

OFFICIAL RECORD

Requested By:

STEWART TITLE

**RECORDING REQUESTED BY  
AND WHEN RECORDED, MAIL TO:**

PACIFIC CAPITAL BANK, N.A.  
c/o Loan Services  
PO Box 60654  
Santa Barbara, California 93160-0654

Douglas County - NV  
Werner Christen - Recorder

Page: 1 Of 15 Fee: 28.00  
BK-0608 PG- 4747 RPTT: 0.00



Assessor's Parcel No(s). 1420-35-311-001, 002, 003, 005,  
007, 008, 010, 011, 012, 013, 015, 017,  
02, 022

Loan No(s). 809822

100712376

**MODIFICATION OF DEED OF TRUST**

This Modification of Deed of Trust (this "Modification") is made and entered into this 27<sup>th</sup> day of May, 2008, by and between PACIFIC CAPITAL BANK, N.A., a national banking association, doing business as Santa Barbara Bank & Trust ("Lender"), on the one hand, and SKYLINE RANCH III, LLC, a Nevada limited liability company ("Trustor"), on the other hand, with reference to the following facts, which shall conclusively be presumed to be true between the parties:

RECITALS

A. Lender has heretofore made a certain loan ("Loan") to Trustor and Syncon Homes, a Nevada corporation ("Syncon", and together with Trustor, hereinafter referred to individually and collectively as "Borrower"), pursuant to that certain Loan Agreement dated December 15, 2006 ("Loan Agreement"), by and between Borrower and Lender, and evidenced, in part, by that certain Amended and Restated Revolving Term Note dated December 15, 2006, in the principal face amount of \$5,500,000.00, by Borrower to and in favor of Lender ("Note").

B. Payment and performance of Borrower's indebtedness and obligations to Lender arising under and/or in connection with the Note was and is secured by, among other things, a lien and/or charge upon any and all of Trustor's rights, title and interest in and to that certain real property more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference ("Property"), pursuant to that certain Deed of Trust, Fixture Filing and Security Agreement dated February 2, 2006, and recorded on February 14, 2006, as Instrument No. 0667908, of Official Records, Douglas County, Nevada (as the same has been or will be amended and/or modified from time to time, including, without limitation, by that certain Modification of Deed of Trust dated December 5, 2007, and recorded on December 21, 2007, as Instrument No. 0715182, Official Records of Douglas County, Nevada, hereinafter referred to collectively as the "Deed of Trust").

C. Trustor, Syncon, Leo A. Hanly, an individual ("Guarantor"), and Lender have executed or will be executing that certain Forbearance Agreement and Release ("Forbearance Agreement") of even date herewith, and it is a condition, among other conditions, to the effectiveness of the Forbearance Agreement, and it is of material benefit to Trustor, that Trustor execute this Modification; provided, however, that all of the security interests and liens under the

Loan Documents (as herein defined), including, but not limited to, the Deed of Trust, shall continue to exist and remain in full force and effect, and that Trustor fully and timely complies with the terms and conditions of this Modification.

NOW THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

### AGREEMENT

1. Recitals. The recitals are incorporated herein by this reference as are all exhibits. Trustor agrees and acknowledges that the factual information recited above is true and correct.

2. Modification of Deed of Trust.

a. Section 1.1 of the Deed of Trust is hereby deleted in its entirety and replaced with the following:

“1.1 Deed of Trust. For valuable consideration paid and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Trustor hereby irrevocably and unconditionally mortgages, grants, bargains, transfers, sells, conveys, sets over and assigns to Trustee and its successor and assigns, IN TRUST, for the benefit and security of the Beneficiary forever, WITH POWER OF SALE AND RIGHT OF ENTRY AND POSSESSION, all of Trustor’s right, title and interest in and to the ‘Property’ described below, to secure the prompt payment and performance of the Obligations (as hereinafter defined), including without limitation, all obligations of the Trustor, Syncon Homes, a Nevada corporation (‘Syncon’), and each of the other obligors identified below (together with Trustor and Syncon, hereinafter individually and collectively referred to as a ‘Borrower’, where applicable), to the Beneficiary, under each and every one of the following promissory notes (together with any and all renewals, extensions, modifications, refinancings, and substitutions thereof, hereinafter referred to individually and collectively as the ‘Note’):

