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OFFICIAL RECORD

Requested By:

STEWART TITLE OF DOUGLAS

COUNTY

Douglas County - NV

Werner Christen - Recorder

Page: 1 Of 11 Fee: 24.00

BK-0406 PG-10358 RPTT: 0.00

APN 1420-29-612-039



Recording Requested By:

Stewart Title of Douglas County

1663 US Highway 395 N., Ste. 101

Minden, NV 89423

060700869

WHEN RECORDED MAIL TO:
The Quails Nest Trust
220 Sheridan Creek Ct.
Gardnerville, NV 89460

DEED OF TRUST AND SECURITY AGREEMENT

(Title of Document)

WITH ASSIGNMENT OF RENTS

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.

After Recording Return to:
THE QUAILS NEST TRUST
220 SUSAN CRISTO CT
BANDERVILLE, NV 89460

**DEED OF TRUST AND
SECURITY AGREEMENT WITH ASSIGNMENT OF RENTS**

This Deed of Trust and Security Agreement with Assignment of Rents is executed by **Merrill Construction, Inc.** as "Trustor," to **STEWART TITLE CO.**, a Nevada corporation, as "Trustee," for the benefit of **WILLIAM W. NICHOLS, TRUSTEE OF THE QUAILS NEST TRUST, DATE 1999.**, as "Beneficiary."

**I
CONVEYANCE AND PROPERTY DESCRIPTION**

Trustor, in consideration of the loan evidenced by the Note described in article II below, irrevocably grants, conveys, and assigns to Trustee, in trust, with power of sale, the real property located in **1171 San Marcos Circle**, Douglas County, Nevada, more particularly described on Exhibit "A" attached hereto and incorporated herein by reference, APN 1420-29-612-039, said property hereinafter referred to and the "Land." The Land is granted and conveyed together with the following:

A. All right, title, and interest which Trustor now has or may hereafter acquire to such property; all easements and rights-of-way appurtenant to such property; all water and water rights and shares of stock pertaining to such water and water rights, ownership of which affects such property; all minerals, oil, gas, and other hydrocarbon substances and rights thereto in, on, under, or upon such property, and all royalties and profits from any such rights or shares of stock; and any other tenements, hereditaments, and appurtenances of the above-described property;

B. Any and all buildings, structures, and other improvements and any and all accessions, additions, replacements, substitutions, or alterations thereof or appurtenances thereto, now or at any time hereafter situated, placed, or constructed on the Land, including the improvements to be constructed on the Land pursuant to the Construction Loan Application and Agreement previously entered into between Trustor and Beneficiary, all the foregoing hereinafter referred to as the "Improvements;"

C. All right, title, and interest of Trustor, in and to all materials, supplies, equipment, apparatus, and other items now or hereafter attached to or installed on or in the above-described real property, or which in some fashion are deemed to be fixtures under the laws of the State of Nevada, including the Nevada Uniform Commercial Code, hereinafter referred to as the "Fixtures;"

D. All of Trustor's right, title, and interest in and to any award, remuneration, settlement, or compensation heretofore made or hereafter to be made by any governmental entity to Trustor, including those for any vacation of, or a change of grade in, any streets affecting the above-described Real Property;

E. All plans and specifications for the Improvements; all contracts and subcontracts relating to the Improvements, all deposit (including tenants' security deposits; provided, however, if Beneficiary acquires possession or control of the tenants' security deposits, Beneficiary shall use the tenants' security deposit only for such purposes as are permitted by applicable law), funds, accounts, contract rights instruments, documents, general intangibles (including trademarks, service marks, trade names, and symbols used in connection therewith), and notes or chattel paper arising from or in connection with the Land; all permits, licenses, certificates, and other rights and privileges obtained in connection with the Land; all proceeds arising from or by virtue of the sale, lease or other disposition of all or any part of the Land, Improvements, Fixtures, or Personalty (consent to same not granted or to be implied hereby), all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Land, Fixtures or Personalty; and

F. All of the right, title and interest of Trustor in and to all tangible and intangible personal property, whether now owned or hereafter acquired, including, but not limited to, all equipment, inventory, goods, consumer goods, accounts, chattel paper, instruments, money, general intangibles, documents, minerals, crops, and timber (as those terms are defined in the Nevada Uniform Commercial Code) and which are now or at any time hereafter located on, attached to, installed, placed, used on, in connection with or is acquired for such attachment, installation, placement, or use on the Land, the Improvements, Fixtures, or on other goods located on the Land or Improvements, together with all additions, accessions, accessories, amendments, and modifications thereto, extensions, renewals, and enlargements and proceeds thereof, substitutions therefore, and income and profits therefrom. The Personalty includes, but is not limited to, all goods, machinery, tools, equipment (including fire sprinklers and alarm systems), building materials, air conditioning, heating, refrigerating, electronic monitoring, entertainment, recreational, maintenance, exclusion of vermin or insects, dust removal, refuse or garbage equipment, furniture (including tables, chairs, planters, desks, sofas, shelves, lockers and cabinets), wall safes, furnishings, appliances (including ovens, refrigerators, fans, water heaters and incinerators), inventory (including construction supplies and materials used or stored on the Land), rugs, carpets, and other floor coverings, draperies and drapery rods and brackets, awnings, window shades, venetian blinds, curtains, lamps, chandeliers, and other lighting fixtures, maintenance and other supplies, loan commitments, financing arrangements, bonds, construction contracts, leases, tenants' security deposits, licenses, permits, sales contracts, lease contracts, insurance policies and the proceeds therefrom, plans and specifications, surveys, books and records, funds, bank deposits and all other intangible personal property, all of which is hereinafter referred to as the "Personalty."

