

ATTACHMENT TO PROOF OF CLAIM

United States Bankruptcy Court, Central District of California, Case No. 08-13150-RK

Debtor: James C. Gianulias

Creditor: Bank of the West, a California banking corporation, as Agent and as a Lender

Guarantor: James C. Gianulias – Guaranty (Attached as Exhibits E and G).

Lender: Bank of the West – (Attached Loan Documents and Promissory Notes as Exhibits A thru D and F).

Payoff breakdown for Proof of Claim as of November 5, 2008:

T.S. Number: N/A
Loan Number: 1050315395-00026

Trustor Name: JB Redmond, LLC

Property Address: 3211 N. Highway 97
Redmond, OR 97756

The amount of Payoff on the above referenced loan is through 11/5/08 is as follows:

PRINCIPAL AND INTEREST

Unpaid Principal Balance: \$6,390,986.72

Note Rate Interest from 5/1/08 to 11/5/08 \$213,046.57

Default Rate Interest from 3/20/08 to 11/5/08 \$203,841.26

Note Rate Per Day as of 11/5/08 @ \$710.11

Default Rate Per Day as of 11/5/08 @ \$887.64

Late Charges: \$10,735.97

Title Recording Fee: \$61.00

Bank Legal Fees 4/17/08 through 8/31/08 \$2,371.03

Updated Appraisal Fee \$2,460.00

Reconveyance Fee \$60.00

TOTAL AMOUNT TO PAYOFF: \$6,823,562.55

TERM LOAN AGREEMENT

THIS TERM LOAN AGREEMENT ("Agreement") is made as of July 9, 2007, by and between JB REDMOND, LLC, a California limited liability company ("Borrower") and BANK OF THE WEST, a California banking corporation ("Bank").

1. DEFINITIONS OF TERMS USED IN THIS AGREEMENT:

1.1 Agreement to Furnish Insurance: The Agreement to Furnish Insurance of even date herewith, executed by Borrower.

1.2 Borrower's Equity: The sum of at least \$2,390,135 which has been or shall be paid for the costs of acquiring the Property by Borrower, from sources other than proceeds of the Loan or of any other borrowing from any person.

1.3 Borrower's Interest: The rate or rates of interest to be paid to Bank in respect to the Loan set forth in the Note.

1.4 Default Interest: The rate of interest specified in the Note which shall be in effect in the Event of Default.

1.5 Disbursement Schedule: The schedule of disbursement of the proceeds of the Loan as set forth on Exhibit "A" attached hereto and made a part hereof.

1.6 Environmental Indemnity: The Environmental Indemnity Agreement of even date herewith by Borrower.

1.7 Extension Fee: The fee to be paid by Borrower to Bank for the six (6) month extension of the Maturity Date provided for in Section A of Exhibit "B" of this Agreement, which fee is set forth in the Fee Agreement.

1.8 Fee Agreement: That certain Fee Agreement of even date herewith between Bank and Borrower.

1.9 Financial Statements: Financial statements of the Borrower and Guarantor and such other entity required by Bank including operating statements, balance sheet and such other financial reports that Bank may require.

1.10 Governmental Authority: The authority of the United States, the State in which the Property is located, any political subdivision thereof, any city and any agency, department, commission, board, bureau or instrumentality of any of them.

1.11 Governmental Requirement or Local Requirement: Any law, ordinance, order, rule or regulation of a Governmental Authority or Local Authority, respectively, including but not limited to the applicable general and specific plans, if any, and the zoning, subdivision, grading and building ordinances, any applicable tentative subdivision map and conditions of approval thereof, and any conditional use permits, planned development permit or plan and the conditions of approval thereof.

1.12 Guarantor: Individually and collectively, Cameo Homes, a California corporation ("**Cameo Homes**") and James C. Gianulias, individually and as Trustee of the James Chris Gianulias 1998 Trust U/D/T dated December 22, 1998, as amended and restated October 14, 2003 (collectively, "**Gianulias**").

1.13 Guaranty: The guaranty executed by the person or persons named herein as Guarantor, which guarantees the performance of Borrower's obligations pursuant to the Note and any other obligations referred to in such Guaranty.

1.14 Initial Closing: The time of the execution and delivery hereof by Borrower and Bank.

1.15 Initial Disbursement: The payment upon Recordation of costs, charges, expenses and items associated with the Loan and to refinance certain indebtedness, as set forth in Section 6.1.

1.16 Loan: The principal amount evidenced by the Note, i.e., \$5,850,000.

1.17 Loan Documents: The documents and agreements now or hereafter executed by Borrower or any Guarantor in favor of Bank with respect to the Loan, inclusive of this Agreement, the Note, the Trust Deed and the Security Agreements, the Environmental Indemnity, the Guaranty, the Fee Agreement, and the other documents described in Section 4.1.

1.18 Loan Fee: The fee to be paid to Bank in consideration for Bank agreeing to make the Loan and entering into this Agreement, which fee shall not be subject to reduction or be refundable under any and all circumstances, and which fee is payable upon Recordation, in an amount as agreed upon by Bank and Borrower in the Fee Agreement.

