee-in-Possession" of the Real Property so long as Beneficiary has not itself entered into actual possession of the Real Property.

b. Any award of damages in connection with any condemnation for public use of, or injury to the Real 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.

10. Performance by Trustee or Beneficiary.

a. Should the Trustor fail to make any payment or perform any act which Trustor is obligated to make or perform hereby, then the Trustee, or Beneficiary, at the election of either of them, without demand or notice to the Trustor, or any successor in interest of the Trustor and without releasing Trustor from any obligation hereunder, may, but shall be under no obligation to, make such payment or perform such act and incur any liability, or expend whatever amounts, in its absolute discretion, it may deem necessary therefor. All sums incurred or expended by the Trustee, or Beneficiary, under the terms hereof, shall become immediately due and payable by the Trustor to the Trustee, or Beneficiary, when so incurred or expended, and shall bear interest until paid at an annual percentage rate equal to the Default Rate. In no event shall payment by Trustee or Beneficiary be construed as a waiver of the default occasioned by Trustor's failure to make such payment or payments.



b. If, during the existence of the trust and/or the security interest created hereunder, there shall be commenced or pending any suit or action affecting the Property, or any part thereof, or the title thereto, or if any adverse claim for or against the Property, or any part thereof, be made or asserted, the Trustee or Beneficiary may, but shall be under no obligation to, appear or intervene in the suit or action and retain counsel therein and defend same, or otherwise take such action therein as they may be advised, and may settle or compromise same or the adverse claim; and in that behalf and for any of the purposes may pay and expend such sums of money as the Trustee or Beneficiary may deem to be necessary. All such sums incurred or expended by Trustee or Beneficiary under the provisions of this Section shall become immediately due and payable by the Trustor to the Trustee, or Beneficiary when so incurred or expended and shall bear interest until paid at an annual percentage rate equal to the Default Rate.

c. Trustor agrees to pay and discharge all costs, fees and expenses of this trust incurred in connection with any default by Trustor.

11. Modifications. At any time, 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 Note secured hereby for endorsement, and at the expense of Trustor, and without affecting the personal liability of any person for payment of the indebtedness secured hereby or the effect of this Deed of Trust upon the remainder of the Property, Trustee may: reconvey any part of the Real 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. The Beneficiary may without notice to or consent of Trustor extend the time of payment of any indebtedness secured hereby to any successor in interest of the Trustor without discharging the Trustor from liability thereon.

12. Reconveyance. Upon receipt of written request from Beneficiary reciting that all sums secured hereby have been paid and upon surrender of this Deed of Trust and the Note 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, all portions of the Real Property which are then encumbered hereby. 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." Upon Trustor's compliance with the conditions set forth in the Note, Beneficiary shall cause Trustee to effectuate the Release.

13. Substitution of Trustee. The Beneficiary or its assigns may, from time to time, appoint another trustee, or trustees, to execute the trust created by this Deed of Trust or other conveyance in trust. Upon the recording of such certified copy or executed and acknowledged instrument, the new trustee or trustees shall be vested with all the title, interest, powers, duties and trusts in the Real Property which are vested in or conferred upon the original trustee. If there be more than one trustee, either may act alone and execute the trusts upon the request of the Beneficiary, and all his acts thereunder shall be deemed to be the acts of all trustees, and the recital in any conveyance executed by such sole trustee of such request shall be conclusive evidence thereof, and of the authority of such sole trustee to act in accordance therewith.

14. Default.

a. The occurrence of any of the following shall constitute an "Event of Default" hereunder: (i) failure by Trustor to pay when due any amount which Trustor is required to pay under the Note, this Deed of Trust or under any of the Loan Documents, and the expiration of any

applicable cure period; (ii) failure by Trustor to satisfy or perform any obligation, other than the payment of money, under the Note, this Deed of Trust or any other Loan Document, which default continues for a period of more than thirty (30) days after written notice from Beneficiary; (iii) the commencement by Trustor of a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to it or its respective debts under the United States Bankruptcy Code or any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official, for any substantial part of its property, or the consent by Trustor to any such relief or to the appointment or taking possession by any such official in any involuntary case or other proceeding commenced against Trustor or the admission by Trustor, in writing, of its inability to pay its debts as they come due; and (iv) the occurrence of any other circumstance which would constitute an Event of Default under the Note.

