

LOAN NO. 204955
EXHIBIT “2”-Part 2

Borrower that the Undisbursed Project Funds, after deduction of amounts theretofore paid out pursuant hereto, is less than the then estimated amount required to fully complete and pay for the Project, and Lender demands that Borrower make a Borrower's Deposit thereof with Lender in an amount equal to such deficiency, Borrower shall comply with such demand within ten (10) Business Days from the date thereof; the judgment of Lender shall be final and conclusive in this respect;

4.14.2 PRELIMINARY NOTICES - Promptly when received, copies of all preliminary notices delivered pursuant to section 3097 of the California Civil Code or any similar Law (a) to Borrower and/or (b) to the Property, addressed to Lender or to "Construction Lender";

4.14.3 LISTS OF SUBCONTRACTORS - From time to time, upon Lender's demand to Borrower, a true and correct list of every material Subcontractor employed in connection with the construction of the Improvements and/or the furnishing of FF&E to the Project. Each said list shall show, in regard to each such Subcontractor, (a) name, (b) address and telephone number, (c) an approximate estimate of the dollar value of the work, labor, and materials to be done or supplied, (d) a general statement of the nature of the work to be done, (e) the amount paid to date, and (f) the amount still owing. Each such demand shall be made in writing by Lender, and Borrower shall be responsible to see that each such list be delivered to Lender within ten (10) calendar days after each such demand. Borrower acknowledges that Lender may directly contact the Subcontractors in connection with verifying the information contained in each such list;

4.14.4 GENERAL CONTRACTS AND SUBCONTRACTS - Copies of all contracts and agreements described in Section 4.14.3, above, within ten (10) Business Days after execution thereof, if required by Lender; and

4.14.5 FOUNDATION SURVEY - Upon request, a survey, made and certified by a licensed engineer or surveyor, showing that the foundations are located entirely within the property lines and do not encroach upon any easement in a manner prohibited thereby or breach or violate any covenant, condition, or restriction of record, or any building or zoning laws;

4.15 SECURITY INTEREST IN PROJECT RIGHTS - As additional security for the payment and performance of Borrower's obligations pursuant to the Loan Documents, Borrower hereby assigns and grants to Lender, to the fullest extent permitted by Law and by the Project Rights (as herein defined), a security interest in and to all of Borrower's right, title, and interest in and to each and all of the rights, property interests, privileges, licenses, reports, permits, instruments, general intangibles and documents, and all proceeds thereof (hereinafter, collectively, "Project Rights") relating to the Project:

4.15.1 As used herein, the term Project Rights shall include, but is not limited to, the following, whether now or hereafter acquired:

- (a) All building permits, governmental permits, licenses, and authorizations, whether now issued or issued hereafter;
- (b) All fees paid to or on behalf of Governmental Agencies, for whatever purpose and by whatever name;
- (c) All utility deposits and rights to refund of utility deposits;
- (d) All soils and/or geological studies and reports;
- (e) All economic, marketing, and/or feasibility studies and reports;
- (f) All other studies and reports obtained, or to be obtained, by Borrower, including, but not limited to, reports of architects, engineers, and other professionals;
- (g) All Appraisals and reports of appraisers;
- (h) All water shares and water rights;
- (i) All licenses and privileges obtained by Borrower from non-governmental sources;
- (j) All claims, rights, causes of action, and choses in action in regard to damage done to the Property, FF&E, Improvements, and/or personal property thereon;
- (k) All certificates, certifications, approvals, and other documents;
- (l) All other fees, deposits, and rights to refunds held by Borrower;
- (m) All other tangible and intangible property rights, property interests, privileges, licenses, reports, instruments, and documents obtained by Borrower in connection with the Property;
- (n) All of the foregoing described items as and when the same come into existence in the future; and
- (o) All proceeds and products of the foregoing.

4.15.2 BORROWER'S REPRESENTATIONS AND WARRANTIES AS TO PROJECT RIGHTS - Borrower hereby represents and warrants to Lender that:

- (a) Borrower is the sole owner of the Project Rights, and each of them;
- (b) Borrower has the right (except where the assignment is not permitted or effective by Law or such Project Right) to make this assignment and, such Project Rights are granted and assigned free from liens, encumbrances, claims, and setoffs of every kind whatsoever, except as expressly permitted hereunder (including the Permitted Encumbrances);
- (c) The full title and right to Borrower's interests in the Project Rights are vested in Lender hereby, as a security interest;
- (d) The Project Rights are valid and in full force and effect in accordance with their terms;
- (e) To Borrower's current actual knowledge, Borrower is not in default under any of the terms, conditions, or covenants with respect to the Project Rights;
- (f) Except as expressly permitted hereunder (including the Permitted Encumbrances), Borrower has not heretofore assigned or pledged Borrower's interest in the Project Rights, or any of them, and Borrower will not further pledge or assign Borrower's interest in the Project Rights, or any of them; and
- (g) In the event Persons that are not parties to this Agreement are required to consent to the assignment of all or any part of the Project Rights, Borrower shall obtain such consent if required by Lender.

4.15.3 ASSIGNMENT IRREVOCABLE - This assignment is irrevocable and shall remain in full force and effect until and unless the Loan is paid in full, and no event of termination or release shall have any effect unless and until Lender shall execute, in writing, a certification that such event has occurred; and, until such certification is so executed by Lender and delivered, all Persons may rely upon this Agreement as an effective assignment of the Project Rights, and each of them, as hereinabove described.

