

OFFICIAL RECORD

Requested By:

STEWART TITLE OF DOUGLAS

COUNTY

Douglas County - NV  
Werner Christen - Recorder

Page: 1 Of 13 Fee: 26.00  
BK- 1206 PG- 11260 RPTT: 0.00



The undersigned hereby affirms that there is no Social Security number contained in this document

APN: 1420-07-110-018

RECORDING REQUESTED BY:

Stewart Title of Douglas County  
1663 US Hwy 395 North, Suite 101  
Minden, Nevada 89423

AFTER RECORDATION, RETURN BY MAIL TO:

Stewart Title of Douglas County  
1663 US Hwy 395 North, Suite 101  
Minden, Nevada 89423

060801771

SPACE ABOVE THIS LINE FOR RECORDER'S USE

**SECOND DEED OF TRUST**

THIS First Deed of Trust is dated November 30, 2006, and is entered into among STEPHEN H. RILEY and ALLISON E. RILEY, whose address is 3575 Shawnee Drive Carson City, Nevada, 89705 (collectively "Trustor"); STEWART TITLE OF DOUGLAS COUNTY, a Nevada corporation, whose address is 1663 US Hwy 395 North, Suite 101, Minden, Nevada, 89423 ("Trustee"); and RONALD G. GARDNER, whose address is 430 Bavarian Drive, Carson City, Nevada, 89705, ("Beneficiary"). References to this "Deed of Trust" shall mean this instrument and any and all renewals, modifications, amendments, supplements, extensions, consolidations, substitutions, spreaders and replacements of this instrument.

RECITALS

Trustor is the owner of the parcel(s) of Real Property which is described by legal description attached hereto as Exhibit A and which is a residential building and land located at 3575 Shawnee Drive, Carson City, Nevada, and has been assigned Assessor's Parcel Number 1420-07-110-018, in Douglas County, Nevada (hereinafter referred to as the "Real Estate");

Trustor will, simultaneous with this Deed of Trust, execute a Promissory Note ("Promissory Note"); and

Pursuant to the Promissory Note, dated the same date as this Deed of Trust, among Trustor and Beneficiary, the Beneficiary herein has agreed to make certain loans to Trustor on the condition that the Trustor will secure repayment of the loans and all other amounts from time to time owing by Trustor under the Promissory Note with this Deed of Trust.

This Deed of Trust will be and is security for payment in lawful money of the United States of any and all additional or future advances or loans which may be made by Beneficiary to Trustor,

and any and all moneys that may become due and payable from Trustor to Beneficiary for any cause whatsoever, and shall also be security for any and all renewals of the debt of the Trustor to beneficiary however evidenced.

### GRANTING CLAUSES

For good and valuable consideration, the receipt and sufficiency of which are acknowledged, Trustor agrees that to secure (I) the due and punctual payment of all of the payments and installments on said Promissory Note, howsoever created, arising or evidenced, whether direct or indirect, absolute or contingent, now or later existing or due or to become due, in accordance with the terms thereof and (II) the performance of all of the obligations of Trustor contained in the Promissory Note:

TRUSTOR CONVEYS TO TRUSTEE AND ASSIGNS TO TRUSTEE, IN TRUST WITH POWER OF SALE FOR THE USE AND BENEFIT OF BENEFICIARY, AND GRANTS BENEFICIARY AND TRUSTEE A SECURITY INTEREST IN:

- (A) the Real Estate;
- (B) all the estate, right, title, claim or demand whatsoever of Trustor, in possession or expectancy, in and to the Real Estate or any part of it;
- (C) all and singular the tenements, hereditaments and appurtenances belonging, or in any wise appertaining to it, and the reversion and reversions, remainder and remainders, rents, issues and profits;
- (D) all right, title and interest of Trustor in and to all substitutes and replacements of, and all additions and improvements to, the Real Estate, subsequently acquired by or released to Trustor or constructed, assembled or placed by Trustor on the Real Estate, immediately upon such acquisition, release, construction, assembling or placement, including, without limitation, any and all building materials whether stored at the Real Estate or offsite, and, in each case, without any further mortgage, conveyance, assignment or other act by Trustor; and
- (E) any and all monies now or subsequently on deposit for the payment of real estate taxes or special assessments against the Real Estate or for the payment of premiums on insurance policies covering the foregoing property or otherwise on deposit with or held by Beneficiary as provided in this Deed of Trust; all capital, operating, reserve or similar accounts held by or on behalf of Trustor and related to the operation of the Trust Property, whether now existing or hereafter arising and all monies held in any of the foregoing accounts and any certificates or instruments related to or evidencing such accounts.