(1) that certain Amended and Restated Time Note dated October 30, 2006, in the principal face amount of \$731,545.33, by Leo A. Hanly, an individual (‘Hanly’), to and in favor of Beneficiary;

(2) that certain Term Note dated November 30, 2005, in the principal face amount of \$3,000,000.00, by Hanly to and in favor of Beneficiary;

(3) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$2,000,000.00, by Hanly to and in favor of Beneficiary;

(4) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$4,000,000.00, by Syncon, to and in favor of Beneficiary;

(5) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$1,400,000.00, by Syncon to and in favor of Beneficiary;

(6) that certain Amended and Restated Time Note dated October 30, 2006, in the principal face amount of \$893,906.91, by Syncon to and in favor of Beneficiary;

(7) that certain Amended and Restated Revolving Term Note dated December 15, 2006, in the principal face amount of \$5,500,000.00, by Trustor and Syncon to and in favor of Beneficiary;

(8) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$1,500,000.00, by Hanly and John C. Serpa, Sr., an individual ('Serpa, Sr. '), to and in favor of Beneficiary;

(9) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$6,000,000.00, by Hanly and Serpa Sr. to and in favor of Beneficiary;

(10) that certain Amended and Restated Revolving Term Note dated October 30, 2006, in the principal face amount of \$1,287,000.00, by Hanly and Serpa Sr., to and in favor of Beneficiary;

(11) that certain Amended and Restated Term Note – Line of Credit dated December 14, 2007, in the principal face amount of \$500,000.00, by Brian Hanly, an individual ('B. Hanly'), and Donnie Hanly, an individual ('D. Hanly'), to and in favor of Beneficiary;

(12) that certain Construction Note dated March 16, 2007, in the principal face amount of \$8,200,000.00, by Alisal Norcal Investments, Inc., a California corporation ('Alisal'), to and in favor of Beneficiary;

(13) that certain Revolving Construction Note dated March 16, 2007, in the principal face amount of \$5,500,000.00, by Alisal to and in favor of Beneficiary;

(14) that certain Construction Note dated March 16, 2007, in the principal face amount of \$1,016,000.00 by Alisal to and in favor of Beneficiary;

(15) that certain Amended and Restated Time Note dated March 1, 2007, in the principal face amount of \$9,792,000.00, by Shadow Ridge 192, LLC, a Nevada limited liability company ('Shadow Ridge'), to and in favor of Beneficiary; and

(16) that certain Amended and Restated Revolving Construction Note dated October 30, 2006, in the principal face amount of \$950,400.32, executed by



Minden Village 50, LLC, a Nevada limited liability company ('Minden'), to and in favor of Beneficiary.

The amount of the Obligations secured by this Deed of Trust shall be unlimited. NOTICE TO TRUSTOR: THE NOTE CONTAINS A VARIABLE INTEREST RATE.

The Note, together with any and all other notes, agreements, documents, certificates and instruments by, between and/or among Trustor, Syncon or any other Borrower, and (where applicable) the Beneficiary, being hereinafter referred to individually and collectively as the 'Loan Documents'.

The maximum amount of principal secured hereby may be increased or decreased by amendment to this Deed of Trust. This Deed of Trust shall nevertheless secure payment and performance of all Obligations including, without limitation, any other liabilities and future advances, direct or indirect, absolute or contingent, now existing or hereafter arising under the Note to Beneficiary. Future advances hereunder are governed by Nevada Revised Statutes Sections 106.300 to 106.400, inclusive."

b. Section 1.6 of the Deed of Trust is hereby deleted in its entirety and replaced with the following:

"1.6 Obligations. The term 'Obligation(s),' as used in this Deed of Trust, shall mean without limitation all loans, advances, indebtedness, notes, liabilities, rate swap transactions, basis swaps, forward rate transactions, commodity swaps, commodity options, equity or equity index swaps, equity or equity index options, bond options, interest rate options, foreign exchange transactions, cap transactions, floor transactions, collar transactions, forward transactions, currency swap transactions, cross-currency rate swap transactions, currency options and amounts, liquidated or unliquidated, now or hereafter owing by the Trustor or any Borrower to the Beneficiary at any time, of each and every kind, nature and description, arising under this Deed of Trust, each Note, and the Loan Documents, due or to become due, now existing or hereafter contracted, including, without limitation, payment of all amounts outstanding when due pursuant to the terms of any Note and/or the Loan Documents. Said term also includes all interest and other charges chargeable to the Trustor or any Borrower or due from the Trustor or any Borrower to the Beneficiary from time to time and all advances, costs and expenses referred to in this Deed of Trust, including without limitation the costs and expenses (including attorneys' fees) of enforcement of the Beneficiary's rights hereunder or pursuant to any document or instrument executed in connection herewith; provided, however, 'Obligation(s)' shall not include any obligations of Trustor or any Borrower under any guaranty or environmental indemnity agreement executed by Trustor and/or any Borrower in favor of Beneficiary."