1.19 Local Authority: Any Governmental Authority which exercises jurisdiction over the Property or construction thereon.

1.20 Maturity Date: The date the Loan is due and payable in full under the terms of the Note, which is August 5, 2008. The Maturity Date is subject to extension under the terms of Section A of Exhibit "B" of this Agreement.

1.21 Note: The Promissory Note Secured by Deed of Trust of even date herewith executed by Borrower as maker and payable to Bank or order, in the principal amount of the Loan.

1.22 Obligor: Borrower, each Guarantor, each general partner of Borrower or Guarantor (if Borrower or such Guarantor is a partnership), and any guarantor, co-maker, endorser, or any person or entity other than Borrower providing security for the Note.

1.23 Personal Property: That property described in the Trust Deed or Security Agreements which is not Real Property and which is collateral for the Loan.

1.24 Project: The residential/commercial/retail project which is anticipated to be constructed on the Property.

1.25 Property or Real Property: That certain Real Property located in the County of Deschutes, State of Oregon, legally described in the Trust Deed.

1.26 Recordation: The act of recording the Trust Deed in the official records of the County in which the Property is situated.

1.27 Security Agreements: Any agreements, other than the Trust Deed, securing the Loan, the performance hereunder and interest, costs and charges associated therewith (including but not limited to any assignments of contracts and rights which may be required under this Agreement).

1.28 Special Tax: As to any property, (a) any special assessment or other tax which is or may become a lien affecting such property, other than general ad valorem real property taxes, and (b) any assessment, improvement, community facilities or other special taxing district in or into which such property is or may be located or incorporated or under which any special assessment or other tax which is or may become a lien affecting such property is or may be imposed.

1.29 Title Insurer: The issuer of the Title Policy i.e., First American Title Insurance Company of Oregon.

1.30 Title Policy: Bank's title insurance policy for the Trust Deed, with all endorsements required to be issued by Title Insurer under Section 8.1.

1.31 Trust Deed: The Mortgage or Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing in favor of Bank of even date herewith encumbering the Property and given to secure the Note and Borrower's obligations under this Agreement.

2. LOAN:

2.1 Purpose: Borrower has applied to Bank for the Loan for the purpose of acquiring the Property and paying the costs, fees and expenses incurred by or to Bank in the course of opening this credit facility, including all loan origination fees and Bank's attorneys' fees, recording fees and title insurance and endorsement premiums.

2.2 Loan Documentation: Bank and Borrower agree that Bank shall make the Loan to Borrower and Borrower shall accept the Loan upon the terms, conditions, covenants, representations and warranties contained herein. All Loan funds disbursed hereunder shall be evidenced by the Note, shall bear interest at the rate of Borrower's Interest or Default Interest, as the case may be, and shall be secured by the Trust Deed and the Security Agreements.

2.3 Effective Date: Notwithstanding the date shown on any of the Loan Documents and except as described in the final paragraph of Exhibit "A", Borrower's and Bank's obligations under the Loan Documents will not become effective until Recordation. However, Borrower shall be obligated to pay to Bank all of the following amounts, whether or not Recordation occurs:

(a) Bank's costs and expenses described in Section 1 of Exhibit "A";
and

(b) Repayment of all funds Bank may have wired to Title Insurer, escrow holder or its designee pursuant to the last paragraph of Exhibit "A." and all interest accrued thereon from the date of disbursement, at the Borrower's Interest rate.

3. LOAN PROCEEDS: All outstanding principal of the Loan shall bear interest at a rate equal to Borrower's Interest or Default Interest, as the case may be, to accrue thereon with respect to each disbursement on and after the date such disbursement is made. Until disbursed, such proceeds shall neither bear nor earn interest.

4. CONDITIONS PRECEDENT TO RECORDATION: Prior to Recordation the following conditions shall have been satisfied:

4.1 Loan Documents: Bank shall have received all of the following, in form and substance acceptable to Bank:

4.1.1 the executed Note;

4.1.2 the executed Trust Deed;

4.1.3 the executed letter regarding Authorized Signatures, from Borrower;

4.1.4 the executed Environmental Indemnity;

4.1.5 each Guaranty duly executed by each Guarantor;

4.1.6 the executed Agreement to Furnish Insurance;

4.1.7 Notice of Applicant's Right to Receive Copy of Appraisal or Other Valuation Report;

4.1.8 Authorization to Obtain Credit, Grant Security, Guarantee or Subordinate for Borrower; and

4.1.9 Authorization to Obtain Credit, Grant Security, Guarantee or Subordinate for Cameo Homes.

4.2 Due Diligence Items: Bank shall also have received and approved:

4.2.1 an executed copy of the purchase agreement and any amendments thereto in connection with the purchase of the Property by Borrower;

4.2.2 an executed copy of the escrow settlement statement in connection with the purchase of the Property by Borrower;

4.2.3 original insurance policies or certificates thereof for the insurance required by Section 8.3 hereof and the Agreement to Furnish Insurance;

4.2.4 Preliminary Title Report issued by Title Insurer showing the condition of Title to the Property with the Property's legal description and a copy of all documents listed as exceptions to said title report;

4.2.5 intentionally omitted;

4.2.6 intentionally omitted;

4.2.7 for Borrower, current certificates of status issued by the Secretary of State of California and the Secretary of State of Oregon, together with the filed and/or recorded Articles of Organization, the operating Agreement and Management Agreement (if applicable), including all amendments, and evidence of Borrower's qualification to do business in the State of Oregon; and

4.2.8 for Cameo Homes, a certificate of good standing, together with:

(a) its Articles of Incorporation and all amendments thereof; and

(b) a certified Resolution of the Board of Directors authorizing the execution, delivery and performance under the Guaranty executed by Cameo Homes.