TO HAVE AND TO HOLD the Real Estate and the rights and privileges granted to Trustee, its successors and assigns for the uses and purposes set forth, until the Real Estate reverts to Trustor in accordance with the provisions of the this Deed of Trust.

PROVIDED, HOWEVER, that this Deed of Trust shall be of no force and effect whatsoever, no representation or warranty contained herein shall be deemed made, and no obligation or Lien on or interest in the Real Estate is created, until the execution of the before mentioned Promissory Note which shall be deemed conclusively to have occurred on the recording of this Deed of Trust in the County in which the Real Estate is located.

### TERMS AND CONDITIONS

Trustor further represents, warrants, covenants and agrees with Trustee and Beneficiary as follows:

**1. Incorporation of Loan and Note.** The loan secured by this Deed of Trust is governed by and evidenced by the Promissory Note, which are herewith, by reference, made a part of this document.

**2. Deed of Trust as Security.** This Deed of Trust is given to secure a loan totaling One Hundred Thousand Dollars (\$100,000.00), and interest accruing thereon, according to the terms of the Promissory Note this day executed and subsequently to be executed by the Trustor to the Beneficiary, and all other sums which may hereinafter be owing by the Trustor to the Beneficiary, however evidenced.

This Deed of Trust shall also secure any and all renewals or extensions of the whole or any part of the indebtedness hereby secured, however evidenced, with interest at such lawful rate as any be agreed upon and any such renewals or extensions or any change in the terms or rate of interest shall not impair in any manner the validity of or priority of this Deed of Trust, nor release the Trustor from personal liability for the indebtedness hereby secured.

**3. Adoption of Statutory Covenants.** The following covenants, Nos. 1, 2, 3, 4, 5, 6, 7, Nev. Rev. Stats. 107.030 are hereby adopted and made a part of this Deed of Trust.

The loan secured by this Deed of Trust is governed by and evidenced by a Promissory Note, which are herewith, by reference, made a part of this document.

**4. Definitions.** Unless the context clearly indicates a contrary intent or unless otherwise specifically provided herein, words used in this Deed of Trust shall be used interchangeably in singular or plural form and the word "Trustor" shall mean each Trustor or any subsequent owner or owners of the Real Estate or any part thereof or interest therein, the word "Trustee" shall mean "Trustee and any successor trustee hereunder", the term "Secured Obligations" shall mean "the Secured Obligations or any other obligations of Trustor secured by this Deed of Trust", and the word "person" shall include any individual, corporation, partnership, trust, unincorporated association, government, governmental authority, or other entity. Whenever the context may require, any pronouns used herein shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural and vice versa. The

captions in this Deed of Trust are for convenience or reference only and in no way limit or amplify the provisions hereof.

**5. Warranty of Title.** Trustor warrants that Trustor has good title to the Real Estate, subject only to the matters that are set forth in the title insurance policy that is issued herewith on the real estate and is incorporated herein by reference (the "Permitted Exceptions"), and Trustor shall warrant, defend and preserve title and the rights granted by this Deed of Trust with respect thereto against all claims of all persons and entities. Trustor further warrants that it has the right to grant this Deed of Trust.

**6. Taxes.** Trustor shall pay all taxes, assessments, charges, fines and impositions attributable to the Real Estate which can attain priority over this Security Instrument. Trustor shall not claim, demand or be entitled to receive any credit or credits toward the satisfaction of this Deed of Trust or on any interest payable for any taxes assessed against the Real Estate or any part thereof, and shall not claim any deduction from the taxable value of the Real Estate by reason of this Deed of Trust.

**7. Insurance.** In the event of foreclosure of this Deed of Trust or other transfer of title to the Real Estate, all right, title and interest of Trustor in and to any insurance policies then in force shall pass to the purchaser or grantee, and Trustor appoints Beneficiary its attorney-in-fact, in Trustor's name, to assign and transfer all policies and proceeds to purchaser or grantee.

