

LOAN NO. 204955
EXHIBIT “3”

MODIFICATION AGREEMENT

DATE: May 5, 2009

PARTIES: Borrower: LB/L-DS VENTURES LOMPOC,LLC,
a Delaware limited liability company

Lender: PREFERRED BANK,
a California corporation

RECITALS:

A. Lender has extended to Borrower a construction loan ("**Loan**") in the original principal amount of \$7,250,000.00 pursuant to the Construction Loan Agreement dated January 14, 2008 ("**Loan Agreement**"), and evidenced by the Promissory Note/Variable Rate Interest Only dated January 14, 2008 ("**Note**"). The unpaid principal of the Loan as of April 29, 2009 is \$2,500,174.86.

B. The Loan is secured by, among other things, the following:

(i) Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing dated January 14, 2008 ("**Deed of Trust**"), by Borrower, as trustor, for the benefit of Lender, as beneficiary, recorded on January 31, 2008, as Instrument No. 2008-0005390, in the Official Records of Santa Barbara County, California;

(ii) Assignment of Leases, Lease Guaranties, Rents, Issues and Profits dated January 14, 2008 ("**Assignment of Leases**"), by Borrower, as assignor, in favor of Lender, as assignee, and recorded on January 31, 2008, as Instrument No. 2008-0005391, in the Official Records of Santa Barbara County, California;

All of the agreements, documents, and instruments securing the Loan and the Note are referred to individually and collectively as the "**Security Documents**."

C. A Limited Guaranty of even date with the Loan Agreement guaranteeing repayment of a certain share of the Loan as described therein (the "**Payment Guaranty**") was executed and delivered to Lender by David Schwartzman ("**Guarantor**"). Guarantor also executed and delivered to Lender a Completion Guaranty guarantying completion of the "Improvements" described therein (collectively with the Payment Guaranty, the "**Guaranty**").

D. Borrower has requested that Lender modify the Loan and the Loan Documents to extend the maturity date of the Loan. All capitalized terms not otherwise defined herein have the meaning assigned in the Loan Agreement.

AGREEMENT:

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree as follows:

SECTION 1. ACCURACY OF RECITALS.

Borrower acknowledges the accuracy of the Recitals.

SECTION 2. MODIFICATION OF LOAN DOCUMENTS; OTHER AGREEMENTS.

2.1 **Extension of Maturity Date.** The maturity date of the Loan is changed from May 5, 2009 to November 5, 2009 (the "**Maturity Date**"). On the Maturity Date, Borrower shall pay to Lender the unpaid principal, accrued and unpaid interest, and all other amounts payable by Borrower under the Loan as modified herein.

2.2 **Monthly Status Report.** Beginning at such time as the Project is ninety percent (90%) complete until the Loan is paid in full, Borrower shall deliver to Lender within ten (10) days after the end of each calendar month, and as otherwise reasonably requested by Lender, a monthly leasing and construction update advising as to the status of leasing, expected completion date, and a copy of all leases entered into during such calendar month.

2.3 **Compliance with Covenants.** Each of the Loan Documents is modified to provide that it shall be a default or an Event of Default thereunder if Borrower shall fail to comply with any of the covenants of Borrower herein or if any representation or warranty by Borrower herein or by Guarantor in any related Consent and Agreement of Guarantor is materially incomplete, incorrect, or misleading as of the date hereof.

2.4 **Effect of Amendment; Definitions.** Each reference in the Loan Documents to any of the Loan Documents is hereby amended to be a reference to such document as modified herein or replaced in accordance with the terms hereof or with the documents and instruments executed in connection herewith.

SECTION 3. RATIFICATION OF LOAN DOCUMENTS AND COLLATERAL.

The Loan Documents are ratified and affirmed by Borrower and shall remain in full force and effect as modified herein. Any property or rights to or interests in property granted as security in the Loan Documents shall remain as security for the Loan and the obligations of Borrower in the Loan Documents.

SECTION 4. BORROWER REPRESENTATIONS AND WARRANTIES.