All of the above-described property is hereinafter referred to collectively as the "Real Property."

**II
OBLIGATIONS SECURED**

This Deed of Trust secures the following obligations of Trustor to Beneficiary:

A. Payment of the indebtedness evidenced by a Promissory Note of this same date executed by Trustor and payable to the order of Beneficiary in the principal sum of **Four Hundred Eighty-Six Thousand Two Hundred Fourteen Dollars**



and no/100 Dollars (\$ 486,214.00), bearing interest at the annual rate of Nine percent (9.0%) per annum, together with all modifications, extensions, and renewals of the Promissory Note (the "Note");

B. The performance of each obligation, covenant, and agreement of Trustor contained in the Note, this Deed of Trust, the Construction Loan Application and Agreement previously entered into between Trustor and Beneficiary (the "Loan Agreement"), and any other agreement or instrument executed by Trustor in connection with or pertaining to the indebtedness evidenced by the Note, all of which documents and instruments are hereinafter collectively referred to as the "Loan Documents"; and

C. Payment of such additional sums, with interest thereon:

1. As may hereafter be loaned by Beneficiary to Trustor or the then record owner of the Real Property when evidenced by a Promissory Note reciting that it is secured by this Deed of Trust;

2. As may be incurred, paid, or advanced by Beneficiary, or as may otherwise be due to Trustee or Beneficiary, under any provision of the Note, the Loan Agreement, this Deed of Trust, any other Loan Document and any modification, amendment, extension, or renewal thereof; and

3. As may otherwise be paid or advanced by Beneficiary as reasonably necessary to protect the security or priority of this Deed of Trust or Beneficiary's rights and interests under the Loan Documents.

III FUTURE ADVANCES

Trustor and Beneficiary acknowledge and agree that the Indebtedness secured hereby includes amounts which will be disbursed or advanced by Beneficiary following the execution of this Deed of Trust, which amounts are herein after referred to as "future advances." With regard to said future advances, Trustor and Beneficiary expressly agree that this Deed of Trust shall be governed by the provisions of NRS 106.300 to 106.400, inclusive. Trustor further acknowledges and agrees that this Deed of Trust will secure all future advances and that the maximum amount of principal of all the Indebtedness, including future advances, to be secured by the terms of this Deed of Trust, shall not exceed the sum of Five Hundred Fifty Thousand Dollars (\$550,000.00).

IV ASSIGNMENT OF RENTS AND PROFITS

Trustor further irrevocably grants, transfers, and assigns to Beneficiary the rents, income, issues, and profits from the Real Property, absolutely and unconditionally, and not merely as additional security for the indebtedness secured by this Deed of Trust. Prior to the occurrence of an event of default under this Deed of Trust, Trustor reserves to itself the right to collect and retain the rents, income, issues, and profits of the Real Property as they become due and payable. In the event of a default under the Promissory Note or this Deed of Trust, Beneficiary shall have the right, with or without taking possession of the Real Property, to collect all rents, issues, royalties, and profits, and shall be entitled either personally or by attorney or agent, without bringing any action or proceeding, or by a receiver to be appointed by the court, to enter into possession, and hold, occupy, possess, and enjoy the Real Property, make, cancel, enforce, and modify leases, obtain and eject tenants, and set and modify rents and terms of rent. Beneficiary shall have the further right to sue, and to take, receive, and collect all or any part of the rents, issues, royalties, and profits of the Real Property, and after paying all costs of maintenance, operation, and collection, including reasonable attorneys' fees, as Beneficiary may deem proper, to apply the balance upon the entire indebtedness then secured by the Deed of Trust. The receipt and application by the Beneficiary of such rents, issues, and profits, after execution and delivery of the Notice of Default and Election to Sell or during the pendency of the Trustee's sales proceedings under this Deed of Trust, shall not cure such breach or default nor affect the sale proceedings, or any sale made pursuant to this Deed of Trust. All such rents, issues, and profits, less the costs of operation, maintenance, collection and reasonable attorneys' fees, when received by Beneficiary, shall be applied in reduction of the entire indebtedness from time to time outstanding secured by this Deed of Trust, in such order as Beneficiary may determine.

If the rents of the Real Property are not sufficient to satisfy the costs, if any, of taking control of and managing the Real Property and collecting the rents thereof, any funds expended by Beneficiary for such purposes shall become indebtedness of the Trustor to Beneficiary and shall be secured by this Deed of Trust. Such amounts shall be repayable to Beneficiary upon demand and shall bear interest from the date of the disbursement at the Default Rate defined in the Note.

V COVENANTS OF TRUSTOR

To protect the security of this Deed of Trust, Trustor agrees as follows:

A. Repair, Maintenance, and Preservation of the Property. During the term of this Deed of Trust, Trustor covenants and agrees to do the following:

1. To maintain the Real Property in good, safe, and insurable condition and repair, subject to ordinary wear and tear, and not to commit or suffer waste;

2. To not remove or demolish any of the Real Property or improvements thereon without Beneficiary's prior written consent;

3. To complete or restore promptly in a good workmanlike manner any of the Real Property which may



be damaged or destroyed or which may be affected by any condemnation or eminent domain proceeding;

4. To comply with all (i) laws, ordinances, regulations, and standards applicable to the Real Property, (ii) covenants, conditions, restrictions, and equitable servitudes, whether public or private, of every kind and character which are applicable to the Real Property; and (iii) all requirements of insurance companies for insurability of the Real Property and Trustor's use thereof.