4.15.4 BORROWER'S COVENANTS WITH RESPECT TO PROJECT RIGHTS - Borrower hereby covenants and agrees:

- (a) If Borrower's legal ability to assign any of the Project Rights to Lender is based upon the need for approval or consent from another Person, to use Borrower's best efforts to obtain such approval or consent and furnish evidence thereof to Lender;
- (b) To observe and perform all obligations imposed on Borrower in regard to the Project Rights and to indemnify Lender from the consequences of any failure to do so, (except to the extent the foregoing results from Lender's gross negligence or willful misconduct);

- (c) To preserve the Project Rights in full force and effect for the benefit of Lender;
- (d) Except as expressly permitted herein, not to execute any other assignment of Borrower's interest in the Project Rights;
- (e) Except as expressly permitted herein, not to alter, amend, modify, terminate, cancel, or release the Project Rights without the prior written consent of Lender, which consent Lender may give or withhold in Lender's sole opinion and judgment;
- (f) That upon an Event of Default by Borrower under the Loan, and notice having been given in the manner and to the extent required by the Loan Documents:
 - (i) Lender, at its option, without any requirement that it do so, may perform and enforce the Project Rights, or any of them, in its own name or in the name of Borrower; and
 - (ii) For the purposes of completing the Project, Lender may reassign its right, title, and interest in the Project Rights, or any of them, to any Person without any further requirement of Borrower's consent, and any such reassignment shall be valid and binding upon Borrower and all other Person with any relationship to the Project Rights, or any of them, as fully as if each had expressly approved the same;
- (g) Except in the event that any of the following are the direct result of the gross negligence or willful misconduct of Lender, Borrower hereby indemnifies and holds Lender harmless from and against any and all claims, demands, liabilities, losses, lawsuits, judgments, awards, costs, and expenses, including, but not limited to, reasonable attorneys' fees, to which Lender may become subject, or which Lender may incur, in exercising any of its rights under this assignment.

4.15.5 NO DUTY OF LENDER - This assignment is made for security purposes only and, except to the extent the same is exercised by Lender upon notice, Lender shall have no obligation to perform any obligation with respect to the Project Rights, or any of them, nor shall Lender be required to enforce any obligations or duties of any Persons, and Borrower hereby specifically waives any and all rights that Borrower may have to require Lender to undertake any duties or obligations relating to the Project Rights, to utilize the Project Rights, or any of them, in any manner whatsoever, or to enforce the Project Rights, or any of them, whether such duties may arise expressly, impliedly, by operation of Law, or otherwise.

4.15.6 POWER OF ATTORNEY - Borrower hereby irrevocably constitutes and appoints Lender as Borrower's attorney-in-fact, which power is deemed coupled with an interest and is, therefore, irrevocable, to demand, receive, and enforce Borrower's rights with respect to the Project Rights, and each of them, to make payments under the Project Rights, and to give appropriate receipts, releases, and satisfactions for,

on behalf of, and in the name of Borrower, or, at the option of Lender, in the name of Lender, with the same force and effect as Borrower could do if this appointment had not been made; provided, however, Lender may only exercise such power upon an Event of Default.

4.16 LENDER HAS NO DUTY TO CONSTRUCT OR SUPERVISE - That Lender is under no obligation to construct or supervise construction of the Project, or any portion thereof, and any inspection by or on behalf of Lender of the construction of said Project is for the sole purpose of protecting the security of Lender. Such inspection is not to be construed as a representation that there will be a strict compliance on the part of Borrower with the Plans and Specifications or that the construction will be free from faulty materials or workmanship. Borrower will make or cause to be made such other independent inspections as Borrower may desire for Borrower's own protection.

4.17 RIGHT OF ENTRY - That Lender and Lender's employees and agents shall have the right at all reasonable times to enter upon the Project and post such notices, signs and other written or printed material thereon as it may deem reasonably necessary or desirable.

4.18 LENDER'S RIGHT TO STOP WORK - If Lender determines that said work put in place since the last inspection is not in substantial conformance with the Plans and Specifications and/or the terms of this Agreement, Lender shall have the right (a) to stop said work ("Stoppage"), and/or order its replacement and/or repair, whether or not said unsatisfactory work has theretofore been incorporated in said Improvements, and/or (b) to withhold all further Disbursements until such work is reasonably satisfactory to it.

4.19 LENDER MAY EXAMINE BOOKS AND RECORDS - That Lender and Lender's employees and agents shall have the right, from time to time, during reasonable business hours, acting by and through its employees or agents, to examine the books, records, and accounting data of Borrower pertaining to the construction of the Project and to make extracts therefrom or copies thereof. Borrower shall promptly make such books, records, and accounting data available to Lender, as stated above, upon written request, and upon like request shall promptly advise Lender, in writing, of the location of such books, records, and accounting data. Borrower shall keep and maintain all books and records, in original form, as shall be required and as shall otherwise be appropriate, in Lender's opinion and judgment, pertaining to the performance by Borrower of its covenants and other obligations hereunder, and otherwise pertaining to its operations and activities.

4.20 SIGNS - That Lender may place a sign or signs on the construction premises, appropriate thereto, evidencing that construction financing is being made by Lender, provided the same comply with all Laws and Permitted Encumbrances. Additionally, Lender shall have the right, at its option, to publish announcements concerning the Loan in the media, including newspapers and trade journals.

4.21 NO AUTOMATIC SET-OFF - That the existence of Undisbursed Project Funds and/or the fact of any sum or sums being on deposit with Lender shall in no way constitute a set-off against or be deemed to compensate the obligations of the Loan or any payment or performance due under the Loan Documents or this Agreement, unless and until Lender, by affirmative action, shall so apply said accounts or any portion thereof, and then only to the extent thereof as so designated by Lender.

4.22 RELIANCE BY LENDER AND ACQUITTANCE -That Lender may conclusively assume that the statements, facts, information, and representations contained herein and/or in any affidavits, orders, receipts, or other written instrument(s) that are filed by or on behalf of Borrower with Lender or exhibited to it, are true and correct, in all respects and Lender may rely thereon without any investigation or inquiry, and any payment made by Lender in reliance thereon shall be a complete release in its favor for all sums so paid.