Borrower represents and warrants to Lender:

(a) No default or Event of Default under any of the Loan Documents as modified herein, nor any event, that, with the giving of notice or the passage of time or both, would be a default or an Event of Default under the Loan Documents as modified herein has occurred and is continuing.

(b) There has been no material adverse change in the financial condition of Borrower or any other person whose financial statement has been delivered to Lender in connection with the Loan from the most recent financial statement received by Lender.

(c) Each and all representations and warranties of Borrower in the Loan Documents are accurate on the date hereof.

(d) The Cost Breakdown set forth on Exhibit "B" to the Loan Agreement remains true and accurate in all material respects.

(e) The scheduled Completion Date for the Project is October 5, 2009.

(f) Borrower has no claims, counterclaims, defenses, or set-offs with respect to the Loan or the Loan Documents as modified herein.

(g) The Loan Documents as modified herein are the legal, valid, and binding obligation of Borrower, enforceable against Borrower in accordance with their terms.

(h) Borrower is validly existing under the laws of the State of its formation or organization and has the requisite power and authority to execute and deliver this Agreement and to perform the Loan Documents as modified herein. The execution and delivery of this Agreement and the performance of the Loan Documents as modified herein have been duly authorized by all requisite action by or on behalf of Borrower. This Agreement has been duly executed and delivered on behalf of Borrower.

SECTION 5. BORROWER COVENANTS.

Borrower covenants with Lender:

5.1 **Further Assurances.** Borrower shall execute, deliver, and provide to Lender such additional agreements, documents, and instruments as reasonably required by Lender to effectuate the intent of this Agreement.

5.2 **Release of Lender.**

(a) In consideration of Lender entering into this Modification Agreement and the modification transaction described herein, Borrower for itself, and on behalf of each of its members, managers, present and former directors, shareholders, officers, employees, agents, and representatives, and their respective successors and assigns, fully, finally, and absolutely and forever releases and discharges Lender and its present and former directors, shareholders, officers, employees, agents, representatives, successors and assigns, and their separate and respective heirs, personal representatives, successors and assigns, from any and all actions, causes of action, claims, debts, damages, demands, liabilities, obligations, and suits, of whatever kind or nature, in law or equity from Borrower, whether now known or unknown to Borrower, and whether contingent or matured, whenever occurring or arising, in respect of the Loan, the Loan Documents, or the actions or omissions of Lender in respect of the Loan or the Loan Documents (collectively, the "**Released Matters**").

(b) Borrower, for itself, and on behalf of each of its members, managers, present and former directors, shareholders, officers, employees, agents, and representatives, and their respective successors and assigns, expressly waives any and all rights or benefits which it has or may have or which may have been conferred upon it by the provisions of Section 1542 of the California Civil Code, which provides as follows:

"A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

In connection with such waiver, Borrower acknowledges that it may later discover facts different from or in addition to those which it knows or believes to be true with respect to the Released Matters, and it agrees that, in such event, the release set forth in this Section 5.2 shall nevertheless remain effective in all respects notwithstanding such different or additional facts or the discovery of those facts.

(c) Borrower, for itself and on behalf of each of its members, managers, successors and assigns, covenants that no suit, arbitration or other action shall be commenced against the Lender or any party released pursuant to this Section 5.2, based upon any of the Released Matters, nor shall a claim arising from any of the Released Matters be asserted against Lender or any such party in any action by way of counterclaim, cross-complaint, set off or similar pleading and that this Section 5.2 shall be a complete bar to any such proceeding or assertion.

5.3 **No Waiver.** Borrower acknowledges that Lender does not, by entering into this Modification Agreement, waive or release any default or Event of Default whether known to Lender or unknown, which may exist under the Loan Documents.

SECTION 6. CONDITIONS PRECEDENT.