3. No Other Modifications. Except as expressly and specifically modified by this Modification, all of the terms, conditions and provisions of the Deed of Trust shall remain in full force and effect, as originally written. All of the terms, conditions and provisions of the other Loan Documents shall remain in full force and effect, as originally written.

4. Reaffirmation of Suretyship Provisions and Waivers. Trustor hereby reaffirms and restates each and every one of the provisions and waivers set forth in Exhibit "B" to the Modification of Deed of Trust dated December 5, 2007, executed by Trustor and recorded on December 21, 2007, as Instrument No. 0715182, Official Records of Douglas County, Nevada, which are incorporated herein by this reference, as though fully set forth herein. Further, Trustor agrees as follows:

a. At any time, in such manner and from time to time, upon such terms and at such times as it considers best and with or without notice to Trustor, and without affecting Trustor's continuing liability hereunder, Trustor authorizes Lender to (i) change the time or manner of payment of any of the obligations of Trustor under the Loan, and/or change the time or manner of payment of any of the obligations under any one or more of the other loans made by Lender and evidenced by the promissory notes described in Section 2, above (together with the Loan, hereinafter referred to individually as a "Loan", and collectively as the "Loans"), to the obligors identified therein (together with Trustor, hereinafter referred to individually and collectively as "Borrower", where applicable) by renewal, extension, acceleration or otherwise, (ii) alter or change any other provision under any of the Loans including the rate of interest thereon, (iii) accept partial payment on any of the obligations under any of the Loans, (iv) accept new or additional instruments, agreements or documents relative to any of the obligations under any of the Loans, (v) release, substitute or add one or more endorsers, cosigners or guarantors therefor, (vi) amend or modify the terms of any of the Loans, including the maximum liability thereunder, (vii) obtain collateral for the payment of any obligations under any of the Loans; (viii) waive, release, exchange, substitute, release or modify, in whole or in part, existing or after-acquired collateral securing payment of the obligations under any of the Loans on such terms as Lender at its sole discretion shall determine, (ix) subordinate payment of all or any part of the obligations under any of the Loans to other creditors of any Borrower or other persons on such terms as Lender deems appropriate, (x) apply any sums received from any Borrower, endorser or cosigner or from the sale or collection of collateral or its proceeds to any indebtedness whatsoever in any order and regardless of whether or not such indebtedness is secured hereby, is secured by collateral or is due and payable, (xi) apply any sums received from Trustor or from the sale of the Property to any, all, or any portion of the obligations under any of the Loans in any order regardless of whether said obligations are due and payable, and (xii) exercise any right or remedy it may have with respect to any obligations under any of the Loans or any collateral securing any such obligations, the Deed of Trust or any guaranty, including bidding and purchasing at any sale of any such collateral, and compromising, collecting or otherwise liquidating any collateral or any obligations.

b. To the extent permitted by law, Trustor also waives any and all rights or defenses arising by reason of (a) any "one action" or "anti-deficiency" law or any other law which may prevent Lender from bringing any action, including a claim for deficiency, against Trustor, before or after Lender's commencement or completion of any foreclosure action, either judicially or by exercise of a power of sale; (b) any election of remedies by Lender which