5. To not initiate or acquiesce in any change in any zoning or other land use classification which affects any of the Real Property without Beneficiary's prior written consent;

6. To not alter the use of all or any portion of the Real Property without prior written consent of the Beneficiary.

7. To not abandon the Real Property except in exigent circumstances which make occupancy of the Real Property impossible;

8. To refrain from impairing or diminishing the value of the Real Property or the security of this Deed of Trust.

B. Real Property Taxes and Assessments. Trustor agrees to pay, not later than the due date and before any penalty or interest attaches, all general taxes and all special taxes, special assessments, water, drainage and sewer charges and all other charges, of any kind whatsoever, ordinary or extraordinary, which may be levied, assessed or imposed on or against the Real Property and, upon the request of Beneficiary, to exhibit to Beneficiary all official receipts evidencing such payments; provided, however, that in the case of any special assessment (or other imposition in the nature of a special assessment) payable in installments, each installment thereof shall be paid prior to the date on which each such installment becomes due and payable; provided further that upon posting a bond in an amount satisfactory to Beneficiary, or, if consented to by Beneficiary, upon establishing adequate reserves in an amount satisfactory to Beneficiary, Trustor may contest the validity of such taxes, in good faith and at Trustor's expense.

C. Insurance. During the term of this Deed of Trust, Trustor agrees to procure and maintain at all times the following policies of insurance:

1. Fire, extended coverage, and during all periods of construction on the Real Property, builders risk insurance (including, without limitation, windstorm, explosion and such other risks usually insured against by owners of like properties) on the improvements being constructed or already located on the Real Property in such amounts as is satisfactory to Beneficiary and equal to one hundred percent (100%) of the full insurable value of the Real Property and in no event less than the amount required to prevent Trustor from becoming a co-insurer within the terms of the applicable policies; and

2. Comprehensive public liability insurance insuring against loss, damage or liability for injury or death to persons and loss and damage to property occurring from any cause whatsoever upon, in, or about the Real Property. Such liability insurance shall be in such amount as Beneficiary may require.

All such insurance required by the terms of this Deed of Trust shall be written by companies and on forms with endorsements satisfactory to Beneficiary. All fire, extended coverage and builder's risk policies shall have suitable loss-payable and standard non-contribution mortgagee clauses in favor of Beneficiary (or, in the case of a foreclosure sale, in favor of the purchaser at such sale) attached, and certified copies of the policies evidencing the same shall be kept constantly deposited with Beneficiary. All said policies shall provide for, among other things, written notice to Beneficiary of their expirations or any anticipated cancellation at least thirty (30) days prior to such event occurring. Prior to the expirations of any such policy, a certified copy of an appropriate renewal policy shall be deposited with Beneficiary. In case of loss, Beneficiary is authorized to collect all insurance proceeds and apply them, at Beneficiary's option, to (i) the reduction of the indebtedness and obligations hereby secured, whether due or not then due, or (ii) to allow Trustor to use such money, or part thereof, to repair the damage or restore the improvements; provided that in the event of a partial destruction of the Real Property, Trustor may request that Beneficiary approve the use of all or a portion of such insurance proceeds for the restoration of the premises and Beneficiary shall not unreasonably withhold such approval.

Trustor shall notify Beneficiary, in writing, of any loss to the Real Property covered by insurance and Trustor hereby directs each insurance company to make payment for such loss directly and solely to Beneficiary. Trustor agrees that any payment which is delivered, for any reason, to Trustor shall be held in trust for Beneficiary and promptly delivered in the form received, with any necessary endorsements thereon, to Beneficiary.

D. Repair and Restoration of Improvements. If any building or other improvement now or hereafter erected on the Real Property shall be destroyed or damaged by fire or any other cause, whether insured or uninsured, Beneficiary shall have the right either to apply any insurance proceeds or other recovery related to said loss to a reduction of the indebtedness hereby secured or to require Trustor to restore or rebuild such building or other improvement with materials and workmanship of as good quality as existed before such damage and destruction to substantially their former state, commencing the work of restoration or rebuilding as soon as possible and proceeding diligently with it until completion. Plans and specifications for the restoration as herein required shall be submitted to Beneficiary prior to commencement of work and shall be subject to reasonable approval of Beneficiary.

E. Compliance with Laws. Trustor will comply in all material respects with all restrictions affecting the Real Property and with all laws, ordinances, acts, rules, regulations and orders of any legislative, executive, administrative or judicial body, commission or officer (whether federal, state or local) exercising any power of regulation or supervision over Trustor, or any part of the Real Property, whether the same be directed to the repair thereof, manner of use thereof, structural alteration of buildings located



thereon or otherwise.

F. Compliance with Leases. Trustor agrees to faithfully perform all of its obligations under present and future leases or other agreements relative to the occupancy of the Real Property and to refrain from any action or inaction which would result in termination of any such leases or agreements or in the diminution of the value thereof or of the rents or revenues due thereunder. Trustor further agrees that any lease of the Real Property made after the date of recording of this Deed of Trust shall contain a covenant to the effect that such lessee shall, at Beneficiary's option, agree to attorn to Beneficiary as the Lessor and upon demand, top pay rent directly to Beneficiary.