The agreements of Lender and the modifications contained herein shall not be binding upon Lender until Lender has executed and delivered this Modification Agreement and Lender has received, at Borrower's expense, all of the following, all of which shall be in form and content satisfactory to Lender in its sole discretion, and shall be subject to approval by Lender:

(a) An original of this Modification Agreement fully executed by Borrower and Guarantor;

(b) An original Modification of Deed of Trust and Assignment of Leases executed by Borrower in form suitable for recording;

(c) Such resolutions or authorizations and such other documents as Lender may require relating to the existence and good standing of Borrower and its members, and the authority of any person executing this Modification Agreement or other documents on behalf of that corporation, limited liability company, partnership or trust;

(d) A legal opinion of counsel for Borrower and Guarantor in form and substance reasonably satisfactory to Lender;

(e) A commitment from the title insurance company that issued the lender's ALTA extended coverage title insurance policy in connection with the Loan (the "**Title Policy**") to issue an endorsement to the Title Policy or a replacement policy, with all endorsements included as part of the Title Policy, in form satisfactory to Lender, that defines

the Deed of Trust as described in the Title Policy as modified by this Agreement and by the Modification of Deed of Trust and Assignment of Leases, insures that the Deed of Trust, as modified hereby and by the Modification of Deed of Trust and Assignment of Leases continues to be a first lien upon the real property described therein, as security for the Loan, subject only to those exceptions contained in the Title Policy and to such additional exceptions as Lender may specifically approve in writing;

(f) Payment to Lender of a non-refundable loan fee of \$36,250.00, which amount may be paid from the proceeds of the Loan;

(g) Payment of all the internal and external costs and expenses incurred by Lender in connection with this Agreement (including, without limitation, inside and outside attorneys, appraisal, appraisal review, processing, title, filing, and recording costs, expenses, and fees), which amount may be paid from the proceeds of the Loan;

(h) Such other documents and instruments as Lender may reasonably require in connection with the transaction contemplated in this Agreement.

SECTION 7. INTEGRATION, ENTIRE AGREEMENT, CHANGE, DISCHARGE, TERMINATION, OR WAIVER.

The Loan Documents as modified herein contain the complete understanding and agreement of Borrower and Lender in respect of the Loan and supersede all prior representations, warranties, agreements, arrangements, understandings, and negotiations. No provision of the Loan Documents as modified herein may be changed, discharged, supplemented, terminated, or waived except in a writing signed by the parties thereto.

SECTION 8. BINDING EFFECT.

The Loan Documents as modified herein shall be binding upon and shall inure to the benefit of Borrower and Lender and their successors and assigns and the executors, legal administrators, personal representatives, heirs, devisees, and beneficiaries of Borrower, provided, however, Borrower may not assign any of its right or delegate any of its obligation under the Loan Documents and any purported assignment or delegation shall be void.

SECTION 9. CHOICE OF LAW.

This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to conflicts of law principles.

SECTION 10. COUNTERPART EXECUTION.


This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which together shall constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

DATED as of the date first above stated.

LB/L-DS VENTURES LOMPOC LLC,
a Delaware limited liability company

By: LB/L-DS Ventures Master LLC,
a Delaware limited liability company,
Its Managing Member

By: DS Ventures, LLC,
a California limited liability company,
its Liquidating Member

By: 
Name: David Schwartzman
Its Managing Member

PREFERRED BANK,
a California corporation

By: 
Its Authorized Officer

LOAN NO. 204955
EXHIBIT "4"