**8. Restrictions.** Trustor shall not (a) sell, assign, transfer, convey or permit to be transferred or conveyed the Real Estate or any part thereof; (b) enter into any Lease for the Real Estate or any part thereof; or c) except for the lien of this Deed of Trust and the Permitted Exceptions, further mortgage, nor otherwise encumber the Real Estate nor create or suffer to exist any lien, charge or encumbrance on the Real Estate, or any part thereof, whether superior or subordinate to the lien of this Deed of Trust and whether recourse or nonrecourse, except, in each case, as permitted in the Loan Agreement. In the event of any permitted sale, transfer, conveyance, assignment or other disposition or any part of the Real Estate, this Deed of Trust will remain in effect with respect to all of the remaining Real Estate.

**9. Agent's Right to Perform.** Pursuant to the terms of the Promissory Note, if Trustor fails to perform certain covenants or agreements of Trustor under the Loan Agreement and relating to the Real Estate, Beneficiary or its Agent may, at any time (but shall be under no obligation to) pay or perform the same, provided that (other than in the case of an emergency) the Agent shall have first given ten days' written notice to Trustor of the Agent's intention to do so, and the amount or cost of any such payment or performance, with interest at the rate of 5% per annum shall immediately be due from Trustor to Beneficiary and shall be secured by this Deed of Trust and shall be a lien on the Real Estate prior to any right, title to, interest in or claim upon the Real Estate attaching subsequent to the lien of this Deed of Trust.

**10. Notice of Acceleration; Remedies.** This Deed of Trust is executed by Trustor and accepted by Beneficiary with the understanding and upon the express condition that if Trustor should make default in the performance of any of the covenants and agreements set forth in this instrument, then and in that event the full amount of the principal indebtedness secured hereby shall promptly be and become wholly due and payable, notwithstanding the fact that the same would not otherwise be due according to the terms of the Promissory Note. In the event of a breach by Trustor of any covenant or agreement in this Deed of Trust, Lender shall give notice to Trustor that Lender intends to exercise its right to accelerate Trustor's obligations under the Promissory Note.

(a) While a Notice of Acceleration is in effect, in addition to any other rights and remedies Beneficiary may have pursuant to the Promissory Note, (i) Beneficiary may direct Trustee to exercise Trustee's power of sale with respect to the Trust Property in a nonjudicial procedure as permitted by Nevada law, (ii) Beneficiary may, to the extent permitted by applicable law, (A) institute and maintain an action of judicial foreclosure against all or any part of the Real Estate or (B) take such other action at law or in equity for the enforcement of this Deed of Trust or the Promissory Note as the law may allow. Beneficiary may proceed in any action to final judgment and execution thereon for all sums due, together with interest at the Applicable Rate and all costs of suit, including, without limitation, reasonable attorneys' fees and disbursements. Interest at the Applicable Rate shall be due on any judgment obtained by Beneficiary from the date of judgment until actual payment is made of the full amount of the judgment, and (iii) Beneficiary may personally, or by its agents, attorneys and employees and without regard to the adequacy or inadequacy of the Real Estate or any other collateral as security for the Secured Obligations enter into and upon the Real Estate and each and every part thereof and exclude Trustor and its agents and employees without liability for trespass, damage or otherwise (Trustor agreeing to surrender possession of the Real Estate to Beneficiary upon demand at any time) and use, operate, manage, maintain and control the Real Estate and every part thereof. Following entry and taking of possession, Beneficiary shall be entitled, without limitation, to lease all or any part or parts of the Real Estate for periods of time and upon conditions as Beneficiary may, in its discretion, deem proper, to enforce, cancel or modify any Lease, and generally to execute, do and perform any other act, deed, matter or thing concerning the Real Estate as Beneficiary shall deem appropriate as fully as Trustor might do.

(b) In case of a trustee's sale or foreclosure sale, the Real Estate may be sold, at Beneficiary's election, in one parcel or in more than one parcel and Beneficiary is specifically empowered (without being required to do so, and in its sole and absolute discretion) to cause successive sales of portions of the Trust Property to be held.

(c) In the event of any breach of any of the covenants, agreements, terms or conditions contained in this Deed of Trust, and notwithstanding to the contrary any exculpatory or nonrecourse language which may be contained herein, Beneficiary or Trustee shall be entitled to enjoin the breach and obtain specific performance of any covenant, agreement, term or condition and Beneficiary and Trustee shall have the right to invoke any equitable right or remedy as though other remedies were not provided for in this Deed of Trust.