4.23 REPORTING REQUIREMENTS – That so long as Borrower shall have any obligation to Lender under this Agreement and/or the other Loan Documents, Borrower shall prepare, or cause to be prepared, and deliver, or cause to be delivered, to Lender the following reports:

4.23.1 As soon as practicable and in any event with ten (10) days after Borrower knows or it should reasonably have known, of the commencement of any legal action against it, a report of the commencement of such action containing a statement signed by Borrower setting forth details of such legal action and any action Borrower proposes to take with respect thereto;

4.23.2 Within ten (10) days of the occurrence of any Event of Default or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Default, a report regarding such Event of Default or events setting forth details in describing any action which Borrower proposes to take with respect thereto, signed by Borrower;

4.23.3 Any change in the name of Borrower or use of any trade names or trade styles not presently used;

4.23.4 Within ten (10) days of (a) any contract from any Governmental Agency concerning any Hazardous Materials Laws, including, but not limited to, any notice of any proceeding or inquiry with respect to the presence of any hazardous waste, toxic substances or hazardous materials on the Property where the migration thereof from or to other property, (b) any and all claims made or threatened by any third Person against or relating to the Property concerning any loss or injury resulting from toxic substances, hazardous waste or hazardous materials, or (c) Borrower's discovery of any occurrence or condition on any property adjoining or in the vicinity of the Property that could cause the Property, or any part thereof, to be subject to any restrictions or the ownership, occupancy, transferability, or loss of the Property under any law, Borrower shall deliver to Lender a report regarding such contact and setting forth in

detail and describing any action which Borrower proposes to take with respect thereto, signed by Borrower;

4.23.5 Within ten (10) days of becoming aware of any developments or other information which might materially adversely affect Borrower's properties, business, prospects, profits or condition (financial or otherwise) or Borrower's ability to perform this Agreement or the other Loan Documents, telephonic or facsimile telephone, shall be promptly confirmed in writing; and

4.23.6 Such other information respecting the business, properties or the condition or operations, financial or otherwise, of Borrower and/or Guarantor as Lender may from time to time request.

4.24 NO TRANSFER OR FURTHER ENCUMBRANCE – Borrower shall not, without the prior written consent of Lender:

4.24.1 Create, incur, assume, permit or suffer to exist, any mortgage, deed of trust, pledge, lien, hypothecation, charge (fixed or floating), security interest or other encumbrance whatsoever on the Property or any interest therein, except the Permitted Encumbrances;

4.24.2 Transfer the Property, or any interest therein;

4.24.3 Become a party to any transaction whereby the Property or any portion thereof, or all or any substantial part of the properties, assets or undertakings of Borrower (whether legally or beneficially owned by Borrower), would become the property of any other Person, whether by way of transfer, sale, conveyance, lease, sale and leaseback, or otherwise;

4.24.4 Change the use of the Property;

4.24.5 Transfer, convey, hypothecate, or sell membership interests in Borrower; or

4.24.6 Change the manager of Borrower.

4.25 TERRORISM AND ANTI-MONEY LAUNDERING – Borrower warrants and agrees as follows:

(a) As of the date hereof and throughout the term of the Loan: (i) Borrower; (ii) any Person controlling or controlled by Borrower; (iii) if Borrower is a privately held entity, any Person having a beneficial interest in Borrower; or (iv) any Person for whom Borrower is acting as agent or nominee in connection with this transaction, is not an OFAC Prohibited Person.

(b) To comply with applicable U.S. Anti-Money Laundering Laws and regulations, all payments by Borrower to Lender or from Lender to Borrower

will only be made in Borrower's name and to and from a bank account of a bank based or incorporated in or formed under the laws of the United States or a bank that is not a "foreign shell bank" within the meaning of the U.S. Bank Secrecy Act (31 U.S.C. § 5311 et seq.), as amended, and the regulations promulgated thereunder by the U.S. Department of the Treasury, as such regulations may be amended from time to time.

(c) To provide Lender at any time and from time to time during the term of the Loan with such information as Lender determines to be necessary or appropriate to comply with the Anti-Money Laundering Laws and regulations of any applicable jurisdiction, or to respond to requests for information concerning the identity of Borrower, any Person controlling or controlled by Borrower or any Person having a beneficial interest in Borrower, from any governmental authority, self-regulatory organization or financial institution in connection with its anti-money laundering compliance procedures, or to update such information.

(d) The representations and warranties set forth in this Section 4.25 shall be deemed repeated and reaffirmed by Borrower as of each date that Borrower makes a payment to Lender under the Note, this Agreement and the other Loan Documents or receives any payment from Lender. Borrower agrees promptly to notify Lender in writing should Borrower become aware of any change in the information set forth in these representations.

ARTICLE V EVENTS OF DEFAULT

5. An "Event of Default" occurs hereunder if:

5.1 DEFAULT UNDER LOAN DOCUMENTS. DEFAULT UNDER LOAN DOCUMENTS - Borrower shall fail to pay principal or interest, or both, when due under the terms of the Note; or Borrower shall fail to pay an amount owing under this Agreement or any of the other Loan Documents when due; or Borrower shall fail to perform or observe any term, covenant, or agreement contained in this Agreement or in any of the other Loan Documents, which failure may be cured by the payment of money, and, in any event, such failure shall continue for a period of ten (10) calendar days from the date such payment or performance was due; or Borrower shall fail to perform or observe any term, covenant or agreement contained in this Agreement or in any of the other Loan Documents, which failure cannot be cured by the payment of money and such failure shall continue for a period of thirty (30) calendar days after Lender shall have given a written notice to Borrower specifying such default; provided, however, that if such non-monetary default is curable but is of a nature that such cure cannot be completed within such thirty (30) day period, Borrower shall be allowed to cure such default if Borrower shall promptly commence such cure after receipt of such notice and diligently prosecutes the same to completion within sixty (60) days after receipt of such notice, (provided further, however, that in no event shall such extension operate to extend the Maturity Date or Completion Date); or