b. Upon occurrence of an Event of Default, Beneficiary shall be entitled to all remedies available at law, or in equity, or which are otherwise provided herein, which remedies shall include, but shall not be limited to, the right to declare all sums secured hereby, immediately due and payable, without notice or demand.

c. In the event that the indebtedness secured hereby becomes due and payable prior to the maturity date thereof, pursuant to: (i) occurrence of an Event of Default in accordance with this Section 14; or (ii) any other provision of this Deed of Trust or any Loan Document; the amount which is so payable shall include, without limitation, all Guaranteed Interest Payments, as defined by, and in an amount which is determined in accordance with, Section 1 of the Note.

15. Power of Sale. Upon the occurrence of an Event of Default and recording of the notice of default and election to sell, and upon expiration of the required period of time, under NRS Chapter 107, then Trustee, its successors or assigns, on demand by Beneficiary, shall sell the Real Property, in order to accomplish the objects of these trusts, in the manner following, namely:

a. The Trustee shall first give notice of the time and place of such sale, in the manner provided by the laws of the State of Nevada for the sale of real property under execution, and may from time to time postpone such sale by such advertisement as it may deem reasonable, or without further advertisement, by proclamation made to the persons assembled at the time and place previously appointed and advertised for such sale (as such time may have been previously postponed), and: (aa) on the day of sale so advertised, the Trustee may, in its discretion, sell the Real Property so advertised, or any portion thereof, in one or more lots (and thereafter postpone such sale, in accordance herewith, as to any portion of the Real Property remaining unsold, if Trustee so elects); and (bb) on any day to which such sale may have been postponed, the Trustee may, in its discretion, sell all or any portion of the Real Property then remaining unsold, in one or more lots (and thereafter further postpone such sale, in accordance herewith, as to any portion of the Real Property remaining unsold, if Trustee so elects); all at public auction, at the time and place specified in the notice (as such time may have been postponed), either in the county in which the Real Property, or any part thereof, to be sold, is situated, or at the principal office of the Trustee, in its discretion, to the highest cash bidder. The Beneficiary, Trustee, obligee, creditor, or the holder or holders of the Note (and/or other obligations) secured hereby may bid (including by credit bid) and purchase at such sale. The Beneficiary may, after recording the notice of breach and election, waive or withdraw the same or any proceedings thereunder, and shall thereupon be restored to its former position and have and enjoy the same rights as though such notice had not been recorded.

b. The Trustee, upon such sale, shall make (without warranty), execute and, after due payment made, deliver to purchaser or purchasers, his, her or their heirs or assigns, a deed or deeds of the premises so sold which shall convey to the purchaser all the title of Trustor in the trust premises, and shall apply the proceeds of the sale thereof in accordance with the terms and conditions of the Note. The recital in any such deed, of: (aa) default; (bb) recording notice of breach



and election of sale; (cc) the elapsing of the three (3) month period after such recording; (dd) the giving of notice of sale; and (ee) demand by Beneficiary, its heirs or assigns, that such sale should be made; shall be conclusive proof of such default, recording, elapsing of time and of the due giving of notice and that the sale was regularly and validly made on due and proper demand by Beneficiary, its heirs and assigns; and any such deed or deeds with such recitals therein shall be effectual and conclusive against Trustor or its successors and assigns, and all other persons; and the receipt for the purchase money recited or contained in any deed executed to the purchaser as aforesaid shall be sufficient discharge to such purchaser from all obligation to see to the proper application of the purchase money, according to the trusts aforesaid.

16. Uniform Commercial Code Remedies. Upon occurrence of an Event of Default, Beneficiary shall have all rights and remedies made available to a secured party under the Uniform Commercial Code. In addition to those rights and remedies which are generally made available to a secured party under the Uniform Commercial Code, beneficiary shall have the following:

a. Beneficiary may notify the debtor, under any account which is included within the Personal Property, to make payment under such account directly to Beneficiary.

b. Beneficiary may require Trustor to assemble the Personal Property and to make it available to Beneficiary at the location of the Real Property. Trustor and Beneficiary agree that such location shall be deemed to be reasonably convenient to each of them.

c. Any other remedy provided by this Deed of Trust, with respect to the Personal Property, which is authorized or permitted under the Uniform Commercial Code.