**11. Right of Beneficiary to Credit Sale.** Upon the occurrence of any sale made under this Deed of Trust, whether made under the power of sale or by virtue of judicial proceedings or of a judgment or decree of foreclosure and sale, Beneficiary may bid for and acquire the Real Estate or any part thereof. In lieu of paying cash, Beneficiary may make settlement for the purchase price by crediting upon the Secured Obligations or other sums secured by this Deed of Trust the net sales price after deducting the expenses of sale and the cost of the action and any other sums which Beneficiary is authorized to deduct under this Deed of Trust. In this event, this Deed of Trust and documents evidencing the Secured Obligations and other expenditures secured may be presented to the person or persons conducting the sale in order that the amount so used or applied may be credited upon the Secured Obligations as having been paid.

**12. Appointment of Receiver.** If a Notice of Acceleration shall be in effect, Beneficiary as a matter of right and without notice to Trustor, unless otherwise required by applicable law, and without regard to the adequacy or inadequacy of the Real Estate or any other collateral as security for the Secured Obligations or any other sums secured by this Deed of Trust or the interest of Trustor therein, shall have the right to apply to any court having jurisdiction to appoint a receiver or receivers or other manager of the Real Estate, and Trustor irrevocably consents to such appointment and waives notice of any application therefor (except as may be required by law). Any receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust, including, without limitation and to the extent permitted by law, the right to enter into leases of all or any part of the Real Estate, and shall continue as such and exercise all such powers until the date of confirmation of sale of the Real Estate unless such receivership is sooner terminated.

**13. Extension and Release.**

(a) Without affecting the encumbrance or charge of this Deed of Trust upon any portion of the Real Estate not then released as security for the full amount of the Secured Obligations, Beneficiary or any of the Secured Parties may, from time to time and without notice, agree to (i) release any person liable for any portion of the Secured Obligations, (ii) extend the maturity or alter any of the terms of the Secured Obligations, (iii) grant other indulgences, (iv) release or reconvey, or cause to be released or reconveyed at any time at Beneficiary's option any parcel, portion or all of the Real Estate, (v) take or release any other or additional security for any obligation herein mentioned, or (vi) make compositions or other arrangements with debtors. Beneficiary may release any part of the security held for the obligations secured by this Deed of Trust without, as to the remainder of the security, in anyway impairing or affecting this Deed of Trust or the priority of this Deed of Trust over any subordinate lien or deed of trust.

(b) No recovery of any judgment by Beneficiary and no levy of an execution under any judgment upon the Real Estate or upon any other property of Trustor shall affect the encumbrance of this Deed of Trust or any liens, rights, powers or remedies of Beneficiary or Trustee hereunder, and such liens, rights, powers and remedies shall continue unimpaired.

If Beneficiary shall have the right to foreclose this Deed of Trust or to direct the Trustee to exercise its power of sale, Trustor authorizes Beneficiary at its option to foreclose the lien of this Deed of Trust (or direct the Trustee to sell the Real Estate, as the case may be) subject to the rights of any tenants of the Real Estate.

14. **Merger.** Unless expressly provided otherwise, in the event that Beneficiary's interest in this Deed of Trust and title to the Trust Property or any estate therein shall become vested in the same person or entity, this Deed of Trust shall not merge in title but shall continue as a valid charge on the Trust Property for the amount secured hereby.

15. **Security Agreement under Uniform Commercial Code.**

(a) It is the intention of the parties that this Deed of Trust shall constitute a Security Agreement within the meaning of the Uniform Commercial Code (the "Code") of Nevada. If a Notice of Acceleration shall be in effect, then in addition to having any other right or remedy available at law or in equity, Beneficiary shall have the option of either (i) proceeding under the Code and exercising rights and remedies as may be provided to a secured party by the Code with respect to all or any portion of the Real Estate or personal property (including, without limitation, taking possession of and selling such property) or (ii) treating such property as real property and proceeding with respect to both the real and personal property in accordance with Beneficiary's rights, powers and remedies with respect to the real property (in which event the default provisions of the Code shall not apply). If Beneficiary shall elect to proceed under the Code, then 10 days' notice of sale of the personal property shall be deemed reasonable notice, and the reasonable expenses of retaking, holding, preparing for sale, selling and the like incurred by Beneficiary shall include, but not be limited to, attorneys' fees and legal expenses.