5.2 FAILURE TO COMPLETE CONSTRUCTION - The Improvements shall not have been completed by the Completion Date with a valid Notice of Completion having been recorded by Borrower; or

5.3 BREACH OF REPRESENTATIONS OR WARRANTIES - Any representations or warranties made or agreed to be made in any of the Loan Documents or this Agreement shall be breached in any material respect or shall prove to be false or misleading in any respect when made; or

5.4 FILING OF LIENS AGAINST THE PROPERTY - Any lien for labor, material, taxes or otherwise shall be filed against the Property and such lien shall not be either satisfied or bonded over within thirty (30) days of such filing in the full amount, to Lender's satisfaction; or

5.5 LITIGATION AGAINST BORROWER - Any suit shall be filed against Borrower and not dismissed within sixty (60) days of filing, which, if adversely determined, is likely to substantially impair the ability of Borrower to perform any or all of its obligations under and by virtue of the Loan Documents, unless Borrower's counsel furnishes to Lender its opinion, to the satisfaction of Lender and Lender's counsel, that, in Borrower's counsel's reasonable judgment and after reasonable investigation, the suit is not likely to be successful; or

5.6 LEVY UPON THE PROPERTY - A levy shall be made on the Property under any process or any lien creditor commences suit to enforce a judgment lien against the Property, and such levy or action shall not be bonded against by sureties deemed by Lender to be sufficient in its sole opinion and judgment; and shall continue unstayed for thirty (30) calendar days or more; or

5.7 CROSS-DEFAULT; OTHER OBLIGATIONS - Borrower commits a breach or default in the payment or performance of any other obligation of Borrower to Lender or breaches any warranty or representation of Borrower under the provisions of any other instrument, agreement, guaranty, or document evidencing, supporting, or securing any other loan or credit extended by Lender to Borrower, or by any affiliate of Lender to Borrower including, but not limited to, any and all term loans or revolving credits extended from time to time to Borrower, and, in any case, which breach or default is not cured within any applicable cure period provided therefor; or

5.8 TRANSFER OF PROJECT - Except as otherwise provided in this Agreement, including this Section 5.8, Borrower shall voluntarily or by operation of Law, sell, transfer, convey, lease, or encumber the Project, or any interest therein, or, if Borrower is not a natural person, any interest in Borrower, or shall contract for such sale, transfer, conveyance, or encumbrance without the prior written consent of Lender, which consent Lender may either give or withhold in its sole and absolute opinion and judgment; or

5.9 ABANDONMENT - The Project is abandoned by Borrower or work ceases or is delayed thereon for a period of thirty (30) calendar days or more other

than due to Force Majeure; or construction is delayed for any period of time for any reason whatsoever so that completion of the Improvements cannot be accomplished, in the reasonable judgment of Lender, on or before the Completion Date; or

5.10 INSOLVENCY - Borrower shall fail to pay its debts as they become due, or shall make an assignment for the benefit of its creditors, or shall admit, in writing, its inability to pay its debts as they become due, or shall file a petition under any chapter of the United States Bankruptcy Code or any similar Law, now or hereafter existing, or shall become "insolvent" as that term is generally defined under the United States Bankruptcy Code, or shall in any involuntary bankruptcy case commenced against it file an answer admitting insolvency or inability to pay its debts as they become due, or shall fail to obtain a dismissal of such case within ninety (90) calendar days after its commencement or shall convert the case from one chapter of the United States Bankruptcy Code to another chapter, or be the subject of an order for relief in such bankruptcy case, or be adjudged a bankrupt or insolvent, or shall have a custodian, trustee, or receiver appointed for, or have any court take jurisdiction of, its property, or any part thereof, in any voluntary or involuntary proceeding, including, but not limited to, those for the purpose of reorganization, arrangement, dissolution, or liquidation, and such custodian, trustee, or receiver shall not be discharged, or such jurisdiction shall not be relinquished, vacated, or stayed within ninety (90) calendar days after the appointment; or

5.11 BORROWER STATUS - Without Lender's prior written consent, Borrower shall be liquidated, dissolved, or fail to maintain its status as a going concern or there shall be a change in the entity of Borrower; or

5.12 ATTACHMENT - Any proceeding shall be brought the object of which is that any part of Lender's commitment to make the Advances hereunder shall at any time be subject or liable to attachment or levy during the course of the suit of any creditor of Borrower which suit is not dismissed within thirty (30) days of filing unless during such thirty (30) day period of time, an attachment is granted against Borrower and such attachment is not promptly bonded to the satisfaction of Lender; or

5.13 DESTRUCTION - Any part of the Improvements are materially damaged or destroyed by fire or other casualty and the loss shall prove to be inadequately covered by insurance actually collected or in the process of collection or if not covered by insurance, additional Borrower's Deposit is not paid to Lender to defray the cost of restoration within thirty (30) days of written demand therefor; or

5.14 EMINENT DOMAIN - The Property shall be the subject of an eminent domain proceeding or a taking adverse to the security interest of Lender; or

5.15 NONCONFORMANCE OF CONSTRUCTION - If work is not made satisfactory to Lender within thirty (30) calendar days from the date of a Stoppage by Lender, or, if by its nature, it cannot be cured within such thirty (30) day period, Borrower fails to commence cure within such thirty (30) day period and diligently proceed to cure the defect; or

5.16 STOP NOTICE OR MECHANIC'S LIEN - In the event of the filing with Lender of a notice to withhold or the recording of a mechanic's lien pursuant to section 3082, et seq., of the California Civil Code relating to liens upon real property or any similar Law, and Borrower fails to furnish Lender a sufficient bond causing such notice or lien to be released, or give other indemnity, satisfactory to Lender, within thirty (30) Business Days after such filing or recording; or

5.17 DEFAULT UNDER GUARANTY - Guarantor fails to perform any term, condition or agreement contained in the Continuing Guaranty or Completion Guaranty which failure is not remedied during any applicable cure period, or notifies Lender of his intention to revoke his Continuing Guaranty or Completion Guaranty; or

5.18 MISREPRESENTATION AND/OR NON-DISCLOSURE - Borrower has made certain statements and disclosures in order to induce Lender to make the Loan and enter into this Agreement, and, in the event Borrower has made material misrepresentations or failed to disclose any material fact, Lender may treat such misrepresentation or omission as a breach of this Agreement. Such action shall not affect any remedies Lender may have for such misrepresentation or non-disclosure, as such, or under its Construction Deed of Trust for such misrepresentation or concealment.