17. Remedies Cumulative and Limitation of Waiver. The rights and remedies of Beneficiary upon the occurrence of one or more defaults by Trustor (whether such rights and remedies are conferred by statutes, by rule of law, by this Deed of Trust, or otherwise) may be exercised by Beneficiary, in the sole discretion of Beneficiary, either alternatively, concurrently, or consecutively in any order. The exercise by Beneficiary, or Trustee at the express direction of Beneficiary, of any one or more of such rights and remedies shall not be construed to be an election of remedies nor a waiver of any other rights and remedies Beneficiary might have unless, and limited to the extent that, Beneficiary shall so elect or so waive by an instrument in writing delivered to Trustee. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment, when due, of all other sums so secured or to declare default, as herein provided, or failure to so pay. Without limiting the generality of the foregoing, to the extent that this Deed of Trust covers both real and personal property, Beneficiary may, in the sole discretion of Beneficiary, either alternatively, concurrently, or consecutively in any order:

a. Proceed as to both the real and personal property in accordance with Beneficiary's rights and remedies in respect to the Real Property; or

b. Proceed as to the Real Property in accordance with Beneficiary's rights and remedies in respect to the real property and proceed as to the personal property in accordance with Beneficiary's rights and remedies in respect to the personal property.

Beneficiary may, in the sole discretion of Beneficiary, appoint Trustee as the agent of Beneficiary for the purpose of disposition of the Personal Property in accordance with the Uniform Commercial Code.



If Beneficiary should elect to proceed as to both the Real Property and Personal Property collateral in accordance with Beneficiary's rights and remedies in respect to real property:

a. All the Real Property and all the Personal Property may be sold, in the manner and at the time and place provided in this Deed of Trust and Security Agreement, in one lot, or in separate lots consisting of any combination or combinations of Real and Personal Property, as the Beneficiary may elect, in the sole discretion of Beneficiary.

b. Trustor acknowledges and agrees that a disposition of the Personal Property collateral in accordance with Beneficiary's rights and remedies in respect to Real Property, as hereinabove provided, is a commercially reasonable disposition of the collateral.

18. Deficiency. Trustor agrees to pay any deficiency arising from any cause, to which Beneficiary may be entitled, after applications of the proceeds of any sale held in accordance with the provisions of Sections 15, 16 or 17 above.

19. Stamps. If at any time the United States of America, any state thereof or any governmental subdivision of such state shall require revenue stamps to be affixed to the Note or any of the other Loan Documents, or the payment of any other tax paid on or in connection therewith, Trustor shall pay the same with any interest or penalties imposed in connection therewith if Trustor is permitted by law to pay such amount and, if not so permitted, then the Note shall immediately be due and payable.

20. Law. Trustor acknowledges and agrees that this Deed of Trust, including provisions with respect to the making of any disbursements, the creation of any monetary obligations and the rights accruing and compensation payable to Beneficiary in connection therewith, shall be governed by and construed in accordance with the internal laws of the State of Nevada without regard to conflict of law principles.

21. Miscellaneous.

a. This Deed of Trust is intended to be a fixture filing under the Uniform Commercial Code as adopted under the laws of the State of Nevada. The address of Beneficiary from which information may be obtained concerning the security interest granted hereunder and the mailing address of Trustor are set forth by Section 22 below.

b. 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.

c. In the event that Trustor consists of more than one person or entity, the obligations of Trustor hereunder shall be joint and several.

d. 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."



e. Trustor hereby appoints Beneficiary the attorney-in-fact of Trustor to prepare, sign, file and record one or more financing statements; any documents of title or registration, or like papers, and to take any other action deemed necessary, useful or desirable by Beneficiary to perfect and preserve Beneficiary's security interest against the rights or interests of third persons.

f. If any provision of this Deed of Trust or its application to any person or circumstance is held invalid, the other provisions hereof or the application of the provision to other persons or circumstances shall not be affected.

g. The captions or headings at the beginning of each section hereof are for the convenience of the parties and are not a part of this Deed of Trust.

h. Time is of the essence of each provision of this Deed of Trust.