G. Indemnification. Trustor agrees to indemnify Beneficiary from all loss, damage and expense, including reasonable attorneys' and paralegal's fees and expenses and the costs of any settlement or judgment, incurred in connection with (i) any suit or proceeding in or to which Beneficiary may be made a party for the purpose of protecting the lien of this Deed of Trust or (ii) any breach by Trustor of any representation, warranty, or covenant contained in the Note, the Loan Agreement, this Deed of Trust or any other Loan Document. This indemnification shall be a personal obligation of the Trustor and shall survive any foreclosure sale of the Real Property conducted pursuant to the terms of this Deed of Trust. Notwithstanding the foregoing, this indemnity shall not apply if the event otherwise giving rise thereto is caused by the negligent or intentional acts or omissions of Beneficiary.

H. Condemnation. Trustor hereby assigns to Beneficiary, as additional security, all awards of damage resulting from condemnation proceedings or the taking of or injury to the Real Property for public use, and Trustor agrees that the proceeds of all such awards shall be paid to Beneficiary or Trustee and shall be applied by Beneficiary or Trustee, first, to the payment of all expenses incurred by Beneficiary or Trustee in connection with such proceedings, including reasonable attorneys' and paralegal's fees and expenses, and secondly to the reduction of the obligations secured hereby. The balance of any such award, after payment of the expenses and obligations hereby secured shall be payable to Trustor, or to any persons claiming by, through or under Trustor.

I. Advances By and Rights of Beneficiary. Trustor agrees that, from and after the occurrence of a default under this Deed of Trust, Beneficiary may, but shall not be required to, make any payment or perform any act herein required of Trustor in any form and manner deemed expedient after reasonable inquiry into the validity thereof. By way of illustration and not in limitation of the foregoing, Beneficiary may, but shall not be required to, (i) make full or partial payments or insurance premiums which are unpaid by Trustor, and of principal or interest to persons claiming prior or coordinate liens or encumbrances, if any, and (ii) purchase, discharge, compromise or settle any tax lien, mechanic's lien, or any other lien, encumbrance, suit, proceeding, title or claim thereof, or (iii) redeem all or any part of the Real Property from any tax or assessment. All money paid for any of the purposes herein authorized and all other moneys advanced by Beneficiary to protect the Real Property and the lien of this Deed of Trust shall be additional liabilities secured hereby and shall become immediately due and payable without notice and shall bear interest thereon at the Default Rate under the Note until paid to Beneficiary in full. In making any payment hereby authorized relating to insurance, taxes, assessments or prior or coordinate liens or encumbrances, Beneficiary shall be the sole judge of the legality, validity and priority thereof and of the amount necessary to be paid in satisfaction thereof.

J. Inspection. Beneficiary, or any person designated by Beneficiary in writing, shall upon reasonable advance notice to Trustor, have the right, from time to time hereafter, to make such inspections and verifications of the Real Property as Beneficiary may consider reasonable under the circumstances, including, but not limited to, all inspections authorized by the Loan Agreement.

K. Reconveyance Fees. Trustor covenants and agrees to pay all reconveyance fees charged by Trustee at the time the lien of this Deed of Trust is conveyed.

L. Statutory Covenants. To the extent not inconsistent with the express provisions of this Deed of Trust, the following covenants of Section 107.030 of the Nevada Revised Statutes are hereby adopted and made a part of this Deed of Trust: Covenant No. 3, Covenant No. 4 (interest, Default Rate under Note), Covenant No. 5, Covenant No. 6, Covenant No. 7 (attorneys' fees, reasonable), Covenant No. 8, and Covenant No. 9.

VI EVENTS OF DEFAULT AND REMEDIES

A. Events of Default. The term "Event of Default" as used herein shall mean the occurrence or happening, at any time and from time to time, of any one or more of the following:

1. Payment of Indebtedness. The failure, refusal or neglect to pay, in full, (1) the entire unpaid balance of principal and accrued interest of the Note on the due date stipulated in the Note, by acceleration or otherwise; or (2) any installment of interest under the Note on or before the tenth (10th) day following the date the same shall become due and payable.

2. Performance of Obligation. The failure, refusal or neglect to perform and discharge fully and timely any covenant, promise, or other obligation of the Trustor under this Deed of Trust, the Note, the Loan Agreement or any other Loan Document, and the continuance of such failure for a period of thirty (30) days after the giving of written notice thereof from Beneficiary to Trustor.

3. False Representation. If any representation or warranty made by Trustor in, under or pursuant to the Loan Agreement, the Note, this Deed of Trust or any other Loan Document shall be false, erroneous or misleading in any material respect.

4. Judgment. If any final money judgment shall be rendered against Trustor or any guarantor of the



Note and the same shall not be paid or execution on the same shall not be stayed by perfection of an appeal or other appropriate action within thirty (30) days of entry of the judgment.

5. Voluntary Bankruptcy. If Trustor or any guarantor of the Note shall (1) seek entry of an order for relief as a debtor in a proceeding under the United States Bankruptcy Code; (2) seek, consent to or not contest the appointment of receiver or trustee for itself or himself or for all or any part of its property; (3) file a petition seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of the United States or any state or any other competent jurisdiction; (4) make a general assignment for the benefit of its or his creditors; or (5) admit in writing its or his inability to pay its or his debts as they mature.

6. Involuntary Bankruptcy. If (1) a petition is filed against Trustor or any guarantor seeking relief under the bankruptcy, arrangement, reorganization or other debtor relief laws of the United States or any state or other competent jurisdiction; or (2) a court of competent jurisdiction enters an order, judgment or decree appointing, without the consent of Trustor or any guarantor, a receiver or trustee for it, or for all or any part of its property; and (3) such petition, order, judgment or decree shall not be discharged or stayed within a period of sixty (60) days after its entry.