ARTICLE VI
REMEDIES

6. REMEDIES.

6.1 CEASE DISBURSEMENT AND/OR ACCELERATE - Upon, or at any time after, the occurrence of an Event of Default, Lender shall have no obligation to make any further Disbursements all obligations to repay Construction Loan Proceeds disbursed or advanced by Lender and all accrued and unpaid interest thereon shall, at the option of Lender, become immediately due and payable, and Lender shall be released from any and all obligations of performance to Borrower under the terms of this Agreement.

6.2 LENDER'S RIGHT TO APPLY UNDISBURSED PROJECT FUNDS - Upon, or at any time after the occurrence of an Event of Default, Lender may, at its option, withdraw any sum or sums on deposit with Lender constituting Undisbursed Project Funds under the terms of this Agreement and credit the same upon the interest and/or principal of the Note. Thereupon, Lender shall be released from any and all obligations to Borrower under the terms of this Agreement to the extent of the sum or sums so credited. It is further understood and agreed that in the event such sums are so credited on the Note, the same shall not in any respect cure or waive any default under the Note or the Construction Deed of Trust, or any notice of default, or invalidate any act done pursuant to any such notice, and such credit on said Note shall not change, alter, or prejudice any rights of the beneficiary given by the Construction Deed of Trust.

6.3 RIGHT TO COMPLETE CONSTRUCTION - Upon, or at any time after the occurrence of an Event of Default, and in addition to any other right or

remedy described in this Agreement, Lender shall have the right, but not the obligation, to take over and complete the work of construction and, for that purpose, Lender may (a) take possession of the Project and each part and portion thereof, (b) employ watchmen to protect the Project from injury, (c) let contracts for and/or proceed with the finishing of the Improvements and pay the cost thereof, plus additional fees for supervision of construction, (d) make any payment or cure any default in regard to any obligation of Borrower to any contractors, Subcontractors, materialmen and/or suppliers of work, labor, services and/or material furnished in regard to the Improvement, (e) sell all or any of the Project, and (f) charge Borrower a fee for Lender's work in supervision and/or administration of any of the foregoing, and for the costs and expenses of appointment of a receiver in aid of any of the foregoing, disbursing all or any part of the Project Funds for such purposes. Should the cost of completing the Improvements plus such fee amount to more than the Undisbursed Project Funds, then such additional costs may be expended by Lender, at its option, in which event such expenditure shall be considered and be an additional loan to Borrower and the repayment thereof, together with interest thereon at the rate provided in the Loan, shall be secured by the Construction Deed of Trust and repaid within thirty (30) calendar days after written demand made by Lender. Borrower agrees to repay such expenditures. Lender may contest any claims and/or liens related to the work of improvement. Any contract entered into, indebtedness incurred, or claim or lien so contested upon the exercise of such right may be in the name of Borrower. Lender is irrevocably appointed attorney-in-fact (said appointment being coupled with an interest) to enter into said contracts, incur such obligations, enforce any contracts or agreements theretofore made by or on behalf of Borrower, contest such claims and/or liens, and do any and all things necessary or proper to complete the work of construction, including the signing of Borrower's name to such contracts and documents as may be deemed necessary by Lender.

6.4 RIGHT TO ACT TO CAUSE CONSTRUCTION TO BE COMPLETED - Borrower further hereby authorizes Lender, at its option, following the occurrence of an Event of Default, either in its own name or in the name of Borrower, to do any and all things necessary or expedient in the opinion of Lender to secure the performance of the Contract Documents and to secure the erection and completion of the Improvements substantially in accordance with the Plans and Specifications, and to accept the Improvements as completed or substantially completed, and to do any and every act or thing pertaining to or arising out of the construction or completion of the Improvements or any contract therefor, disbursing all or any part of the Undisbursed Project Funds for such purposes.

6.5 RIGHTS AND REMEDIES NON-EXCLUSIVE - In addition to the specific rights and remedies hereinabove mentioned, Lender shall have the right to avail itself of any other rights or remedies to which it may be entitled under any then existing Laws including, but not limited to, the right to realize upon any or all of its security, and to do so in any order. Furthermore, the rights and remedies set forth above are not exclusive, and Lender may avail itself of any individual right or remedy set forth in this Agreement, or available under such Laws, without utilizing any other right or remedy. By way of example, and not by way of limitation, no remedy set forth herein

shall affect any statutory or common law remedies that Lender may have for any misrepresentation, non-disclosure or concealment by Borrower.

ARTICLE VII
GENERAL CONDITIONS AND MISCELLANEOUS

7.1 NONLIABILITY OF LENDER - Borrower acknowledges and agrees that by accepting or approving anything required to be observed, performed, fulfilled, or given to Lender pursuant to the Loan Documents, including any certificate, statement of profit and loss, or other financial statement survey, appraisal or insurance policy, Lender shall not be deemed to have warranted or represented the sufficiency, legality, effectiveness or legal effect of the same, or of any term, provision, or condition thereof, and such acceptance or approval thereof shall not be or constitute any warranty or representation to anyone with respect thereto by Lender.