COMPLETION GUARANTY

- A. LB/L-DS VENTURES LOMPOC LLC, a Delaware limited liability company (hereinafter, "Borrower"), has requested PREFERRED BANK, a California banking corporation (hereinafter referred to as "Lender"), to lend it the sum of Seven Million Two Hundred Fifty Thousand and No/100 Dollars (\$7,250,00.00) (the "Loan") to be evidenced by a Promissory Note Variable Rate Interest Only of even date and to be secured by a first lien Construction Deed of Trust, Assignment of Rents, Security Agreement and Fixture Filing covering premises in the County of Santa Barbara, State of California, described in Exhibit "A" attached hereto (hereinafter referred to as "Property"); and
- B. Borrower and Lender have entered into a Construction Loan Agreement (hereinafter referred to as "Agreement") bearing even date herewith, in which it is provided, among other things, that Borrower is to construct a sixty-four (64) unit apartment complex (hereinafter referred to as "Improvements") on the Property, to be built in accordance with the Plans and Specifications which have been or will be submitted to Lender, as they may be modified from time to time with Lender's written approval, and in which Agreement it is also provided, among other things, that Lender, on certain conditions and in the manner set forth in the Agreement, will lend to Borrower the sum of Seven Million Two Hundred Fifty Thousand and No/100 Dollars (\$7,250,00.00) (the indebtedness under said loan and the covenants, agreements and duties of performance by Borrower under the Agreement being referred to, hereinafter, collectively, as the "Obligation(s)"); and
- C. In order to induce Lender to make said Loan, Borrower has agreed to procure and deliver this Completion Guaranty ("Guaranty") to be executed by DAVID SCHWARTZMAN, an individual (hereinafter referred to as "Guarantor").

NOW, THEREFORE, for good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, and as part of the consideration for the making by Lender to Borrower of the Loan, Guarantor hereby covenants and agrees with Lender as follows:

- (1) The Guarantor hereby guarantees to Lender, its successors and assigns: (a) the lien-free completion of the Project in accordance with the Agreement; (b) that Borrower shall fully and punctually pay and discharge any and all costs and expenses for the construction of the Project as the same may become due and payable; (c) that Borrower shall fully and punctually pay and discharge all proper claims and demands for labor and materials used in the construction of the Project which, if not paid, will constitute liens on the Property; and (d) the Property shall be and remain free and clear of all liens for labor and/or materials for which bonds acceptable to Lender have not been provided within 30 days of the filing of any lien.

- (2) This Guaranty shall be deemed released upon the satisfaction of all obligations of Borrower to complete the Project in accordance with the Agreement and satisfaction of all of the following requirements:
 - (a) Lien-free completion (completion being evidenced by satisfaction of subsection (b)) of the Project by the Completion Date in accordance with all approved Plans and Specifications;
 - (b) Issuance of a final Certificate of Occupancy (or other applicable governmental sign-off permitting occupancy) the Project;
 - (c) Certification of completion by both Lender's Project Architect and the Architect;
 - (d) Final as-built Plans and Specifications being furnished to Lender;
 - (e) Updated financial statements as of the date of completion of construction being furnished to Lender;
 - (f) Continued enforceability of all agreements, including the Agreement and the Loan Documents, and acceptance of the Project by all parties required by Lender; and
 - (g) Approval by Lender of final Approved Costs for completion of the Project.
- (3) The Guarantor hereby consents that the Plans and Specifications, and the schedule of advances and any other terms, covenants, and conditions contained in the Agreement may be altered, extended, changed, modified, or released by Lender without in any manner affecting this Guaranty or releasing Guarantor therefrom, or without the further consent of Guarantor.
- (4) Until the Improvements are erected fully equipped, and completed as aforesaid, and until each and all of the terms, covenants, and conditions of this Guaranty are performed fully, Guarantor shall not be released by any act or thing which might, but for this provision of this Guaranty, be deemed a legal or equitable discharge of a surety, or by a provision for non-recourse between Lender and Borrower, or by reason of any waiver, extension, modification, forbearance, or delay of Lender, its successors or assigns, or its or their failure to proceed promptly or otherwise, relating to the payment of any sum, performance of any act or relating to any of the other terms, covenants, and conditions contained in the Loan Documents, and Guarantor hereby expressly waives and surrenders any defense to its liability hereunder based upon any of the foregoing acts, things, agreements, or waivers or any of them.