4.2.9 for Gianulias, a copy of the relevant portions of the declaration of trust and a trustee's certificate of trust executed pursuant to California Probate Code Section 18100.5 in form and substance satisfactory to Bank.

5. CONDITIONS PRECEDENT TO DISBURSEMENT:

5.1 Initial Disbursement Conditions: Prior to Initial Disbursement the following conditions shall have been satisfied, in addition to those in Section 4:

5.1.1 Recordation shall have occurred.

5.1.2 Title Insurer shall have issued or agreed to issue the Title Policy described in Section 8.1 hereof, naming Bank as insured to the extent of the Loan amount.

5.2 Subsequent Disbursement Conditions: Prior to making disbursements after the Initial Disbursement, except for the last disbursement, the following conditions shall have been satisfied:

5.2.1 Initial Disbursement shall have occurred.

5.2.2 Bank shall have been furnished with a certificate issued by the filing officer of the Secretary of State for the state where Borrower was formed.

5.2.3 No Event of Default shall exist under any Loan Document (subject to the provisions of Section 9.1 below.

5.2.4 All the conditions for the disbursement set forth in the paragraph indicated under Part II of the Disbursement Schedule (Exhibit "A") shall have been satisfied.

5.2.5 The representations and warranties of Borrower made in Section 7 hereof shall be true and correct on and as of the date of the disbursement with the same effect as if made on such date.

5.3 Special Conditions. Disbursements shall be subject to satisfaction of any applicable special conditions pursuant to Exhibit "B."

6. LOAN DISBURSEMENT: The proceeds of the Loan shall be used as set forth on the Disbursement Schedule, and shall be disbursed as follows:

6.1 Initial Disbursement: Immediately following Recordation, and upon satisfaction of the conditions of Section 5.1 hereof, Bank shall disburse in accordance with the Disbursement Schedule the amounts necessary to pay all costs, charges and expenses incurred or to be incurred (as estimated by Bank) in connection with the Loan or payable pursuant to this Agreement, the Trust Deed or Security Agreements, including but not limited to Loan Fees (which are deemed earned at Recordation and are not refundable in whole or part), service charges, title charges, tax and lien service charges, recording fees, escrow fees, appraisal fees, legal fees, and a portion of the amount required to complete the purchase of the Property.

6.2 Subsequent Disbursements: Upon satisfaction of the conditions of Section 5.2 hereof, Bank shall disburse directly to Bank such sums as are required for the payment of interest on the Loan, up to the amount allocated for such purpose in Exhibit "A". All disbursements shall be made in accordance with the applicable provisions of the Disbursement Schedule. Any funds disbursed hereunder to Borrower shall be received by Borrower in trust and Borrower agrees that the same shall be used only for the payment of those items contemplated by the particular disbursement.

7. REPRESENTATIONS AND WARRANTIES OF BORROWER: Borrower represents and warrants, which representations and warranties shall survive any investigations, inspections or inquiries made by Bank or any of its representatives or any disbursements made by Bank hereunder (except for the representations and warranties of Section 7.4 below, which are reinstated as described therein); that:

7.1 Formation and Qualification: Borrower is duly organized and validly existing under the laws of the State of California, is duly registered in the State of Oregon, is in good standing in the States of California and Oregon, and Borrower has all requisite power and authority to conduct its business and to own and lease its properties.

7.2 Loan Documents: The execution, delivery and performance of the Loan Documents are within Borrower's power and authority, have been duly authorized by all necessary action and do not and will not (a) require any authorization, consent, approval, order, license, permit, exemption or other action by or from, or any filing, registration or qualification with, any Governmental Authority or other person, which has not been obtained, (b) contravene the organizational documents and governing agreements of Borrower, any applicable laws or other requirements or any agreement or restriction binding on or affecting Borrower or its property, or (c) result in or require the creation or imposition of any lien or right of others upon or with respect to any property now or in the future owned by Borrower (other than liens in favor

of the Bank). No authorization, consent, approval, order, license, permit, exemption or other action by or from, or any filing, registration or qualification with, any Governmental Authority or other person, which has not been obtained is required for the creation of the security interests in the Property or other assets of Borrower pursuant to the Trust Deed and Security Agreements or the enforcement by the Bank of its remedies under the Loan Documents. Each Loan Document, when executed and delivered, will constitute the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or other similar laws affecting the rights of creditors generally.