(b) Trustor and Beneficiary agree, to the extent permitted by law, that: (i) this Deed of Trust upon recording or registration in the real estate records of the proper office shall constitute a financing statement filed as a "fixture filing" within the meaning of Sections 9-313 and 9-402 of the Code; (ii) Trustor is the record owner of the Real Estate; and (iii) the addresses of Trustor and Beneficiary are as set forth on the first page of this Deed of Trust.

(c) Trustor, upon request by Beneficiary from time to time, shall execute, acknowledge and deliver to Beneficiary one or more separate security agreements, in form satisfactory to Beneficiary, covering all or any part of the Real Estate and will further execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, any financing statement, affidavit, continuation statement or certificate or other document as may be necessary or as Beneficiary may request in order to perfect, preserve, maintain, continue or extend the security interest under and the priority of this Deed of Trust and such security instrument. Trustor further agrees to pay to Beneficiary on demand all costs and expenses incurred by Beneficiary in connection with the preparation, execution, recording, filing and refiling of any such document and all reasonable costs and expenses of any record searches for financing statements Beneficiary shall reasonably require. If Trustor shall fail to furnish any financing or continuation statement within ten (10) days after request by Beneficiary, then pursuant to the provisions of the Code, Trustor authorizes

Beneficiary, without the signature of Trustor, to execute and file any such financing and continuation statements. The filing of any financing or continuation statements in the records relating to personal property or chattels shall not be construed as in any way impairing the right of Beneficiary to proceed against any personal property encumbered by this Deed of Trust as real property, as set forth above.

**16. Assignment of Rents.** Trustor assigns to Trustee, for the benefit of Beneficiary, the Rents as further security for the payment of the Secured Obligations and the performance of all of the obligations of Trustor contained in the Promissory Note, and Trustor grants to Trustee and Beneficiary the right to enter the Real Estate for the purpose of collecting the same and to let the Real Estate or any part thereof, and to apply the Rents on account of the Secured Obligations. The foregoing assignment and grant is present and absolute and shall continue in effect until the reversion of the Trust Estate to Trustor in accordance with the provisions of the Loan Agreement, but Beneficiary and Trustee hereby waive the right to enter the Real Estate for the purpose of collecting the Rents and Trustor shall be entitled to collect, receive, use and retain the Rents until a Notice of Acceleration shall be in effect; such right of Trustor to collect, receive, use and retain the Rents may be revoked by Beneficiary upon the delivery of a Notice of Acceleration to Beneficiary by giving not less than fifteen (15) days written notice of such revocation to Trustor; in the event such notice is given, Trustor shall pay over to Beneficiary, or to any receiver appointed to collect the Rents, any lease security deposits.

**17. Additional Rights.** The holder of any subordinate lien or subordinate deed of trust on the Real Estate shall have no right to terminate any Lease whether or not such Lease is subordinate to this Deed of Trust nor shall Trustor consent to any holder of any subordinate lien or subordinate deed of trust joining any tenant under any Lease in any trustee's sale or action to foreclose the lien or modify, interfere with, disturb or terminate the rights of any tenant under any Lease. By recordation of this Deed of Trust all subordinate lienholders and the trustees and Beneficiary under subordinate deeds of trust are subject to and notified of this provision, and any action taken by any such lienholder or trustee or beneficiary contrary to this provision shall be null and void. Upon the delivery of a Notice of Acceleration to Beneficiary, Beneficiary may, in its sole discretion and without regard to the adequacy of its security under this Deed of Trust, apply all or any part of any amounts on deposit with Beneficiary under this Deed of Trust against all or any part of the Secured Obligations as more fully set forth in the Loan Agreement. Any such application shall not be construed to cure or waive any Notice of Acceleration or invalidate any act taken by Beneficiary on account of such Notice of Acceleration.

**18. Due-On-Sale.** In the event the Trustor sells, conveys or alienates the property described in a Deed of Trust securing this Promissory Note, or contracts to sell, convey or alienate; or is divested of title or interest in any other manner, whether voluntarily or involuntarily without the written approval of Beneficiary being first obtained, said Beneficiary shall have the right to declare the entire unpaid principal balance is immediately due and payable in full, upon written demand and notice, irrespective of the maturity date expressed herein.