- (5) In the event that Guarantor shall advance or become obligated to pay any sums towards the construction or equipment of the Improvements, or in the event that for any reason Borrower or any subsequent owner of the Property is now or shall hereafter become indebted to Guarantor, the amount of each sum and of such indebtedness shall at all times be subordinate as to lien, time of payment and in all other respects, to the amounts owing to Lender under the Construction Deed of Trust and the Note secured thereby, or in the right, title, or interest of Lender in the Project, notwithstanding any payments made by Guarantor toward the construction of the Improvements or any payments made by Guarantor under this Guaranty; all rights of subrogation and participation being hereby expressly waived and released.
- (6) Guarantor authorizes Lender, without notice or demand and without affecting its liability hereunder, from time to time to (a) renew, extend, accelerate or otherwise change the time for payments or performances of, or otherwise modify the terms of, the Obligation(s) or any part of it, including the interest rate; (b) accept partial payments on the debt; (c) accept new or additional documents, instruments or agreements relative to the Obligation(s); (d) release, add or substitute any co-borrower, whether such obligor executes the original evidence of debt, assumption of the Obligations or any renewal, extension or modification; (e) release, add or substitute any co-guarantor, whether such obligor executes this Guaranty or another prior to, concurrently with or subsequent to this Guaranty; (f) amend or modify the terms of any Guaranty executed by a co-guarantor including without limitation, any provision relating to any amount of liability expressed therein; (g) assign its rights in this Guaranty, in whole or in part; (h) now or in the future take collateral as security for this Guaranty or the debt or Obligations guaranteed, and exchange, substitute, enforce, waive, subordinate, modify and release in any manner any collateral or Lender's security interest in the collateral; (i) apply any sums received from Borrower or Guarantor or from the sale of any collateral or proceeds of collateral to any debt or other Obligation in any order, whether the debt or Obligation is covered by this Guaranty, is secured by collateral or is due and payable; (j) exercise any right or remedy it may have with respect to the debt or any collateral securing the Guaranty or any debt or Obligation, including without limitation, judicial foreclosure, power of sale, taking of a deed or assignment in lieu of foreclosure, bidding and purchasing at any sale and compounding, compromising, collecting or otherwise liquidating any collateral, indebtedness or Obligation; and (k) subordinate the payment of all or any part of the debt to creditors of Borrower other than Lender or Guarantor. Guarantor shall be liable to Lender hereon despite Lender's exercise of any remedy against Borrower or any third party even though any rights which Guarantor may have against others may be diminished or destroyed as a result of Lender's action.

- (7) Guarantor waives any right to require Lender to: (a) proceed against Borrower or any other obligor before proceeding against Guarantor; (b) proceed against or exhaust any collateral given by Borrower or any other obligor before collateral given by Guarantor; (c) give notice of the terms, time and place of any public or private sale of any real or personal property security for the Obligation(s); (d) disclose any information with respect to the Obligation(s), the financial condition or character of Borrower, any collateral, other guaranties or action or non-action by Lender; (e) pursue any remedy or course of action in Lender's power whatsoever. Guarantor waives any rights as a "debtor" under Division 9 of the California Uniform Commercial Code, including but not limited to, rights relating to the notice of sale or commercially reasonable manner of any sale. Guarantor waives any defense arising from any disability or other defense of any Borrower or any guarantor or from the cessation of or relief from the liability of any Borrower or any guarantor, whatever the cause, or by reason of any act or omission of Lender or others which directly or indirectly results in or aids the discharge or release of Borrower or other guarantor for any of the Obligation(s) or any security for the Obligation(s) or a Guaranty by operation of law or otherwise. Until all indebtedness of Borrower to Lender is paid in full, Guarantor shall have no right of subrogation, and waives any right to enforce any remedy which Lender now has or may hereafter have against Borrower, and waives any benefit of and any right to participate in any security now or hereafter held by Lender. Failure by Lender to file or enforce a claim against the estate (whether in administration, bankruptcy, probate or other proceeding) of Borrower or of any others, shall not affect Guarantor's liability hereunder, nor will Guarantor be released from liability if recovery from Borrower or other obligor becomes barred by any statute of limitations or is otherwise prevented or if Borrower is not liable for a deficiency after Lender realizes on any security interest it may have. Guarantor expressly waives any defense provided by any statute of limitations in any action under this Guaranty or for the collection of any indebtedness or enforcement of any Obligation guaranteed, including, but not limited to, any statute of limitations arising out of California Code of Civil Procedure section 580a, to the maximum extent permitted by law. Any partial payment by Borrower or other circumstance which operates to toll any statute of limitations as to Borrower shall also operate so as to toll the statute of limitations as to Guarantor. Guarantor waives any set-offs and counterclaims and all presentments, demands for performance, notices of non-performance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty and of the existence, creation, or incurring of new or additional indebtedness or Obligation(s).
- (8) Guarantor represents and warrants to Lender that: (a) this Guaranty is executed at Borrower's request; (b) Lender has made no representation to Guarantor in regard to Borrower upon which Guarantor is relying in giving this Guaranty; (c) Guarantor has established adequate means and assumes the responsibility for being and keeping informed of the financial condition of Borrower and of all