7.3 Compliance with Law: Borrower has complied in all material respects with all federal, state and local laws, rules and regulations affecting Borrower, its assets and its business and the Property.

7.4 Financial Statements: The Financial Statements heretofore delivered to Bank are true and correct in all respects, fairly present the respective financial conditions of the subjects thereof as of their respective dates, and have been prepared (i) for Gianulias, in accordance with accounting principles applied on a basis consistently followed in all material respects throughout the periods involved and (ii) for Cameo Homes, in accordance with generally accepted accounting practices or tax based accounting principles consistent with statements provided to Bank prior to Recordation. No material adverse change has occurred in the financial conditions reflected in the Financial Statements since their respective dates and no additional borrowings have been made by Borrower since the date thereof other than the borrowing contemplated hereby or approved by Bank. This representation shall be deemed amended to refer to the most recent Financial Statements that are delivered to Bank, upon such delivery to Bank, until the next set of Financial Statements are delivered to Bank.

7.5 Litigation: There are no actions, suits or proceedings pending, or to the knowledge of Borrower threatened against or affecting it or the Property, or involving the validity or enforceability of the Trust Deed or the priority of the lien thereof, at law or in equity, or before or by any Governmental Authority or Local Authority. To the Borrower's knowledge it is not in default with respect to any order, writ, injunction, decree or demand or any court or any Governmental Authority or Local Authority.

7.6 No Breach: The consummation of the transaction hereby contemplated and performance of this Agreement, Trust Deed and Security Agreements and any other Loan Documents will not result in any breach of, or constitute a default under any mortgage, deed of trust, lease, bank loan or security agreement, corporate charter, by-laws or other instrument or agreement to which the Borrower or Guarantor is a party or by which it may be bound or affected.

7.7 Other Liens: Borrower has made no contract or arrangement of any kind, the performance of which by the other party thereto would give rise to a lien on the Property.

7.8 Legality of Sales; Special Taxes: The Property is not subject to or affected by any existing or proposed Special Taxes (other than Special Taxes reflected on current tax bills).

7.9 No Default: There is no default on the part of Borrower under this Agreement or any other Loan Document, and no event has occurred and is continuing which with notice or the passage of time or either would constitute a default under any thereof.

7.10 Title to Personal Property: Any personal property required by Bank as security for the Note is vested in Borrower free and clear of all liens, encumbrances and adverse claims and that the security interest of Bank in the personal property shall be a first lien thereon.

7.11 Other Financing: Borrower has not received other financing for either the acquisition of the Property or the construction and installation of any improvements on the Property except as has been specifically disclosed in writing to, and approved by, Bank prior to Recordation.

7.12 Borrower's Powers: Borrower has full power and authority to execute this Agreement, the Note, the Trust Deed and the Security Agreements and to undertake and consummate the transactions contemplated hereby and thereby, and to pay, perform and observe its conditions, covenants, agreements and obligations herein and therein contained.

7.13 Commissions and Fees: Borrower has not dealt with any person, firm or corporation who is or may be entitled to any finder's fee, brokerage commission, loan commission or other sum in connection with the execution of this Agreement, or the making of the Loan by Bank to Borrower, and Borrower does hereby indemnify and agree to hold Bank harmless from and against any and all loss, cost liability or expense, including reasonable attorney's fees, Bank may suffer or sustain should such warranty or representation prove inaccurate in whole or in part.

8. BORROWER'S COVENANTS: Borrower covenants and agrees until the full and final payment of the Loan, unless Bank waives compliance in writing, that it will:

8.1 Title Insurance: Deliver or cause to be delivered to Bank at Recordation or within a reasonable time thereafter an ALTA 2006 Loan Policy of Title Insurance with a liability limit of not less than the face amount of the Note, issued by Title Insurer, insuring Bank's interest under the Trust Deed as a valid first lien on the Property. Said policy shall contain only such exceptions from its coverage as shall have been approved in writing by Bank. After Recordation, Borrower shall at its own cost and expense, maintain the Trust Deed as a first lien on the Property and deliver or cause to be delivered to Bank from time to time the endorsements and policies referred to herein.

8.2 Litigation: Borrower will notify Bank, within fifteen (15) Business Days of Borrower becoming aware of any (a) actions, suits or proceedings pending, or to the knowledge of Borrower threatened against or affecting it or the Property, or involving the validity or enforceability of the Trust Deed or the priority of the lien thereof, at law or in equity, or before or by any Governmental Authority or Local Authority, or (b) default with respect to any order, writ, injunction, decree or demand or any court or any Governmental Authority or Local Authority.

8.3 Insurance: Maintain and keep in force adequate amounts of such insurance as is usual in Borrower's business and acceptable to Bank, including, without limitation, such fire and

extended coverage casualty insurance (other than earthquake) and liability insurance as is required by the Trust Deed or the Agreement to Furnish Insurance.

8.4 Maintain Records: Keep and maintain full and accurate accounts and records of its operations according to generally accepted accounting principles or tax based accounting and practices for its type of business.