19. **Notices.** All notices or other communications hereunder shall be given in the manner and to the addresses stated in the Loan Agreement and this Deed of Trust. Those addresses are as follows:

Trustor:           STEPHEN H. RILEY  
                      ALLISON E. RILEY  
                      3575 Shawnee Drive  
                      Carson City, Nevada 89705

Beneficiary:       RONALD G. GARDNER  
                      430 Bavarian Drive  
                      Carson City, Nevada 89705

Trustee:           STEWART TITLE COMPANY OF DOUGLAS COUNTY  
                      1663 US Hwy 395 North, Suite 101  
                      Minden, Nevada 89423

20. **No Oral Modification.** This Deed of Trust may not be changed or terminated orally. Any agreement made by Trustor and Beneficiary after the date of this Deed of Trust relating to this Deed of Trust shall be superior to the rights of the holder of any intervening or subordinate deed of trust, lien or encumbrance. Trustee's execution of any written agreement between Trustor and Beneficiary shall not be required for the effectiveness thereof as between Trustor and Beneficiary.

21. **Partial Invalidity and Severability.** In the event any one or more of the provisions contained in this Deed of Trust shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, but each shall be severed from the enforceable portion of this Deed Trust and the severed provisions will be construed as if such invalid, illegal or unenforceable provision had never been included.

22. **Remedies Not Exclusive.** Neither the acceptance of this Deed of Trust nor its enforcement, shall prejudice or in any manner affect Beneficiary's or Trustee's right to realize upon or enforce any other security held by Beneficiary or Trustee, it being agreed that Beneficiary and Trustee shall be entitled to enforce this Deed of Trust and any other security now or hereafter held by Beneficiary or Trustee in such order and manner as Beneficiary may determine in its absolute discretion. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. In no event shall Beneficiary or Trustee, in the exercise of the remedies provided in this Deed of Trust (including, without limitation, in connection with the Assignment of Rents, or the appointment of a receiver and the entry of such receiver on to all or any part of the Real Estate), be deemed a "mortgagee in possession", and neither Beneficiary nor Trustee shall in any way be made liable for any act, either of commission or omission, in connection with the exercise of such remedies.

### 23. Expenses; Indemnification.

(a) Trustor shall pay or reimburse Trustee for all reasonable expenses incurred by Trustee after the date of this Deed of Trust with respect to any and all transactions contemplated by this Deed of Trust including without limitation, the preparation of any document reasonably required hereunder or any amendment, modification, restatement or supplement to this Deed of Trust, the delivery of any consent, nondisturbance agreement or similar document in connection with this Deed of Trust or the enforcement of any of Beneficiary's or Trustee's rights. Such expenses shall include, without limitation, all title and conveyancing charges, recording and filing fees and taxes, mortgage taxes, intangible personal property taxes, escrow fees, revenue and tax stamp expenses, insurance premiums (including title insurance premiums), title search and title rundown charges, brokerage commissions, finders' fees, placement fees, court costs, surveyors', photographers', appraisers', architects', engineers', consulting professional's, accountants' and attorneys' fees and disbursements. Trustor acknowledges that from time to time Trustor may receive statements for such expenses, including without limitation attorneys' fees and disbursements. Trustor shall pay such statements promptly upon receipt.

(b) If (i) any sale (or any prerequisite to a sale), action or proceeding shall be commenced by Beneficiary or Trustee (including but not limited to any sale of the Real Estate, or any action to foreclose this Deed of Trust or to collect the Secured Obligations), or any action or proceeding is commenced to which Beneficiary or Trustee is made a party, or in which it becomes necessary to defend or uphold the rights granted by this Deed of Trust (including, without limitation, any proceeding or other action relating to the bankruptcy, insolvency or reorganization of any Obligor), or in which Beneficiary or Trustee is served with any legal process, discovery notice or subpoena and (ii) in each of the foregoing instances such action or proceeding in any manner relates to or arises out of this Deed of Trust, the Loan Agreement, the Promissory Note or any of the transactions contemplated by this Deed of Trust, then Trustor will immediately reimburse or pay to Trustee all of the reasonable expenses which have been or may be incurred by Trustee with respect to the foregoing (including reasonable counsel fees and disbursements), together with interest thereon at the Applicable Rate and any such sums and the interest thereon shall be included in the Secured Obligations and have the full benefit of this Deed of Trust, prior to any right, or title to, interest in or claim upon the Real Estate attaching or accruing to this Deed of Trust, and shall be deemed to be secured by this Deed of Trust. In any action or proceeding to sell the Trust Property, to foreclose this Deed of Trust, or to recover or collect the Secured Obligations, the provisions of law respecting the recovering of costs, disbursements and allowances shall prevail unaffected by this covenant.