other circumstances bearing upon the risk of nonpayment of the debt or non-performance of the Obligation(s) which diligent inquiry would reveal, and Lender shall have no duty to advise Guarantor of information known to it regarding such condition or any such circumstance. With respect to any debt or Obligation(s) of Borrower to Lender, Lender need not inquire into the powers of Borrower or the officers, directors or agents acting or purporting to act on its behalf.

- (9) Guarantor acknowledges that all or a portion of the present or future indebtedness or Obligation(s) of Borrower to Lender is or may be secured by deeds of trust or mortgages covering interests in real property. Should the Obligation(s) be secured by real property, Guarantor authorizes Lender, at its sole option, without notice or demand and without affecting the liability of Guarantor under this Guaranty, to foreclose by nonjudicial sale, any or all of the deeds of trust or mortgages and Borrower's interests in the subject real property. Guarantor waives all rights and defenses that Guarantor may have because Borrower's debt is secured by real property. This means, among other things: (1) Lender may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower; (2) If Lender forecloses on any real property collateral pledged by Borrower: (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 Guarantor even if Lender, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from Borrower. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because 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. Guarantor also waives all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise. Guarantor also waives any right to receive notice of any judicial or nonjudicial sale or foreclosure of any real property securing the debt or obligation(s), and Guarantor's failure to receive any such notice shall not impair or affect Guarantor's liability hereunder.
- (10) Guarantor acknowledges and agrees that it would be impracticable or extremely difficult to fix actual damages suffered by Lender in the event of a breach of this Guaranty, and hereby stipulates that in the event that an action is brought for the enforcement hereof, the damages incurred by Lender shall be deemed to be the sum of (i) all costs and expenses necessary to achieve lien-free completion of the Improvements, including all materials, labor, FF&E, interest, plus other related

costs, and the amount necessary to pay in full all claims not then paid to persons supplying services and/or material already completed (such amounts to be determined in the opinion and judgment of consultants selected by Lender), plus (ii) all costs incurred to remove any then existing mechanics' liens, minus (iii) any undisbursed portions of the Loan, excluding Interest Reserve.

- (11) Guarantor agrees to reimburse Lender immediately and without demand for all costs and expenses including reasonable attorneys' fees incurred in the interpretation or enforcement of this Guaranty whether or not suit is filed, including, without limitation, any proceeding in bankruptcy touching Borrower, the Project or Guarantor.
- (12) This Guaranty shall bind the successors and assigns of Guarantor, and shall inure to the benefit of Lender's successors and assigns. This Guaranty shall be governed by and construed in accordance with the laws of the State of California. In any action arising out of this Guaranty, Guarantor consents to the jurisdiction of any competent federal or state court within California and consents to service of process by any means authorized by California or federal law unless otherwise agreed in writing. This Guaranty constitutes the entire agreement and understanding between the parties and no modification or change in any of the terms and conditions shall be effective unless in writing and signed by Lender.
- (13) If more than one person executes this Guaranty, all words used in the singular shall be construed to have been used in the plural where required by the context and construction. To the extent that any one or more of the provisions of this Guaranty are held invalid or unenforceable, the provisions are severable.
- (14) Capitalized terms used herein and not defined herein shall have the same meanings as are given to those terms in the Agreement.
- (15) In addition to all security interests, and rights of set-off against the monies, securities or other property of Guarantor given to Lender by law or otherwise as security for this Guaranty, hereby pledges and grants to Lender a security interest in all monies, securities and other property of Guarantor now or later in the possession of or on deposit with Lender, whether held in a general or special account or deposit, or for safekeeping or otherwise, and each such security interest or right of set-off may be enforced or exercised without demand upon or notice to Guarantor. No security interest or right of set-off, whether at law or granted herein or pursuant to any other agreement between Guarantor and Lender shall be deemed to have been waived by any act of Lender or by any neglect to exercise a right of set-off or to enforce such security interest, or by any delay in doing so, and every right of set-off and security interest shall continue in full force and effect until same is specifically waived or released by an instrument in writing executed by Lender. Any property of Guarantor pledged, assigned, deeded