destroys or otherwise adversely affects Trustor's subrogation rights or Trustor's rights to proceed against any Borrower for reimbursement, including without limitation, any loss of rights Trustor may suffer by reason of any law limiting, qualifying, or discharging the indebtedness; (c) any disability or other defense of any Borrower, of any guarantor, or of any other person, or by reason of the cessation of any Borrower's liability from any cause whatsoever, other than payment in full in legal tender, of the indebtedness secured by the Deed of Trust; (d) any right to claim discharge of the indebtedness on the basis of unjustified impairment of any collateral for the indebtedness; (e) any statute of limitations, if at any time any action or suit brought by Lender against Trustor is commenced there is outstanding indebtedness of any Borrower to Lender which is not barred by any applicable statute of limitations; or (f) any defenses given to guarantors at law or in equity other than actual payment and performance of the indebtedness. If payment is made by any Borrower, whether voluntarily or otherwise, or by any third party, on the indebtedness and thereafter Lender is forced to remit the amount of that payment to such Borrower's trustee in bankruptcy or to any similar person under any federal or state bankruptcy law or law for the relief of debtors, the indebtedness shall be considered unpaid for the purpose of enforcement of this Deed of Trust.

c. To the extent permitted by law, Trustor hereby waives and relinquishes all rights and remedies accorded by applicable law to guarantors generally and agrees not to assert or take advantage of any such rights or remedies, including, without limitation: (a) any right provided by Nevada Revised Statutes ("NRS") § 40.430, or any other statute or decision, to require Lender to proceed against a Borrower or any other person or to proceed against or exhaust any security held by Lender at any time or to pursue any other remedy in Lender's power before proceeding against Trustor; (b) any defense based upon an election of remedies by Lender, including, without limitation, the marshaling of assets (or any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the principal); and (c) to the extent permitted by applicable law, the benefits of any statutory provision limiting the right of Lender to recover a deficiency judgment, or to otherwise proceed against any person or entity obligated for payment of the indebtedness, after any foreclosure or trustee's sale of any security for the indebtedness.

Trustor further waives and agrees not to assert or claim at any time any deductions to the amount secured under the Deed of Trust for any claim of setoff, counterclaim, counter demand, recoupment or similar right, whether such claim, demand or right may be asserted by Borrower, Trustor, or any of them.

d. Trustor acknowledges that Trustor may have certain rights under applicable law which, if not waived by Trustor, might provide Trustor with defenses against Trustor's liability under the Deed of Trust. Among those rights are certain rights of subrogation, reimbursement, indemnification and contribution, including, without limitation, rights provided in Sections 2787 to 2855, inclusive, of the California Civil Code ("CC"), and any and all statutes of similar tenor in the State of Nevada, including, without limitation, NRS §§ 40.430, and 40.465 to 40.495, inclusive. Trustor waives all of Trustor's rights of subrogation, reimbursement, indemnification, and contribution, and any other rights and defenses that are or may become available to Trustor by reason of any or all of CC §§ 2787 to 2855, inclusive, and/or any laws of

similar tenor in the State of Nevada, including, without limitation, NRS §§ 40.430, and 40.465 to 40.495, inclusive, and specifically including, without limitation, Trustor's rights:

(i) To require Lender to notify Trustor of any default by any Borrower (unless otherwise expressly provided in the Loan Documents, as modified, amended or supplemented by the Forbearance Agreement and/or the documents executed concurrently therewith), provide Trustor with notice of any sale or other disposition of security for any of the Loans, disclose information with respect to any of the Loans, any Borrower, or any other trustor, co-signer or endorser, or with respect to any collateral;

(ii) That Trustor's obligations under the Deed of Trust must be commensurate with that of any Borrower;

(iii) To be discharged based upon the absence of any liability of any Borrower, at any time, by virtue of operation of law, or otherwise, or due to any other disability or defense of any Borrower or any guarantor, endorser or co-signer;

(iv) To be discharged if any of the terms, conditions or provisions of any of the Loans are altered in any respect;

(v) To be discharged upon acceptance by Lender of anything in partial satisfaction of any of the Loans, and/or if Lender designates the portion of any Loan to be satisfied;

(vi) To be discharged upon any modification of any of the Loans or the release by Lender of any Borrower or any other guarantor, endorser or co-signer;

(vii) To require Lender to proceed against any Borrower, or any other guarantor, endorser, co-signer, or other person, or to pursue or refrain from pursuing any other remedy in Lender's power;

(viii) To receive the benefit of or participate in any and all security for repayment and/or performance of any Loan;

(ix) To have any security for any Loan first applied to satisfy or discharge any of the Loans;

(x) That any arbitration award rendered against any Borrower not constitute an award against Trustor;

(xi) To be discharged based upon any failure by Lender to perfect or continue perfection of any lien, use due diligence to collect all or any portion of any Loan, or if recovery against a Borrower becomes barred by any statute of limitations, or if a Borrower is not liable for any deficiency after Lender realizes upon any collateral; and

(xii) To be discharged due to the release or discharge of any collateral for all or any portion of any Loan or guaranty, or relating to the validity, value or enforceability of any collateral.