8.5 Taxes: Pay and discharge all lawful claims, including taxes, assessments, and governmental charges or levies imposed upon it or its income or profits or upon any properties belonging to it prior to the date upon which penalties attach thereto; provided that Borrower shall not be required to pay any such tax, assessment, charge, or levy, the payment of which is being contested in good faith and by proper proceedings so long as proceedings for collection thereof have been stayed and the obligation to pay is secured by the posting of a bond or other legally sufficient security.

8.6 Notification of Events of Default: Promptly notify Bank in writing of the occurrence of any Event of Default under this Agreement, the Note, the Trust Deed or the Security Agreements or of any facts then in existence which would become an Event of Default hereunder or thereunder upon the giving of notice or the lapse of time or both.

8.7 Payment of Expenses: Pay within five (5) days after Bank's demand, all reasonable and necessary expenses incidental to the making and administration of the Loan including, without limit, preclosing and closing expenses, commitment fees, expenses incurred for architectural and engineering review, construction inspection fees, environmental review fees, attorney's fees, appraiser's fees and appraisal review fees regardless of whether any such services are provided by Bank's employees or agents or by independent contractors.

8.8 No Conveyance or Encumbrance: Not to sell, convey, transfer, dispose of, grant a lien or security interest in, or otherwise further encumber the Property or any part thereof or any interest therein or enter into a lease covering all or any portion thereof or an undivided interest therein, either voluntarily, involuntarily or otherwise, or enter into an agreement so to do without the prior written consent of Bank being first had and obtained. All easements, declarations of covenants, conditions and restrictions, and private or public dedications affecting the Property shall be submitted to Bank for its approval and such approval shall be obtained prior to the execution or granting of any thereof by Borrower, accompanied by a drawing or survey showing the precise location of each thereof. If Borrower is a legal entity, any of the following transfers of any beneficial interest in Borrower shall be deemed to constitute a transfer of the Property for purposes of this Section: (a) if Borrower is a partnership, the transfer of any general partnership interest or (unless traded in a recognized public exchange) of more than twenty-five percent (25%) of the limited partners' interest; (b) if Borrower is a corporation, the transfer (unless traded in a recognized public exchange) of more than twenty-five percent (25%) of the voting common shares or the creation or issuance of any new class of shares, (c) if Borrower is a limited liability company, the transfer (unless traded in a recognized public exchange) of more than twenty-five percent (25%) in interest therein, and (iv) if Borrower is a trust, any change in the effective holding of the beneficial interest of more than twenty-five percent (25%) of the assets thereof; provided however, the same shall not be deemed a transfer as long as, giving effect to all

transfers, James C. Gianulias directly or indirectly controls fifty-one percent (51%) or more of Borrower.

8.9 Comply with Government Requirements: Comply promptly with any Governmental Requirement or Local Requirement.

8.10 Satisfy Conditions: Cause all conditions hereof to be satisfied at the time and in the manner herein provided.

8.11 Preliminary Notices: Deliver to Bank copies of all preliminary notices and other matters served on Borrower pursuant to the mechanics lien and stop notice or notice to withhold laws of the State in which the Property is located.

9. EVENTS OF DEFAULT: Each of the following shall constitute an "Event of Default" hereunder (including, if Borrower consists of more than one person, the occurrence of any of such events with respect to any one or more of said persons):

9.1 Payment: Borrower's failure to pay when due any payment required under any of the Loan Documents or any other document evidencing or securing the Loan and such failure continues for ten (10) days after the due date thereof (any default under this Section 9.1 shall be deemed to be a monetary default); or

9.2 Covenants Against Transfer: The failure of Borrower to comply with the covenants contained in Section 8.8 hereof; or

9.3 Breach of Covenants: The failure of Borrower or any Guarantor to comply with any other covenant contained in any of the Loan Documents or any other document evidencing or securing the Loan and such failure continues for thirty (30) days after written notice thereof to Borrower by Bank (provided that, if the cure reasonably requires more than thirty (30) days to complete, then such thirty (30) day period may be extended for the time reasonably necessary, but in no event later than ninety (90) days after such written notice, but only if all the following conditions are satisfied: (i) Borrower commences the cure within thirty (30) days after such notice, (ii) Borrower diligently and continuously pursues such cure to completion, (iii) within thirty (30) days after such notice, Borrower gives Bank written notice of Borrower's intent to cure, including the steps that Borrower intends to take to cure and the reason(s) that such cure will take more than thirty (30) days to complete, and (iv) no monetary Events of Default are continuing during such extended cure period (subject to the provisions of Section 9.14 below)); or

9.4 Representations and Warranties: Any representation, warranty, statement, certificate, schedule or report furnished by Borrower or any Guarantor, or any of their constituent entities in connection with the Loan, whether given in this Agreement or any of the other Loan Documents or otherwise, shall be false or misleading in any material respect as of the time made or furnished; or

9.5 Financial Defaults: The failure by Borrower or any Guarantor to pay when due any of its material obligations owing to Bank in connection with this Loan; or