7.2 NO THIRD PARTIES BENEFITTED - This Agreement is made for the purpose of defining and setting forth certain obligations, rights, and duties of Borrower and Lender in connection with the Loan and shall be deemed a supplement to the Note and the Loan Documents, and shall not be construed as a modification of the Note or the Loan Documents, except as provided herein. It is made for the sole protection of Borrower and Lender, and Lender's successors and assigns. No other Person shall have any rights of any nature hereunder or by reason hereof or the right to rely hereon. In the event of a conflict between this Agreement and the Note, the provisions of the Note shall control. In the event of a conflict between this Agreement and the Construction Deed of Trust, this Agreement shall control.

7.3 INDEMNITY BY BORROWER - Borrower hereby indemnifies and agrees to hold Lender and its directors, officers, agents, and employees (individually and collectively, the "Indemnitee(s)") harmless from and against:

7.3.1 Except to the extent any of the following are the direct result of the gross negligence or willful misconduct of Lender, any and all claims, demands, actions, or causes of action that are asserted against any Indemnitee by any Person if the claim, demand, action, or cause of action, directly or indirectly, relates to a claim, demand, action, or cause of action that the Person has or asserts against Borrower; and

7.3.2 Any and all claims, demands, actions, or causes of action that are asserted against any Indemnitee by any Person which arise from or relate to any mechanics' lien or related proceeding relating to the Project or any other actual or alleged failure to pay or perform in connection with the Project; and

7.3.3 Any and all liabilities, losses, costs, or expenses (including court costs and attorneys' fees) that any Indemnitee suffers or incurs as a result of the assertion of any claim, demand, action, cause of action, mechanics' lien or other matter specified in this Section 7.3.

7.4 CHANGE IN LAWS -Subject to the terms set forth elsewhere in this Agreement, in the event of the enactment, after the date of this Agreement, of any Laws: (a) deducting from the value of property for the purpose of taxation any lien or security interest thereon; (b) imposing upon Lender the payment of the whole or any part of the taxes or assessments or charges or liens herein required to be paid by Borrower; (c) changing in any way the Laws relating to the taxation of deeds of trust or mortgages or security agreements, or debts secured by deeds of trust or mortgages or security agreements, or the interest of the mortgagee or secured party in the property covered thereby; or (d) changing the manner of collection of such taxes; then, to the extent any of the foregoing may affect the Construction Deed of Trust or the indebtedness secured thereby, or Lender, then, and in any such event, Borrower, upon demand by Lender, shall pay such taxes, assessments, charges, or liens, or reimburse Lender therefor. If Borrower shall be prohibited from paying such tax or from reimbursing Lender for the amount thereof, Borrower shall execute a modification to the Loan Documents and the Note, which modification shall increase the interest rate payable pursuant to the Note so as to permit Lender to maintain its yield as if such tax had not been imposed. If Borrower shall be prohibited from executing the above-referenced modifications, Lender may, in Lender's sole discretion, declare the principal of all amounts disbursed and owing under the Note, this Agreement, and the other Loan Documents (including all obligations secured by the Loan Documents) and all other indebtedness of Borrower to Lender, together with interest thereon, to be forthwith due and payable, regardless of any other specified maturity or due date.

7.5 POWER OF ATTORNEY - Borrower does hereby irrevocably appoint, designate, empower, and authorize Lender, as Borrower's agent, under power of attorney, coupled with an interest, to sign and file for record any financing statements, notices of completion, notices of cessation of labor, or any other notice or written document that it may deem reasonably necessary to file or record to protect Lender's interests: provided, however, that, except with respect to financing statements (which may be filed by Lender at any time), Lender shall only exercise such power upon the occurrence of an Event of Default.

7.6 NONRESPONSIBILITY - Lender shall in no way be liable for any acts or omissions of Borrower, Borrower's agents or employees, any Subcontractor, or any Person furnishing labor and/or materials used in or related to such construction.

7.7 TIME IS OF THE ESSENCE - Time is of the essence of this Agreement and of each and every provision hereof, to the full extent that time can be of the essence of an agreement under the Laws of the State of California.

7.8 NON-WAIVER - The waiver by Lender of any breach or breaches hereof shall not be deemed, nor shall the same constitute, a waiver of any subsequent breach or breaches.

7.9 BINDING EFFECT: ASSIGNMENT - This Agreement shall be binding upon and inure to the benefit of Borrower and Lender and their respective successors and assigns, except that Borrower may not, except as otherwise permitted

herein, assign its rights hereunder or any interest therein without the prior written consent of Lender. Lender shall have the right to assign its rights and interests under this Agreement and to grant participations in the Loan to others, but all waivers or abridgements of Borrower's obligations that may be granted from time to time by Lender shall be binding upon such assignees or participants, but any such waivers or agreements, to be effective, must be in writing and signed by Lender. Borrower shall, promptly upon demand, provide Lender or any such purchaser or participant, one or more written statements confirming Borrower's indebtedness to Lender and all obligations in connection with the Loan, including the existence of any default thereunder.

7.10 EXECUTION IN COUNTERPARTS - This Agreement and any other Loan Documents, except the Note, the Construction Deed of Trust, may be executed in any number of counterparts, and any party hereto or thereto may execute any counterpart, each of which, when executed and delivered, will be deemed to be an original, and all of which counterparts of this Agreement or any other permitted Loan Document, as the case may be, taken together will be deemed to be but one and the same instrument. The execution of this Agreement or any other permitted Loan Document by any party or parties hereto will not become effective until counterparts hereof or thereof, as the case may be, have been executed by all the parties hereto or thereto.