22. Notice. Except as otherwise provided by law, any notice, request, demand, consent, approval or other communication ("Notice") provided or permitted under this Deed of Trust, or any other instrument contemplated hereby, shall be in writing, signed by the party giving such Notice, and shall be given by personal delivery to the other party or by United States certified or registered mail, postage prepaid, return receipt requested, addressed to the party for whom it is intended at its address as set forth below. Unless otherwise specified, Notice shall be deemed given when received, but if delivery is not accepted, on the earlier of the date delivery is refused or the third day after same is deposited in any official United States Postal Depository. Any party from time to time, by Notice to the other parties given as above set forth, may change its address for purposes of receipt of any such communication.

Beneficiary:	HEINZ W. BLAUME P.O. Box 13086 S. Lake Tahoe, California 96151
Beneficiary	DAVID PROBERT P.O. Box 601 Zephyr Cove, Nevada 89449
Trustor:	DNH, Inc. 1035 Riverview Drive Gardnerville, Nevada 89410

23. Acceptance of Trust; Recognition by Trustee. 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.

24. No Third Party Beneficiaries. This Deed of Trust is made and entered into for the sole protection and benefit of the parties hereto, and no other person or entity shall be a direct or indirect beneficiary of, or shall have any direct or indirect cause of action or claim in connection with this Deed of Trust or any of the other Loan Documents.

25. No Offset. Under no circumstances shall Trustor fail or delay to perform (or resist the enforcement of) any of its obligations in connection with any of the Loan Documents because of any alleged offsetting claim or cause of action against Beneficiary (or any indebtedness or obligation



of Beneficiary) which has not been confirmed in a final judgment of a court of competent jurisdiction (sustained on appeal, if any) against Beneficiary, and Trustor hereby waives any such rights of setoff (or offset) which it might otherwise have with respect to any such claims or causes of action against Beneficiary (or any such obligations or indebtedness of Beneficiary), unless and until such right of setoff is confirmed and liquidated by such a final judgment. Trustor further waives any right that it might otherwise have to require a marshalling of any security of Beneficiary or to direct the order in which Beneficiary pursues its rights or remedies with respect to any of its security.

26. Continuation of Payments. Notwithstanding any taking by eminent domain or other governmental action causing injury to, or decrease in value of, the Property and creating a right to compensation therefor, Trustor shall continue to make the required payments of principal and interest on the Note. If, prior to the receipt by Beneficiary of such award or compensation, the Property shall have been sold in any action or proceeding to foreclose this Deed of Trust, Beneficiary shall have the right to receive said award or compensation to the extent of any deficiency found to be due upon such sale, with interest thereon, whether or not a deficiency judgment on this Deed of Trust shall have been sought or recovered, together with reasonable counsel fees and the costs and disbursements incurred by Beneficiary in connection with the collection of such award or compensation.

27. Environmental Indemnity. Trustor agrees to indemnify, protect, defend and save harmless Beneficiary, its trustees, officers, employees, agents, attorneys members and managers (individually, an "Indemnified Party" and collectively, the "Indemnified Parties") from and against any and all losses, damages, expenses or liabilities, of any kind or nature from any suits, claims or demands, including reasonable counsel fees incurred in investigating or defending such claim, suffered by any of them and caused by, relating to, arising out of, resulting from or in any way connected with: (a) the presence in, on or under the Property of any Hazardous Substances, or any releases or discharges of any Hazardous Substances on, under or from the Property; (b) any violation of Environmental Laws; or (c) any activity carried on or undertaken on or off the Property, whether prior to or during the term of the Loan, and whether by Trustor or any predecessor in title or any employees, agents, contractors or subcontractors of Trustor or any predecessor in title, or any third persons at any time occupying or present on the Property, in connection with the handling, treatment, removal, storage, decontamination, clean-up, transport or disposal of any Hazardous Substances at any time located or present on or under the Property. The foregoing indemnity shall further apply to any residual contamination on or under the Property, or affecting any natural resources, and to any contamination of any property or natural resources, arising in connection with the generation, use, handling, storage, transport or disposal of any such Hazardous Substances, and irrespective of whether any of such activities were or will be undertaken in accordance with applicable laws, regulations, codes and ordinances. Trustor hereby acknowledges and agrees that, notwithstanding any other provision of this Deed of Trust or any of the other Loan Documents to the contrary, the obligations of Trustor under this Section 27 shall be unlimited personal obligations of Trustor and shall survive any foreclosure under this Deed of Trust, any transfer in lieu thereof, any reconveyance of this Deed of Trust and any satisfaction of the obligations which are secured hereby. The obligations of Trustor under this Section 27 are separate from and in addition to the obligations to pay the indebtedness evidenced by the Note, the Loan Documents and the other obligations secured by, or imposed under, this Deed of Trust. This Section 27 shall not affect, impair or waive any rights or remedies of Beneficiary or any obligations of Trustor with respect to Hazardous Substances created or imposed by Environmental Laws (including Beneficiary's rights of reimbursement or contribution under Environmental Laws or by the Environmental Indemnity). The remedies under this Section 27 are cumulative and in addition to all remedies provided by law.