7. Foreclosure of Other Liens. If the holder of any lien or security interest on the Real Property (without implying Beneficiary's consent to the existence, placing, creating or permitting of any lien or security interest) institutes foreclosure or other proceedings for the enforcement of its remedies thereunder and any such proceedings shall not be stayed or discharged within ten (10) days thereafter.

8. Sale, Lease or Other Transfer. Any sale, lease, exchange, assignment, conveyance, transfer of possession, grant of an option to purchase or other disposition of all or any portion of the Real Property, or any interest therein, without the written consent of the Beneficiary, or any sale, lease, exchange, assignment, conveyance or other disposition of all of substantially all of the Personalty, without the prior written consent of the Beneficiary.

9. Construction. Any termination, suspension, or loss of the privileges granted to Trustor to construct the Improvements on the Land contemplated by the Loan Agreement, or the cessation of construction for a period of fifteen (15) consecutive days, unless the Beneficiary has given its prior written consent to such termination, suspension, loss, or cessation.

10. Dissolution of Failure. The dissolution, business failure, merger or similar event affecting the Trustor or any surety, endorser or guarantor of the obligations or indebtedness secured hereby.

11. Title and Lien Priority. If title of Trustor to any or all of the Real Property or the status of this Deed of Trust as a first and prior lien and security interest on the Real Property shall be endangered by any party or in any manner whatsoever, and Trustor shall fail to immediately cure the same upon demand by Beneficiary.

12. Other Defaults. The occurrence of an event of default, as defined or described in the Note, the Loan Agreement or any other Loan Document.

13. Levy on Assets. A levy on any of the assets of Trustor or any guarantor, and such levy is not stayed or abated within ten (10) days thereafter.

B. Remedies. Upon the occurrence of an Event of Default, Beneficiary may exercise all rights and remedies provided by law on the date of the default, including, but not limited to, the following:

1. Acceleration. Upon the occurrence of an Event of Default, Beneficiary may, at Beneficiary's option, declare immediately due and payable any one or more of the obligations of Trustor to Beneficiary which are secured hereby, and, to the extent permitted by law, the same shall, upon notice to or demand on Trustor, become immediately due and payable.

2. Possession and Collection of Rent. Beneficiary shall, at its option, have the right, acting through its agents or attorneys, either with or without process of law, to enter upon and take possession of the Real Property, or any part thereof, to perform such acts of repair or protection as may be necessary or proper to preserve the value thereof, to expel and remove any persons, goods, or chattels occupying or upon the Real Property, to manage, operate, and control the Real Property, and to collect or receive all the rents, issues, and profits as provided in article IV above.

3. Appointment of Receiver. Beneficiary may, by and through the Trustee, or on behalf of the Beneficiary, make application to a court of competent jurisdiction for appointment of a receiver for the Real Property, and Trustor does hereby irrevocably consent to such appointment and expressly waives any right to require a bond of the receiver, to receive notice of application for such appointment, and the right to a hearing prior to such appointment. Any receiver appointed by the court shall have all the usual powers and duties of receivers in similar cases, including the full power to rent, maintain, and operate the Real Property upon such terms as may be approved by the court, and to apply such rents in accordance with the provisions hereof or as otherwise directed by the court.

4. Foreclosure and Sale. Beneficiary may request that Trustee sell the Real Property pursuant to the power of sale granted Trustee herein in accordance with the laws of the State of Nevada or Beneficiary may foreclose this Deed of Trust by judicial action pursuant to the laws of the State of Nevada. In this regard, the following covenants, Covenant No. 6, Covenant No. 7 (attorneys' fees, reasonable), and covenant No. 8 of NRS 107.030 are hereby adopted and made a part of this Deed of Trust.

5. Right to Deficiency. In the event that the proceeds if any foreclosure sale conducted pursuant to the



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provisions of this Deed of Trust are not sufficient to satisfy all obligations and indebtedness to Beneficiary secured hereby, Beneficiary shall be entitled to recover such deficiency from the Trustor.

6. Remedies with Respect to Personal Property. To the extent that this Deed of Trust encumbers both real and personal property, Beneficiary may, in the sole discretion of Beneficiary, either alternatively, concurrently, or consecutively in any order, proceed with any of the following rights and remedies:

- a. Proceed as to both the Real Property and Personalty in accordance with Beneficiary's rights and remedies in respect to real property; or
- b. Proceed as to the Real Property in accordance with Beneficiary's right and remedies in respect to the real property and proceed as to the Personalty in accordance with Beneficiary's rights and remedies 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 Personalty in accordance with the Nevada Uniform Commercial code. Trustor hereby authorizes Trustee to act accordingly.

If Beneficiary should elect to proceed as to both the Real Property and Personalty in accordance with Beneficiary's rights and remedies in respect to real property, then the following shall occur:

- a. All of the Real Property and all of the Personalty may be foreclosed upon and sold by either private sale or judicial action, in the manner provided in this Deed of Trust, 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 Personalty in accordance with Beneficiary's rights and remedies in respect to Real Property, as hereinabove provided, is a commercially reasonable disposition of the Personalty. Beneficiary may, in the sole discretion of Beneficiary, appoint Trustee as the agent of Beneficiary for the purpose of disposition of the Personalty in accordance with Beneficiary's rights and remedies in respect to real property. Trustor hereby authorizes Trustee to act accordingly.

If Beneficiary should elect to proceed as to the Personalty in accordance with Beneficiary's rights and remedies in respect to personal property, Beneficiary shall have all rights and remedies conferred upon a secured party by the Nevada Uniform Commercial Code.