Trustor further waives all presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, notices of acceptance of this deed of trust, notices of the existence, creation or incurring of any new or additional obligations, and all other notices and demands of any kind or nature whatsoever except as provided in Section 4.d(i), above, and/or as otherwise expressly set forth herein, including, without limiting the generality of the foregoing, notice of the existence, creation or incurring of new or additional obligations or of any action or non-action on the part of any Borrower, Lender, any endorser, any creditor of any Borrower or Trustor under this or any other instrument, or any other person whatsoever, in connection with any obligation or evidence of indebtedness of any Borrower held by Lender as collateral or in connection with any such indebtedness.

e. Trustor, by execution hereof, represents and warrants to Lender that the relationship between Trustor and each Borrower is such that Trustor has access to all relevant facts and information concerning the indebtedness under the Loans and each Borrower, and that Lender can rely upon Trustor having such access. Trustor waives and agrees not to assert any duty on the part of Lender to disclose to Trustor any facts that it may now or hereafter know about any Borrower, regardless of whether Lender has reason to believe that any such facts materially increase the risk beyond that which Trustor intends to assume or has reason to believe that such facts are unknown to Trustor or has a reasonable opportunity to communicate such facts to Trustor. Trustor is fully responsible for being and keeping informed of the financial condition of each Borrower and all circumstances bearing on the risk of non-payment of any indebtedness of any Borrower to Lender.

f. Trustor acknowledges that all or a portion of the present or future obligations of each Borrower to Lender are or may be secured by deeds of trust or mortgages covering certain interest in real property including, but not limited to, the Deed of Trust. Trustor understands that the exercise by Lender of certain rights and remedies contained in deed(s) of trust or other loan documents executed by or to be executed by each Borrower or any other person or Lender's purchase or other acquisition of any real property or personal property collateral may impair, diminish, affect or eliminate Lender's rights against any Borrower or any guarantor, endorser or co-signor including, without limitation, the right to seek and obtain a money judgment against any Borrower and, therefore, Trustor's right of subrogation to seek a money judgment against any Borrower or any such other party. Trustor further acknowledges that if Lender fails to bring an action against any Borrower to obtain a deficiency judgment within the time required by California Code of Civil Procedure ("CCP") §580a or §726, or any statutes of similar tenor in the State of Nevada, Lender may be barred from seeking a money judgment against that Borrower.

g. (i) Trustor acknowledges that (i) if Lender forecloses on real property collateral by non-judicial sale, the applicable Borrower will, and any guarantor, endorser or co-signor may, by virtue of CCP §580d, and/or any laws of similar tenor in the State of Nevada, including, without limitation, NRS §45.459, no longer be liable for a money judgment on the obligation secured by any deed(s) of trust, mortgage(s) or other documentation executed by such



Borrower or any other person, (ii) if Lender takes any action against a Borrower or against a Borrower's property, involuntarily other than by non-judicial foreclosure or by judicial foreclosure pursuant to CCP §726, including setoff or other self-help remedies, Lender may be prohibited, in certain circumstances, from pursuing such Borrower or any other obligated party, for any money judgment upon the obligations under the applicable Loan, and may, in certain circumstances, be barred from pursuing recovery from any real or personal property collateral for said obligations.

(ii) Trustor further acknowledges that the exercise of any such rights and remedies by Lender, or any other action by Lender as hereinabove described, may also affect or eliminate Trustor's right of subrogation to seek a money judgment or Trustor's right to enforce other rights against the applicable Borrower or such other parties. Trustor may, therefore, succeed to a partially or totally non-reimbursable liability, and Trustor understands and acknowledges that Trustor's subrogation rights to seek a judgment or to pursue recovery against such parties, or to pursue collateral security for said obligations, or any of them, may, therefore, be substantially impaired or destroyed. Nevertheless, Trustor hereby authorizes and empowers Lender, at its sole option, without notice or demand and without affecting the liability of Trustor under the Deed of Trust, to exercise, in its sole discretion, any rights and remedies, or any combination thereof, which may be available to it, including the right to foreclose by non-judicial sale, any or all of the deed(s) of trust or mortgage(s) or any other right or remedy Lender has, by law or in equity.