7.11 INTEGRATION; AMENDMENTS; CONSENTS - This Agreement, together with the documents referred to herein, constitutes the entire agreement of the parties touching upon the subject matter hereof, and supersedes any prior negotiations or agreements on such subject matter, including, without limitation, any loan commitment. No amendment, modification, or supplement of any provision of this Agreement or any of the other Loan Documents shall be effective unless in writing, signed by Lender and Borrower; and no waiver of any of Borrower's obligations under this Agreement or any of the other Loan Documents or consent to any departure by Borrower therefrom shall be effective unless in writing, signed by Lender, and then only in the specific instance and for the specific purpose given.

7.12 NEUTRAL INTERPRETATION - This Agreement is the product of the negotiations between the parties, and in the interpretation and/or enforcement hereof is not to be interpreted more strongly in favor of one party or the other.

7.13 COSTS, EXPENSES, AND TAXES - Borrower shall pay to Lender, on demand:

7.13.1 Reasonable attorneys' fees and out-of-pocket expenses incurred by Lender in connection with the negotiation, preparation, execution, delivery, and administration of this Agreement and any other Loan Document and any matter related thereto, including, but not limited to, Lender's Project Architect and any other consultants, the appraisal of the Project, all of which shall also be deemed to be Approved Costs;

7.13.2 The reasonable costs and expenses of Lender in connection with the enforcement of this Agreement and any other Loan Document and any matter

related thereto, including the reasonable fees and out-of-pocket expenses of any legal counsel, independent public accountants, and other outside experts retained by Lender and including all costs and expenses of enforcing any judgment or prosecuting any appeal of any judgment, order or award arising out of or in any way related to the Loan, this Agreement, or the Loan Documents; and

7.13.3 All reasonable costs, expenses, fees, premiums, and other charges relating to or arising from the Loan Documents or any transactions contemplated thereby or the compliance with any of the terms and conditions thereof, including, but not limited to, recording fees, filing fees, credit report fees, release or reconveyance fees, title insurance premiums, all fees, costs and charges of the Fund Control, and the cost of realty tax service for the term of the Loan.

Except as otherwise provided in the Environmental Indemnity, all sums paid or expended by Lender under the terms of this Agreement shall be considered to be, and shall be, a part of the Loan. All such sums, together with all amounts to be paid by Borrower pursuant to this Agreement, shall bear interest from the date of expenditure at the rate provided in the Note, shall be secured by the Loan Documents, and shall be immediately due and payable by Borrower upon demand, except as otherwise provided herein.

7.14 SURVIVAL OF REPRESENTATIONS AND WARRANTIES - All representations and warranties of Borrower contained herein or in any and all other Loan Documents shall survive the making of the Loan and the execution and delivery of the Note, and are material and have been or will be relied upon by Lender, notwithstanding any investigation made by Lender or on behalf of Lender. For the purpose of this Agreement, all statements contained in any certificate, agreement, financial statement, appraisal or other writing delivered by or on behalf of Borrower pursuant hereto or to any other Loan Document or in connection with the transactions contemplated hereby or thereby shall be deemed to be representations and warranties of Borrower contained herein or in the other Loan Documents, as the case may be.

7.15 NOTICES - Except as provided in the Construction Deed of Trust, all notices, requests, demands, directions, and other communications provided for hereunder and under any other Loan Document (a "notice"), must be in writing.

If to Borrower	LB/L-DS VENTURES LOMPOC, LLC 3500 W. Olive Avenue Burbank, California 91505 Attn: Mr. Mel Andrews Facsimile No.: (818) 841-8072 Telephone No.: (818) 973-1702
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With a copy to: Mr. David Schwartzman
8383 Wilshire Blvd., #1000
Beverly Hills, California 90211
Facsimile No.: (323) 658-1520
Telephone No.: (323) 658-1511

If to Lender: PREFERRED BANK
3926 Grand Avenue, Suite E
Chino, California 91710
Attention: Anna Choi, First Vice President
Facsimile No.: (909) 972-0702
Telephone No.: (909) 972-0703

7.16 FURTHER ASSURANCES - Borrower shall, at its sole expense and without expense to Lender, do, execute, and deliver such further acts and documents as Lender from time to time may reasonably require for the purpose of assuring and confirming unto Lender the rights hereby created or intended, or for carrying out the intention or facilitating the performance of the terms of any Loan Document, or for assuring the validity of any security interest.

7.17 GOVERNING LAW - The Loan shall be deemed to have been made in California, and the Loan Documents shall be governed by and construed and enforced in accordance with the Laws of the State of California.

7.18 SEVERABILITY OF PROVISIONS - Any provision in any Loan Document that is held to be inoperative, unenforceable, or invalid shall be inoperative, unenforceable, or invalid without affecting the remaining provisions, and to this end the provisions of all Loan Documents are declared to be severable.

7.19 JOINT AND SEVERAL OBLIGATIONS - If this Agreement is executed by more than one Person as Borrower, the obligations of each of such Persons hereunder shall be joint and several obligations.

7.20 CONSTRUCTION - Whenever the context of this Agreement requires, the singular shall include the plural and the masculine gender shall include the feminine and/or neuter. The words "herein," "hereof", and "hereunder" and words of similar import refer to this Agreement as a whole and not to any particular Article, Section or subsection hereof. All references to "Articles", "Sections", "Exhibits" and other parts or subparagraphs are to be corresponding Articles, Sections, Exhibits or parts or subparagraphs of this Agreement, unless otherwise specified. The terms "include", "including" and forms thereof mean inclusive without limitation.

7.21 HEADINGS - Article and section headings in this Agreement are included for convenience of reference only and are not part of this Agreement for any other purpose.