(c) Trustor shall indemnify and hold harmless Trustee and its affiliates, and the directors, officers, agents and employees of Trustee and its affiliates from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) arising out of or based upon any matter related to this Deed of Trust, the Real Estate or the occupancy, ownership, maintenance or management of the Real Estate by Trustor, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of

Trustor. This indemnification shall be in addition to any other liability which Trustor may otherwise have to Trustee.

**24. Successors and Assigns.** All covenants of Trustor contained in this Deed of Trust are imposed solely and exclusively for the benefit of Trustee, Beneficiary and the Secured Parties, and their respective successors and assigns, and no other persons or entities shall have standing to require compliance with such covenants or be deemed, under any circumstances, to be a beneficiary of such covenants. All such covenants of Trustor shall run with the land and bind Trustor, the successors and assigns of Trustor (and each of them) and all subsequent owners, encumbrancers and tenants of the Real Estate, and shall inure to the benefit of Trustee, Beneficiary and the Secured Parties, and their respective successors and assigns. Without limiting the generality of the foregoing, any successor to Trustee appointed by Beneficiary shall succeed to all rights of Trustee as if such successor had been originally named as Trustee hereunder. The word "Trustor" shall be construed as if it read "Trustors" whenever the sense of this Deed of Trust so requires and if there shall be more than one Trustor, the obligations of the Trustors shall be joint and several.

**25. Failure to Waive Rights.** Any failure by Beneficiary to insist upon the strict performance by Trustor of any of the terms and provisions of this Deed of Trust shall not be deemed to be a waiver of any of the terms and provisions hereof, and Beneficiary or Trustee, notwithstanding any such failure, shall have the right thereafter to insist upon the strict performance by Trustor of any and all of the terms and provisions of this Deed of Trust to be performed by Trustor.

**26. Governing Law.** This Deed of Trust shall be governed by and construed in accordance with the laws of the State of Nevada.

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27. **Waiver of Trial by Jury.** Trustor, Trustee and Beneficiary each hereby irrevocably and unconditionally waive trial by jury in any action, claim, suit or proceeding relating to this Deed of Trust and for any counterclaim brought therein. Trustor hereby waives all rights to interpose any counterclaim in any suit brought by Beneficiary or Trustee hereunder and all rights to have any such suit consolidated with any separate suit, action or proceeding.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument.

DATED: 12-28-06

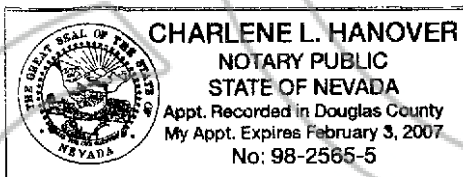
By: *Stephen H. Riley*  
STEPHEN H. RILEY

By: *Allison E. Riley*  
ALLISON E. RILEY

ACKNOWLEDGMENT

STATE OF NEVADA )  
 ) ss.  
COUNTY OF Douglas )

This instrument was acknowledged before me on the 28th day of December, 2006, by STEPHEN H. RILEY.

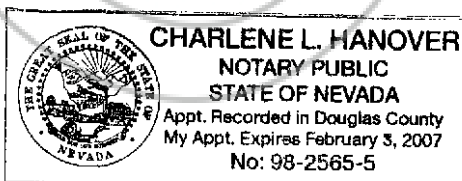


*Charlene L. Hanover*  
NOTARY PUBLIC

ACKNOWLEDGMENT

STATE OF NEVADA )  
 ) ss.  
COUNTY OF Douglas )

This instrument was acknowledged before me on the 28th day of December, 2006, by ALLISON E. RILEY.



*Charlene L. Hanover*  
NOTARY PUBLIC

**EXHIBIT "A"  
LEGAL DESCRIPTION**

Order No.: 060801771

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

Parcel 20-C as set forth on Parcel Map LDA 03-078 for  
Avonmore Development LLC, filed for record in the Office of  
the County Recorder of Douglas County, State of Nevada on  
October 1, 2004, Book 1004, Page 655, Document No. 625101.

APN 1420-07-110-018