7. Remedies Cumulative. Each and every remedy provided to Beneficiary by the terms of this Deed of Trust is separate and distinct and is cumulative to all other rights and remedies provided by this Deed of Trust, by the other Loan Documents or by law, and each remedy may be exercised concurrently, independently, or successively, in any order, as Beneficiary shall determine. The exercise of any one or more such rights or remedies by Beneficiary, or by the Trustee at the direction of Beneficiary, shall not be construed to be an election of remedies nor a waiver of any other right or remedy which Beneficiary may have.

VII SECURITY AGREEMENT

A. Security Interest. This Deed of Trust shall be construed as a Deed of Trust on real property, and it shall also constitute and serve as a security agreement as to the Personalty within the meaning of, and shall constitute until the obligations secured hereby have been fully paid and performed by Trustor, a first and prior pledge and assignment and a first and prior lien security interest under the Uniform Commercial Code with respect to the Personalty, Fixtures, leases and rents. Trustor has granted, bargained, conveyed, assigned, transferred and set over, and by these presents does grant, bargain, convey, assign, transfer and set over unto Beneficiary and Trustee (acting as both a trustee and agent for Beneficiary under the terms hereof) a first and prior security interest in and to all of Trustor's, right, title and interest in, to and under the Personalty, Fixtures, leases and rents, in trust, to secure the full and timely payment of the indebtedness evidenced by the Note and the performance of all obligations secured by this Deed of Trust. Upon an Event of Default, Trustor shall gather all of the Personalty at a location designated by Beneficiary for sale pursuant to the terms hereof.

B. Financing Statements. Trustor shall execute and deliver to Beneficiary, in form and substance satisfactory to Beneficiary, such financing statements and such further assurances as Beneficiary may, from time to time, consider reasonably necessary to create, perfect and preserve Beneficiary's security interest herein granted, and Beneficiary may cause such statements and assurances to be recorded and filed at such times and places as may be required or permitted by law to so create, perfect and preserve such security interest. Pursuant to the Nevada Uniform Commercial Code, this Deed of Trust shall be effective as a financing statement filed as a fixture filing from the date of its filing for record covering the Fixtures and Personalty. The address of Trustor, as Debtor, and Beneficiary, as Secured Party, are as set forth herein. The Fixtures are related to the Real Property of which Trustor is the record title owner.

C. Remedies. Trustor agrees that all property of every nature and description, whether real or personal, covered by this Deed of Trust, together with all Personalty covered by such security interests, are encumbered as one unit, and that upon an Event of Default, this Deed of Trust and such security interests, at Beneficiary's option, may be foreclosed or sold in the same proceeding, and all of the Real Property (including the Personalty) may, at Beneficiary's option, be sold as such in one unit, as more specifically provided in article VI above. The filing or recording of any financing statement relating to any Personalty or rights or interests generally or specifically described herein shall not be construed to diminish or alter any of Beneficiary's rights or priorities hereunder. Trustee and Beneficiary shall have all the rights, remedies, and recourses with respect to the Personalty, Fixtures, leases, and rents afforded to a secured party by the Nevada Uniform Commercial Code in addition to, and not in limitation of, the other rights, remedies and recourse afforded by this Deed of Trust or otherwise provided by law or equity.

D. No Obligation of Trustee or Beneficiary. The security interest herein granted shall not be deemed or construed



to constitute Trustee or Beneficiary as a trustee or mortgagee in possession of the Real Property, to obligate Trustee or Beneficiary to operate the Real Property or attempt to do the same, or take any action, incur expenses or perform or discharge any obligation, duty or liability whatsoever.

VIII TRUSTEE PROVISIONS

A. Acceptance by Trustee. The Trustee shall be deemed to have accepted the terms of this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee shall not be obligated to notify any party thereto of any pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee is a party, unless such sale relates to or reasonably might affect the Real Property, this Deed of Trust, Beneficiary's security for the performance of Trustor's obligations under the Note, or the rights or powers of Beneficiary or Trustee under the Note or this Deed of Trust, or unless such action or proceeding has been instituted by Trustee against the Real Property, Trustor, or Beneficiary.

B. Power of Trustee to Reconvey or Consent. At any time, without liability therefore and without notice to Trustor, upon written request by Beneficiary and presentation of the Note and this Deed of Trust to Trustee for endorsement, and without altering or affecting the personal liability of Trustor or any other person for the payment of the indebtedness secured by this Deed of Trust, or the lien of this Deed of Trust upon the remainder of the Real Property as security for the repayment of the full amount of the indebtedness then or thereafter secured by this Deed of Trust or any right or power of Beneficiary or Trustee with respect to the remainder of the Real Property, Trustee may: (i) reconvey or release any part of the Real Property from the lien of this Deed of Trust; (ii) approve the preparation or filing of any map or plot with respect to the Real Property; (iii) join in the granting of any easement burdening the Real Property; or (iv) enter into any extension or subordination agreement affecting the Real Property or the lien of this Deed of Trust.

C. Reconveyance. Upon written request of Beneficiary reciting that all sums secured by this Deed of Trust have been paid, surrender of the Note, and this Deed of Trust to Trustee for cancellation, and payment by Trustor of any reconveyance fees customarily charged by Trustee, Trustee shall reconvey, without warranty, the Real Property then held by Trustee under this Deed of Trust. The recitals in such reconveyance of any matters of fact shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto." Such request and reconveyance shall operate as a reassignment of the rents, income, issues, and profits assigned in this Deed of Trust to Beneficiary.