(iii) Trustor shall have no liability for any deficiency after a judicial or non-judicial foreclosure sale of real property collateral, or deed or other transfer in lieu of foreclosure, or any liability under the Loan except to the extent of its interest in the real property collateral encumbered by the Deed of Trust.

h. To the maximum extent permitted by law, Trustor further waives any and all rights to receive any notice of judicial or non-judicial sale or foreclosure of any real or personal property which may be the subject of any deed(s) of trust, mortgage(s) or other documents securing the obligations under any of the Loans, and Trustor's failure to receive any such notice shall not impair or affect Trustor's liability. Notwithstanding any foreclosure of such real or personal property collateral securing the obligations under any of the Loans, or any other guaranty, whether by the exercise of the power of sale contained therein, by any action for judicial foreclosure, or by any acceptance of a deed or other transfer in lieu of foreclosure, whether or not such method of foreclosure or transfer in lieu of foreclosure was for a consideration equal to or greater than the fair market value of the security property, Trustor shall remain bound under the Deed of Trust for the obligations of each Borrower to Lender under the Loans (to the extent of the security interest in the Property granted by Trustor to Lender in the Deed of Trust.)

i. Trustor also waives all rights and defenses that Trustor may have because each Borrower's debt is or may be secured by real property. This means, among other things: (1) Lender may collect from Trustor without first foreclosing on any real or personal property collateral pledged by any Borrower or any other person; (2) If Lender forecloses on any real property collateral pledged by a Borrower or other person: (A) The amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the

collateral is worth more than the sale price, (B) Lender may collect from Trustor even if Lender, by foreclosing on the real property collateral, has destroyed any right Trustor may have to collect from such Borrower or other person. This is an unconditional and irrevocable waiver of any rights and defenses Trustor may have because each Borrower's debt is secured by real property. These rights and defenses include, but are not limited to, any rights or defenses directly or indirectly based upon Section 580a, 580b, 580d, or 726 of the California Code of Civil Procedure, and/or any and all statutes of similar tenor in the State of Nevada, including, without limitation, NRS §40.430 and NRS § 40.465, et. seq.

HAVING ACKNOWLEDGED THE FOREGOING RIGHTS AND DEFENSES WHICH TRUSTOR MAY HAVE AND THE CONSEQUENCES OF WAIVING THE FOREGOING RIGHTS AND DEFENSES, AND GIVING THE FOREGOING AUTHORIZATIONS, TRUSTOR HEREBY FURTHER WAIVES ALL RIGHTS AND DEFENSES ARISING OUT OF AN ELECTION OF REMEDIES BY LENDER, EVEN THOUGH THAT ELECTION OF REMEDIES, SUCH AS A NON-JUDICIAL FORECLOSURE WITH RESPECT TO SECURITY FOR A GUARANTEED OBLIGATION, HAS DESTROYED TRUSTOR'S RIGHTS OF SUBROGATION AND REIMBURSEMENT AGAINST THE PRINCIPAL BY THE OPERATION OF SECTION 580d OF THE CALIFORNIA CODE OF CIVIL PROCEDURE, AND ANY LAW OF SIMILAR TENOR IN THE STATE OF NEVADA, OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, SECTIONS 40.475 AND 40.485 OF THE NEVADA REVISED STATUTES.

j. Notwithstanding anything to the contrary herein, the foregoing provisions of this Section 4 shall apply only to the extent that the Deed of Trust (as modified hereby) secures obligations to Lender of parties other than Trustor.

5. Miscellaneous.

a. Section headings used in this Modification are for convenience only and shall not affect the construction of this Modification.

b. This Modification may be executed in one or more counterparts but all of the counterparts shall constitute one Modification; provided, however, that this Modification shall not be effective and enforceable unless and until it is executed by all parties hereto.

b. This Modification and the other documents and instruments executed in connection therewith constitute the product of the negotiation of the parties hereto and the enforcement hereof shall be interpreted in a neutral manner, and not more strongly for or against any party based upon the source of the draftsmanship hereof.