9.6 Injunctions: If Borrower or any Guarantor is enjoined, restrained or in any way prevented by court order from conducting all or a substantial part of its business affairs, and such proceedings or injunction have not been dismissed or stayed within sixty (60) days from the date of filing of such proceeding or entry of such injunction; or

9.7 Receiver: The appointment of a receiver, trustee, conservator, or liquidator of Borrower, any Guarantor or the Property, or any portion thereof; or

9.8 Bankruptcy: A filing by Borrower or any Guarantor of (i) a voluntary petition in bankruptcy, seeking reorganization or rearrangement or taking advantage of any debtor relief laws, or (ii) an answer admitting the material allegations of a petition filed against Borrower or any Guarantor in any bankruptcy, reorganization, insolvency, conservatorship or similar proceeding, or (iii) an admission in writing confirming the inability to pay its debts as they become due; or

9.9 General Assignment: The making by Borrower or any Guarantor of a general assignment for the benefit of its creditors; or

9.10 Insolvency: The entry of an order, judgment or decree by any court of competent jurisdiction adjudicating Borrower or any Guarantor as bankrupt or insolvent, if, in the event of an involuntary bankruptcy only, such entry is not dismissed within sixty (60) days, or approving a petition seeking reorganization of Borrower or any Guarantor or an arrangement of the debts of any of them, or appointing a receiver, trustee, conservator, or liquidator of Borrower or any Guarantor or any portion of the Property or any other property of any of them; or

9.11 Adverse Change: The occurrence of an uninsured casualty to the Property and Borrower's failure to either satisfy all of the conditions of Section 3.3(b) of the Trust Deed or repay to Bank all amounts owing under the Loan Documents, in either case, within 45 days after Bank's written notice; or

9.12 Failure of Condition: The inability of Borrower to satisfy any condition for the receipt of a disbursement hereunder and failure to resolve the situation to the satisfaction of Bank, for a period in excess of ten (10) days after written notice from Bank to Borrower demanding such satisfaction; or

9.13 Guaranty/Environmental Indemnity: Any Guaranty or Environmental Indemnity is repudiated or any Guarantor claims that its Guaranty or Environmental Indemnity is ineffective or unenforceable, in whole or in part and for any reason, with respect to amounts or obligations then outstanding or amounts or obligations that might in the future be outstanding.

9.14 Continuing Events of Default: After an Event of Default has occurred, the Event of Default will be deemed to be "continuing" for purposes of the Loan Documents until either:

(a) Bank is obligated to reinstate the indebtedness pursuant to California Civil Code Section 2924c(a)(1), or

(b) Bank expressly agrees, in writing, that the Event of Default is no longer continuing.

9.15 Death: The death of James C. Gianulias (provided that such Event of Default shall be suspended if, within 90 days after his death, (i) each of the then trustees of the trust that is a Guarantor reaffirms the Guaranties that were previously executed by James C. Gianulias individually and as trustee of such trust, and (ii) the executor or administrator of the estate of James C. Gianulias reaffirms on behalf of the estate, the Guaranties that were previously executed by James C. Gianulias, as an individual.

10. REMEDIES: If any of the Events of Default set forth in Section 9 occur, then Bank, in addition to its other rights hereunder, may at its option, without prior demand or notice may do any or all of the following:

10.1 Terminate the obligation of Bank to make disbursements hereunder.

10.2 Declare the Note immediately due and payable.

10.3 Notwithstanding the exercise of either one or both of the remedies described in Sections 10.1 and 10.2 hereof, Bank may make any disbursements after the happening of any one or more of said Events of Default without thereby waiving its right to demand payment of the Note and without liability to make any other or further disbursements.

10.4 Proceed as authorized by law to satisfy the indebtedness of Borrower to Bank and, in that regard, Bank shall be entitled to all of the rights, privileges and benefits contained in the Trust Deed and Security Agreements or other Loan Documents.

10.5 Take possession of all funds and deposits of Borrower on hand or deposited in any account at Bank or any branch at Bank and apply said funds in such order at priority as Bank may elect in connection with the obligations of Borrower, hereunder, under the Note, the Trust Deed and the other Loan Documents; provided, however, that, upon any such application of funds, Bank shall be deemed to have made immediate demand upon Borrower to deposit replacement funds into the funds and deposits of Borrower in the amount so applied and such payment or deposit shall be due and payable within five (5) days after notice to Borrower).

11. INTENTIONALLY OMITTED.

12. SECURITY INTEREST: Borrower does hereby give and grant to Bank a security interest in all funds and deposits of Borrower on deposit at Bank or any branch of Bank, as additional security for the obligations of Borrower contained in the Note, Trust Deed or the Security Agreements.