D. Substitution of Trustee. Beneficiary, at Beneficiary's option, may from time to time, by written instrument, substitute a successor or successors to any Trustee named in this Deed of Trust or acting under this Deed of Trust, which instrument, when executed and acknowledged by Beneficiary and recorded in the office of the Recorder of the county or counties in which the Real Property is located, shall constitute conclusive proof of the proper substitution of such successor Trustee or Trustees, who shall, without conveyance from the predecessor Trustee, succeed to all right, title, estate, powers, and duties of such predecessor Trustee, including, without limitation, the power to reconvey the Real Property. To be effective, such instrument must contain the name of the original Trustor, Trustee, and Beneficiary under this Deed of Trust, the book and page at which, and the county or counties in which, this Deed of Trust is recorded, and the name and address of the substitute Trustee. If any notice of default has been recorded under this Deed of Trust, this power of substitution cannot be exercised until all costs, fees, and expenses of the then-acting Trustee shall endorse receipt thereof upon the instrument of substitution. The procedure in this Deed of Trust for substitution of Trustees shall not be exclusive of other provisions for the substitution provided by applicable law.

E. Performance of Duties by Agents. Trustee may authorize one or more parties to act on its behalf to perform the ministerial functions required of it hereunder, including, without limitation, the transmittal and posting of any notices.

IX MISCELLANEOUS

A. Survival of Obligations. Each and all of the Obligations shall survive the execution and delivery of the Loan Agreement, the Note and the consummation of the loan called for therein and shall continue in full force and effect until the indebtedness and obligations secured hereby shall have been paid in full.

B. Further Assurances. Trustor, upon the request of Trustee, or Beneficiary, will execute, acknowledge, deliver and record and/or file such further instruments and do such further acts as may be necessary, desirable or proper to carry out more effectively the purposes of the Loan Agreement and this Deed of Trust to create and perfect the liens and security interests on any property intended by the terms thereof to be covered thereby, including specifically, without limitation, any renewals, additions, substitutions, and replacements or appurtenances to the Real Property, and to complete, execute, record and file any document or instrument necessary to place third parties on notice of the liens and security interests granted thereunder. Trustor hereby irrevocably appoints Beneficiary as its agent to execute and deliver all such instruments and additionally to record and file any of the same as may be necessary.

C. Recording and Filing. Trustor will cause this Deed of Trust and all amendments and supplements hereto and substitutions therefore to be recorded, filed, re-recorded and refilled in such manner and in such places as Trustee or Beneficiary shall reasonably request and will pay all such recording, filing, re-recording and refilling taxes, fees and other charges.

D. Notices. All notices required under the terms of this Deed of Trust or any security document are sufficient either (1) three days after the deposit in the United States Mail, postage prepaid, or (2) two days after their deposit in a nationally recognized overnight courier service, or (3) on the day of their personal delivery, if addressed or delivered to Beneficiary, Trustor or Trustee at the addresses set forth herein, or at such other addresses as specified in writing by any party to the others, provided that no



change of address by the Trustor will be effective unless Trustor first serves notice of such change of address on Beneficiary in writing by certified mail with return receipt requested, retaining a copy of such return receipt in its files. Notwithstanding the foregoing, notice regarding any foreclosure proceedings shall be given as required by law.

E. No Waiver. Any failure by Trustee or Beneficiary to insist, or any election by Trustee or Beneficiary not to insist, upon strict performance by Trustor of any of the terms, provisions or condition of this Deed of Trust, the Note, the Loan Agreement or any other documents or instruments executed by Trustor in connection therewith shall not be deemed to be a waiver of the same or of any other term, provision or condition thereof, and Trustee and Beneficiary shall have the right at any time and from time to time thereafter to insist upon strict performance by Trustor of any and all of such terms, provisions and conditions.

F. Beneficiary's Right to Pay Indebtedness and Pay Obligations. If Trustor or any other party shall fail, refuse or neglect to make any required payment under the Note or to perform any of the obligations required by the Loan Agreement, this Deed of Trust or any other document or instrument executed by Trustor in connection with this loan, then at any time and from time to time thereafter and without notice or demand upon Trustor or any other party, and without waiving or releasing any other right, remedy or recourse Beneficiary may have because of the same, Beneficiary may (but shall not be obligated to) make such payment or perform such act for the account of and at the expense of Trustor and shall have the right to enter upon the Real Property for such purposes and to take all such action thereon with respect to the Real Property as it may deem necessary or appropriate. Trustor shall be obligated to repay Beneficiary for all sums advanced by it pursuant to this Deed of Trust and shall indemnify and hold Beneficiary harmless from and against any and all loss, cost, expense, liability, damage and claims and causes of action, including reasonable attorneys' fees, incurred or accruing by any acts performed by Beneficiary pursuant to the provisions of this Deed of Trust or by reason of any other provision of the Loan Agreement, the Note or any other document or instrument executed by Trustor in connection herewith. All sums paid by Beneficiary pursuant to this Deed of Trust and all other sums expended by Beneficiary to which it shall be entitled to be indemnified, together with interest thereon at the Default Rate of interest provided in the Note from the date of such payment or expenditure, shall constitute additions to the Indebtedness and Obligations, shall be secured by this Deed of Trust and shall be paid by Trustor to Beneficiary upon demand.

G. Covenants Running with the Land. All Obligations contained in the Security Documents are intended by the parties to be and shall be construed as covenants running with the Real Property.

H. Successors and Assigns. All of the terms of the Note, this Deed of Trust and the Loan Agreement shall apply to, be binding upon and inure to the benefit of the parties thereto, their respective successors, assigns, heirs and legal representatives and all other persons claiming by, through or under them.