7.22 JURY TRIAL WAIVER. IN ANY ACTION BROUGHT BY LENDER, BORROWER, OR ANY THIRD PARTY ARISING UNDER THIS AGREEMENT, THE NOTE, THE CONSTRUCTION DEED OF TRUST, THE ASSIGNMENT OF LEASES, THE ENVIRONMENTAL INDEMNITY, ANY OTHER LOAN DOCUMENTS, OR ANY DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION THEREWITH, INCLUDING, WITHOUT LIMITATION, ANY ACTION BASED UPON FRAUD, NEGLIGENCE, BREACH OF CONTRACT, WASTE, INTENTIONAL TORT OR NEGLIGENT TORT, BORROWER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY AND AGREES THAT SUCH ACTION SHALL BE TRIED BY THE COURT ONLY. BORROWER FURTHER AGREES TO EXECUTE AND TO FILE WITH ANY COURT IN WHICH ANY SUCH ACTION IS COMMENCED, ANY DOCUMENTS OR INSTRUMENTS NECESSARY TO EVIDENCE OR TO EFFECTUATE THIS WAIVER OF TRIAL BY JURY.

Borrower and Lender have initialed this Section 7.22 to further indicate its awareness and acceptance of each and every provision hereof.

Borrower's Initials *JA 701*

Lender's Initials

7.23 NO PARTNERSHIP OR JOINT VENTURE - The relationship between Borrower and Lender is, and shall at all times remain, solely that of Borrower and Lender. Neither of the parties is, nor shall it hold itself out to be, the agent, employee, joint venturer or partner of the other party; and Borrower shall indemnify and hold harmless Lender from any and all damages resulting from a contrary construction of the relationship of the parties, unless it is determined by a court of competent jurisdiction in a final non-applicable judgment, that Lender, verbally or in writing, has expressly held itself as one or more of the foregoing in regard to Borrower. Except as specifically provided in the Loan Documents, neither Borrower nor Lender shall solicit, negotiate, execute or enter into any agreements of whatsoever nature on behalf of or in the name of the other or deal with third parties so as to commit or bind the other or purport to commit or bind the other in any manner whatsoever.

7.24 USA PATRIOT ACT NOTICE - Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of Borrower, Guarantor or other related persons.

[Signature page to follow.]

7.22 JURY TRIAL WAIVER. IN ANY ACTION BROUGHT BY LENDER, BORROWER, OR ANY THIRD PARTY ARISING UNDER THIS AGREEMENT, THE NOTE, THE CONSTRUCTION DEED OF TRUST, THE ASSIGNMENT OF LEASES, THE ENVIRONMENTAL INDEMNITY, ANY OTHER LOAN DOCUMENTS, OR ANY DOCUMENT OR INSTRUMENT EXECUTED IN CONNECTION THEREWITH, INCLUDING, WITHOUT LIMITATION, ANY ACTION BASED UPON FRAUD, NEGLIGENCE, BREACH OF CONTRACT, WASTE, INTENTIONAL TORT OR NEGLIGENT TORT, BORROWER HEREBY WAIVES ANY RIGHT TO TRIAL BY JURY AND AGREES THAT SUCH ACTION SHALL BE TRIED BY THE COURT ONLY. BORROWER FURTHER AGREES TO EXECUTE AND TO FILE WITH ANY COURT IN WHICH ANY SUCH ACTION IS COMMENCED, ANY DOCUMENTS OR INSTRUMENTS NECESSARY TO EVIDENCE OR TO EFFECTUATE THIS WAIVER OF TRIAL BY JURY.

Borrower and Lender have initialed this Section 7.22 to further indicate its awareness and acceptance of each and every provision hereof.

Borrower's Initials

Lender's Initials

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7.24 USA PATRIOT ACT NOTICE - Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account or obtains a loan. Lender will ask for Borrower's legal name, address, tax ID number or social security number and other identifying information. Lender may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of Borrower, Guarantor or other related persons.

[Signature page to follow.]

IN WITNESS WHEREOF, Borrower and Lender have hereunto caused this Agreement to be executed as of the date first above written.

Borrower:

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: LB/Lakeside Capital Partners LLC,
a Delaware limited liability company
Its: Managing Member

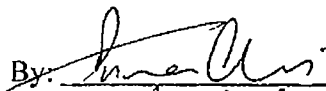
By: _____
Name: _____
Its: Authorized Signatory

Borrower's Address:

4444 Lakeside Drive, Suite 120
Burbank, California 91505

Lender:

PREFERRED BANK,
a California banking corporation

By: 
Name: ANNA CADY
Its: FIRST VICE PRESIDENT

Lender's Address:

3926 Grand Avenue, Suite E
Chino, California 91710

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

EXHIBIT "B"
Cost Breakdown

Item	Total	Owner Equity	Bank Loan
Land cost ("as is" value)*	\$ 3,200,000	\$ 3,200,000	\$ 0
School Fees/Permits	\$ 600,000	\$ 23,139	\$ 576,861
Architect/Engineering	\$ 305,000		\$ 305,000
Insurance	\$ 175,000		\$ 175,000
Marketing	\$ 280,000		\$ 280,000
Other Soft Cost	\$ 73,840		\$ 73,840
Hard Construction Costs	\$ 4,944,629		\$ 4,944,629
Contingency Reserve (5%)	\$ 247,231		\$ 247,231
Const Cost/SF: \$95.24/sf)			
Developer's Overhead	\$ 360,000	\$ 360,000	\$ -
Loan Fee (1%)	\$ 72,500		\$ 72,500
Interest Reserve (9.5%, 15mos, 60%)	\$ 517,000		\$ 517,000
Disbursement Control (NBC @0.75%)	\$ 38,939		\$ 38,939
Appraisal Fee	\$ 6,650	\$ 6,650	\$ -
Title & closing	\$ 8,000		\$ 8,000
Legal Fee	\$ 8,000		\$ 8,000
Processing Fee	\$ 500		\$ 500
Soft Cost Contingency	\$ 2,500		\$ 2,500
Total	\$ 10,839,789	\$ 3,589,789	\$ 7,250,000
\$/sf	\$198.85		\$133.00
Equity %	100.00%	33.12%	66.88%