13. FINANCIAL STATEMENTS: Borrower shall, and shall cause each Guarantor to, provide Bank the following Financial Statements ("Financial Statements"):

13.1 within ninety (90) days after the end of each fiscal year of Borrower and Cameo Homes (calendar year for Gianulias) copies of the financial statements (including, balance sheets, profit and loss statements, changes in financial position, and any other information provided to Bank in connection with underwriting the Loan) of Borrower and Guarantor for the prior fiscal/calendar year, as applicable, all in reasonable detail and prepared for Borrower in accordance with generally accepted accounting principles or other tax based accounting

consistent with statements provided to Bank prior to Recordation, and for Gianulias, in accordance with accounting principles consistently applied, and certified by the party delivering such financial statement; and

13.2 on or before March 31st for the six-month period ending December 31st and on or before September 30th for the six-month period ending June 30th, each Guarantor's financial statements as of the end of such period certified by the party providing such statements; and

13.3 within thirty (30) days after the filing thereof, copies of Borrower's and each Guarantor's tax returns including all schedules and K-1 forms, signed by the authorized representative of Borrower or each Guarantor, as applicable, to confirm the accuracy and completeness thereof.

14. SIGNS: During the term of the Loan, Borrower hereby grants Bank the right to erect or cause to be erected Bank's sign or signs in size and location desired by Bank on the Property so long as such sign or signs do not interfere with the reasonable construction of any improvements on the Property and do not disclose the amount of the financing.

15. GENERAL CONDITIONS:

15.1 No Waiver: No delay or omission of Bank in exercising any right or power arising from any default by Borrower shall be construed as a waiver of such default or as an acquiescence therein, nor shall any single or partial exercise thereof preclude any further exercise thereof. Bank may, at its option, waive any of the conditions herein and any such waiver shall not be deemed a waiver of Bank's rights hereunder but shall be deemed to have been made in pursuance of this Agreement and not in modification thereof. No waiver of any Event of Default shall be construed to be a waiver of or acquiescence in or consent to any preceding or subsequent Event of Default.

15.2 No Third Party Benefits: This Agreement is made for the sole benefit of Borrower and Bank, their successors and assigns and no other person or persons shall have any rights or remedies under or by reason of this Agreement nor shall Bank owe any duty whatsoever to any claimant for labor performed or material furnished in connection with the construction of any improvements on the Property, to apply any undisbursed portion of the Loan to the payment of any such claim or to exercise any right or power of Bank hereunder or arising from any default by Borrower.

15.3 Notice: All notices, demand or other communication required or allowed to be given hereunder to either party shall be given in writing (at the address set forth below their respective signatures, below) by any of the following means: (a) personal service; (b) electronic communication; (c) overnight courier; or (d) registered or certified, first class mail, return receipt requested. Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice, demand or request sent pursuant to either subsection (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to subsection (c) shall be deemed received on the business day immediately following deposit with the overnight courier and, if sent pursuant to subsection (d) shall be deemed received forty-eight (48) hours following deposit into

the mail. It is understood and agreed that each of the parties will use reasonable efforts to send copies of any notices marked "With a copy to"; provided, however, that failure to deliver such copy or copies shall have no consequences whatsoever to the effectiveness of any notice made to the other party.

15.4 Death or Dissolution of Partner: In the event of the dissolution of Borrower or any Guarantor that is not a natural person or the death of any individual Guarantor (subject to the provisions of Section 9.15) prior to the disbursement of the balance of Loan proceeds, Bank may cease disbursements hereunder (unless, solely in the case of a legal entity, the organizational documents provide for and the entity in fact does continue after such death or dissolution).

15.5 Indemnity: Borrower agrees to indemnify, defend Bank against, and hold Bank harmless from, any and all losses, damages (whether general or otherwise), liabilities, claims, causes of action (whether legal, equitable or administrative), judgments, court costs and legal or other expenses (including attorney's fees) which Bank may suffer or incur as a direct or indirect consequence of: (i) Bank's performance of this Agreement or any of the Loan Documents, including, without limitation, Bank's exercise or failure to exercise any rights, remedies or powers in connection with this Agreement or any of the Loan Documents; (ii) Borrower's failure to perform any of Borrower's obligations as and when required by this Agreement or any of the Loan Documents, including, without limitation, any failure, at any time, of any representation or warranty of Borrower to be true and correct and any failure by Borrower to satisfy any condition; (iii) any claim or cause of action of any kind by any person or entity to the effect that Bank is in any way responsible or liable for any act or omission by Borrower, whether on account of any theory of derivative liability or otherwise; (iv) any act or omission by Borrower or any other person or entity, except Bank, with respect to any of the Property or improvements to be constructed on the Property; (v) any claim or cause of action of any kind by any person or entity which would have the effect of denying Bank the full benefit or protection of any provision of this Agreement or the Loan Documents; or (vi) any act or omission by Borrower or any other party with respect to the Property or otherwise arising out of or relating to the Property in any manner. Bank's rights of indemnity shall not be directly or indirectly limited, prejudiced, impaired or eliminated in any way by any finding or allegation that Bank's conduct is active, passive or subject to any other classification or that Bank is directly or indirectly responsible under any theory of any kind, character or nature for any act or omission by Borrower or any other person or entity, except Bank. Notwithstanding the foregoing, Borrower shall not be obligated to indemnify Bank with respect to any willful misconduct or act of gross negligence which Bank is personally determined by the judgment of a court of competent jurisdiction (sustained on appeal, if any) to have committed or acts or omissions that first occur after title to the Property is transferred as the result of a foreclosure sale under the Deed of Trust. Borrower shall pay any indebtedness arising under said indemnity to Bank immediately upon demand by Bank together with interest thereon from the date such indebtedness arises until paid at the greatest effective rate of interest specified in the Note and which is applicable on or after the maturity or acceleration of the Note. Borrower's duty to indemnify Bank shall survive the release and cancellation of the Note and the release and reconveyance or partial release and reconveyance of the Trust Deed.