I. Severability. This Deed of Trust, the Note and the Loan Agreement are intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, rules, regulations and ordinances. If any provision of any of said documents are, or the application thereof to any person or circumstance shall, for any reason and to any extent, be invalid or unenforceable, neither the remainder of the instrument in which such provision is contained nor the application of such provision to other persons or circumstances or other instruments referred to hereinabove shall be affected thereby, but rather, the same shall be enforced to the greatest extent permitted by law.

J. Entire Agreement and Modification. The Loan Agreement, the Note, this Deed of Trust and all other written documents and instruments executed by Trustor in connection herewith contain the entire agreements between parties relating to the subject matter hereof and thereof, and all prior agreements relative thereto which are not contained herein or therein are hereby terminated. Said documents and instruments may be amended, revised, waived, discharged, released or terminated only by a written instrument or instruments executed by the party against which enforcement of the amendment, revision, waiver, discharge, release or termination is asserted. Any alleged amendment, revision, waiver, discharge, release or termination which is not so documented shall not be effective as to any party.

K. Counterparts. This Deed of Trust may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute but one instrument.

L. Choice of Law. This Deed of Trust shall be governed by and interpreted under the laws of the State of Nevada in force from time to time.

M. Headings and General Application. This article, paragraph and subparagraph entitlements hereof are inserted for convenience of reference only and shall in no way affect, modify nor define, or be used in construing, the content of such article, paragraph or subparagraph. If the text requires, words used in the singular shall be read as including the plural, and pronouns of any gender shall include all genders.

N. Sole Benefit. The Note, the Loan Agreement, this Deed of Trust and the other documents and instruments in connection therewith have been executed for the sole benefit of Trustor and Beneficiary and the heirs, successors, assign and legal representatives of Beneficiary. No other party shall have the rights hereunder nor be entitled to assume that the parties thereto will insist upon strict performance of their mutual obligations hereunder, any of which may be waived from time to time. Trustor shall have no right to assign any rights under said documents to any party whatsoever, including the right to receive advances under the Note or otherwise.

O. Subrogation. If any or all of the proceeds of the Note or the Loan Agreement have been used to extinguish, extend or renew any indebtedness heretofore existing against the Real Property or to satisfy any indebtedness or obligation secured by a lien or encumbrance of any kind (including liens securing the payment of any Impositions), such proceeds have been advanced by Beneficiary at Trustor's request, and, to the extent of such funds so used, the indebtedness and obligations secured by this Deed of



Trust shall be subrogated to and extend to all of the rights, claims, liens, titles and interests heretofore existing against the Real Property to secure the indebtedness or obligation so extinguished, paid, extended or renewed, and the former rights, claims, liens, titles and interests, if any, shall not be waived, whether or not released of record, but rather shall be continued in full force and effect and in favor of Beneficiary and shall be merged with the lien and security interest created herein as cumulative security for the payment of the Note and the satisfaction of the obligations secured hereby.

P. Business or Commercial Purpose. Trustor warrants that the extension of credit evidenced by the Note is solely for business or commercial purposes, other than agricultural purposes, and is not for personal or household purposes.

Q. No Member or Partner. Beneficiary, by its acceptance hereof, does not become a member or partner of or with Trustor, and in no event shall Beneficiary be liable for any of the debts, obligations or liabilities of Trustor, as a result of the execution of this Deed of Trust, the Note, the Loan Agreement or any other document executed in connection with the loan, nor is Beneficiary liable for any contributions to Trustor. Provided further, and without limiting the generality of the foregoing, nothing contained in this Deed of Trust, the Note or the Loan Agreement shall be deemed to create a partnership and/or joint venture between Trustor and Beneficiary.

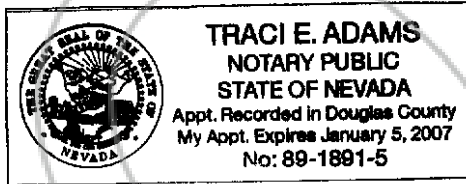
R. Conflict, Applicability of Certain Provisions. The terms, covenants and provisions of the Loan Agreement are incorporated by reference and made a part hereof as if fully set forth herein. Any failure by Trustor to comply with and perform its obligations under the terms and conditions of the Loan Agreement shall constitute an Event of Default under this Deed of Trust. In the event there exists any inconsistency between any provision of this Deed of Trust and either the Loan Agreement or the Note, the provisions of the Loan Agreement or Note shall, unless Beneficiary shall otherwise elect in writing, control and govern such inconsistency.

S. Time of the Essence. Time is of the essence of this Deed of Trust.

Dated this 28th day of April, 2006.

TRUSTOR: Merrill Construction, Inc.

BY: [Signature]
William Merrill, President



THE QUAILS NEST TRUST,
WILLIAM W. NICHOLS
220 SHERIDAN CREEK COURT
GARDNERVILLE, NV 89460
BY: [Signature]
William W. Nichols, Trustee

STATE OF NEVADA)
COUNTY OF Douglas) ss.

On this 28th day of April, 2006, personally appeared before me, a Notary Public

William V. Merrill, personally know (or proved) to me to be the person whose name is subscribed to the above instrument, who acknowledged that he executed the instrument.

[Signature]
Notary Public



EXHIBIT "A"

LEGAL DESCRIPTION

ESCROW NO.: 060700869

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

Lot 316, in Block B, as shown on the Final Map #PD99-02-08 of SARATOGA SPRINGS ESTATES UNIT 8, A PLANNED DEVELOPMENT, filed in the Office of the Douglas County Recorder on October 18, 2004, as Document No. 626992.

ASSESSOR'S PARCEL NO. 1420-29-612-039