LEGAL DESCRIPTION

The land referred to herein is situated in the State of Nevada, County of DOUGLAS, described as follows:

PARCEL 1:

A parcel of land being a portion of Lot "A", as delineated on the map of Gardnerville Ranchos, Unit No. 3, as recorded June 1, 1965, in Book 1 of Maps, Document No. 28310, Official Records of Douglas County, State of Nevada, and being a portion of Section 10, Township 12 North, Range 20 East, M.D.B. & M., being further described as follows:

Commencing on the Southerly right-of-way of River View Drive, at the most Westerly corner of said Lot "A"; thence North 43°00'30" East, 140.39 feet along said right of way to the TRUE POINT OF BEGINNING; thence through the following courses:

1. Continuing along said right of way line North 43°00'30" East, 17.51 feet to the beginning of a tangent curve to the right having a radius of 675.00 feet and a central angle of 19°59'00";
2. Along said curve an arc distance of 235.42 feet;
3. Leaving said curve and right of way South 21°37'29" East, 220.41 feet;
4. South 57°42'10" West, 118.46 feet;
5. South 51°30'30" West, 36.18 feet;
6. North 76°55'40" West, 107.13 feet;
7. North 11°47'40" East, 64.04 feet;
8. South 85°04'30" East, 9.83 feet;
9. North 12°49'50" East, 34.10 feet;
10. North 77°15'06" West, 79.86 feet to the True Point of Beginning.

ASSESSOR'S PARCEL NO. 1220-10-811-037

PARCEL 2:

A parcel of land being a portion of Lot "A" as delineated on the map of Gardnerville Ranchos, Unit No. 3, as recorded June 1, 1965, in Book 1 of Maps, Document No. 28310, Official Records of Douglas County, State of Nevada, and being a portion of Section 10, Township 12 North, Range 20 East, M.D.B.&M., being further described as follows:

Continued on next page

-1-

SCHEDULE A
CLTA PRELIMINARY REPORT
(12/92)

0567862
BK0203PG09211

STEWART TITLE
Guaranty Company

Order No. 020208491

Commencing on the southerly right of way line of River View Drive, at the most westerly corner of said lot "A"; thence North 43°00'30" East, 157.90 feet along said right of way to the beginning of a tangent curve to the right having a radius of 675.00 feet and a central angle of 19°59'00", thence along said curve an arc distance of 235.42 feet to the beginning of a compound curve and the TRUE POINT OF BEGINNING; thence through the following courses;

1. Continuing along said curve which has a radius of 675.00 feet through a central angle of 5°22'57" and an arc length of 63.41 feet;
2. Leaving said curve and right of way, South 80°35'29" East, 114.21 feet;
3. South 20°25'00" East, 134.70 feet;
4. South 57°42'10" West, 161.13 feet;
5. North 21°37'29" West, 220.41 feet to the TRUE POINT OF BEGINNING.

Assessor's Parcel No. 1220-10-811-038

"IN COMPLIANCE WITH NEVADA REVISED STATUTE 111.312, THE HEREIN ABOVE LEGAL DESCRIPTION WAS TAKEN FROM INSTRUMENT RECORDED DECEMBER 22, 2000, BOOK 1200, PAGES 4867-4868, AS FILE NO. 0505575, RECORDED IN THE OFFICIAL RECORDS OF DOUGLAS COUNTY, STATE OF NEVADA."

-2-

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

2003 FEB 24 AM 9: 13

WERNER CRISTEN
RECORDER

\$16 PAID *Kg* DEPUTY

0567862

BK0203PG09212



BK- 0406
PG- 9909
0673702 Page: 17 Of 17 04/28/2006