d. Except as otherwise expressly stated in the Forbearance Agreement, nothing contained in this Modification shall be deemed to constitute a waiver by Lender of any required performance by Trustor, Guarantor, and/or any borrower under or guarantor of the notes described in Section 2, above, of any event of default under the Note or any other note described in Section 2, above, or the Deed of Trust, or any default heretofore or hereafter occurring under or in connection with the Note, any other note described in Section 2, above, the Deed of Trust, or any of the other agreements, instruments and/or documents executed by Trustor or any other

borrower under the promissory notes described in Section 2, above, and/or any guarantor in connection therewith (collectively, "Loan Documents"). In the event there is a conflict in any term, condition or provision of this Modification, on the one hand, and the Note, the Deed of Trust, or any of the other Loan Documents, on the other hand, the terms, conditions and provisions of this Modification are to control.

[SIGNATURE PAGE FOLLOWS]

COPY



IN WITNESS WHEREOF, the parties have executed this Modification on the day and year first written above.

**TRUSTOR:**

SKYLINE RANCH III, LLC,  
a Nevada limited liability company

By: Thor Land Development, LLC,  
a Nevada limited liability company  
Its: Manager

By: Michael Lemke  
Name: Michael Lemke  
Its: President

By: Syncon Homes,  
a Nevada corporation  
Its: Manager

By: Michael Lemke  
Name: Michael Lemke  
Its: President

**LENDER:**

PACIFIC CAPITAL BANK, N.A.,  
a national banking association,  
doing business as Santa Barbara Bank & Trust

By: Thomas J. Martensen  
Name: Thomas J. Martensen  
Its: VP

[ALL SIGNATURES MUST BE ACKNOWLEDGED]

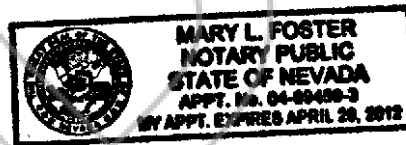
STATE OF Nevada )  
 ) SS  
COUNTY OF Douglas )

On May 29, 2008, before me, Mary L. Foster, a Notary Public, personally appeared Michael Lemke, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument, and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Nevada that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Mary L. Foster  
Notary Public



STATE OF Nevada )  
 ) SS  
COUNTY OF Douglas )

On May 29, 2008, before me, Mary L. Foster, a Notary Public, personally appeared Michael Lemke, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/~~are~~ subscribed to the within instrument, and acknowledged to me that he/~~she~~/they executed the same in his/~~her~~/their authorized capacity(ies), and that by his/~~her~~/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Mary L. Foster  
Notary Public





**CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT**

State of California

County of Santa Barbara

On May 30 2008 before me, Melissa Kelley, notary  
Date Here Insert Name and Title of the Officer

personally appeared Thomas J Mortensen  
Name(s) of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Melissa Kelley  
Signature of Notary Public

Place Notary Seal Above



**OPTIONAL**

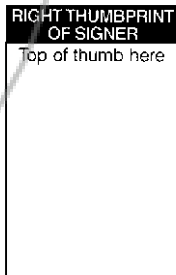
*Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.*

**Description of Attached Document**

Title or Type of Document: Modification of DOT  
Document Date: May 27 2008 Number of Pages: \_\_\_\_\_  
Signer(s) Other Than Named Above: Michael Umke

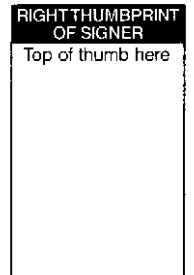
**Capacity(ies) Claimed by Signer(s)**

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): \_\_\_\_\_
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

- Signer's Name: \_\_\_\_\_
- Individual
  - Corporate Officer — Title(s): \_\_\_\_\_
  - Partner —  Limited  General
  - Attorney in Fact
  - Trustee
  - Guardian or Conservator
  - Other: \_\_\_\_\_



Signer Is Representing: \_\_\_\_\_

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**

Lots 98, 99, 101, 102, 103, 104, 106, 107, 108, 112, 113, 117, 119, 121, and 122, as set forth on the Final Subdivision Map FSM #94-04-03 for SKYLINE RANCH PHASE 3 filed for record with the Douglas County Recorder on July 5, 2005 in Book 0705 of Official Records, Page 1491, as Document No. 648689.

ASSESSORS PARCEL NO. 1420-35-311-001, 002, 003, 005, 006, 007, 008, 010, 011, 012, 013, 015, 017, 021, and 022