in trust or otherwise given as security for Guarantor's obligations under this Guaranty shall also secure Guarantor's obligations pursuant to any later executed guaranty of the debt or obligation(s) of Borrower to Lender.

GUARANTOR ACKNOWLEDGES THAT LENDER HAS OR MAY IN THE FUTURE EXTEND CREDIT TO BORROWER IN RELIANCE ON GUARANTOR'S GUARANTY CONTAINED HEREIN AND THAT THE WAIVERS, WARRANTIES AND PROMISES MADE BY GUARANTOR IN THIS GUARANTY ARE REQUIRED TO ESTABLISH GUARANTOR'S UNCONDITIONAL LIABILITY TO LENDER. THEREFORE, GUARANTOR AGREES THAT EACH OF THE WAIVERS, WARRANTIES AND PROMISES SET FORTH IN THIS GUARANTY ARE MADE WITH GUARANTOR'S UNDERSTANDING OF THEIR SIGNIFICANCE AND CONSEQUENCES AND THAT THEY ARE REASONABLE. IF ANY WAIVERS, WARRANTIES AND PROMISES ARE DETERMINED TO BE CONTRARY TO ANY APPLICABLE LAW OR PUBLIC POLICY, SUCH WAIVERS, WARRANTIES AND PROMISES SHALL BE EFFECTIVE TO THE MAXIMUM EXTENT PERMITTED BY LAW.

GUARANTOR ACKNOWLEDGES THAT NEITHER LENDER NOR ANY OF LENDER'S OFFICERS OR EMPLOYEES HAVE MADE ANY PROMISE OR REPRESENTATION WHETHER ORAL, WRITTEN OR IMPLIED TO CAUSE GUARANTOR TO SIGN THIS DOCUMENT, NOT INCORPORATED HEREIN. GUARANTOR IS NOT SIGNING THIS GUARANTY IN RELIANCE ON ANY PROMISE, CONDITION OR THE OCCURRENCE OF ANY EVENT AND THERE ARE NO ORAL UNDERSTANDINGS, STATEMENTS OR AGREEMENTS WHICH HAVE NOT BEEN INCLUDED IN THIS GUARANTY. GUARANTOR UNDERSTANDS THAT LENDER HAS THE RIGHT TO ENFORCE PAYMENT OF THE INDEBTEDNESS OR OBLIGATION(S) AGAINST BORROWER IN ANY ORDER AND THAT LENDER IS NOT OBLIGATED TO OBTAIN ANY OTHER OR ADDITIONAL GUARANTORS OF THE BORROWER'S INDEBTEDNESS OR OBLIGATIONS TO LENDER OR TO TAKE ANY OTHER COURSE OF ACTION.

SIGNATURES ON NEXT PAGE

Dated: January 14, 2008

GUARANTOR:



David Schwartzman

EXHIBIT "A"
LEGAL DESCRIPTION

Lot 81 of Final Map of Courtyards at Briar Creek, LOM 545, in the City of Lompoc, County of Santa Barbara, State of California, as per map recorded in Book 203, Pages 27 through 38 of Maps, in the Office of the County Recorder of said County.

APN: 093-070-62