15.6 Further Assurances; Authorization: Borrower shall, upon the request of Bank, at Borrower's expense, execute, acknowledge and deliver such further instruments (including,

without limit, a declaration of no offset) and perform such other acts as may be necessary, desirable or proper (as determined by Bank) to carry out the purposes of the Loan Documents or to perfect and preserve the lien or charge of the Loan Documents.

15.7 Form of Documents: The form and substance of all documents, instruments, papers and forms of evidence to be delivered to Bank under the terms of any of the Loan Documents shall be subject to the approval of Bank. No document or instrument delivered to Bank or to be delivered to Bank, or which is subject to the approval of Bank under the terms of any of the Loan Documents, shall be amended, modified, superseded or terminated in any respect whatsoever without Bank's prior written approval.

15.8 Time is of the Essence: Time is hereby declared to be of the essence of this Agreement and of every part hereof.

15.9 Supplement to Security Agreements: The provisions of this Agreement are not intended to supersede the provisions of the Trust Deed or the Security Agreements but shall be construed as supplemental thereto.

15.10 Joint and Several Obligations: If Borrower consists of more than one person acting in their individual capacities or as general partners in a partnership (excluding, however, any limited partner or member of a limited liability company except insofar as such person may execute an express guaranty or other agreement to be liable), the obligations of Borrower shall be the joint and several obligations of all such persons, and any married person who executes this Agreement agrees that recourse may be had against his or her separate property for satisfaction of his or her obligations hereunder. When the context and construction so require, all words used in the singular herein shall be deemed to have been used in the plural and the masculine shall include the feminine and neuter and vice versa.

15.11 Authority to File Notices: Borrower hereby appoints and authorizes Bank, as its agent (but without any obligation on the part of Bank to do so), to record any notices of completion, cessation of labor and other notices that Bank deems necessary to record to protect any interest of Bank under the provisions of this Agreement, the Note, the Trust Deed or any of the Security Agreements. This agency is a power coupled with an interest and is not revocable.

15.12 Actions: Bank shall have the right to commence, appear in or defend any action or proceeding purporting to affect the Property, Loan Documents or the rights, duties or liabilities of Borrower or Bank under any of the Loan Documents. In exercising such right, Bank may incur and pay costs and expenses including, without limit, attorneys' fees and court costs. Borrower agrees to pay to Bank upon demand all such expenses incurred or paid by Bank together with interest, at the greatest effective rate of interest specified in the Note, from the date such expenses were incurred or paid by Bank. Until repaid, such amounts shall have the security afforded disbursements under the Note.

15.13 Nonliability of Bank: The relationship of Borrower and Bank under the Loan Documents is, and shall at all times remain, solely that of Bank and Borrower, and Bank neither undertakes nor assumes any responsibility or duty to Borrower or to any third party with respect to the Property or Loan, except as expressly provided in the Loan Documents. Bank shall not be

liable in any way for any failure to perform or delay in performing the whole or any part of the Loan Documents by Bank and Bank may suspend or terminate all or any portion of Bank's obligations under the Loan Documents if such delay or failure by Bank results directly or indirectly from, or such suspension or termination by Bank is based upon, the action or inaction, or purported action, of any governmental or local authority (except to the extent that the regulatory authority imposes such restriction as a result of Bank's unlawful conduct), or any war (whether declared or not), rebellion, insurrection, strike, lock-out, boycott or blockade (whether presently in effect, announced or in the sole judgment of Bank deemed probable) or any act of God, or any other cause or event beyond the control of Bank.

15.14 Attorney's Fees: If any legal action or proceeding is brought by either Borrower or Bank to enforce or construe a provision of the Loan Documents, the unsuccessful party in such action or proceeding, whether or not such action or proceeding is settled or prosecuted to final judgment, shall pay all of the reasonable attorney's fees and costs incurred by the prevailing party in the action, including but not limited to any attorneys' fees incurred as a result of an appeal of the action. If Borrower shall become subject to any case or proceeding under the bankruptcy and reorganization laws of the United States, as amended or recodified from time to time, Borrower shall pay to Bank on demand all attorneys' fees, costs and expenses which Bank may incur to obtain relief from any provision of the Act which delays or otherwise impairs Bank's exercise of any right or remedy under any of the Loan Documents or to obtain adequate protection for any of Bank's rights or collateral.

15.15 Assignment: Borrower shall not assign any of the Loan Documents or any of Borrower's interest in any monies due or to become due under any of the Loan Documents or convey or encumber any of the Property or any personal property, goods, or fixtures now or hereafter located at the Property without the prior written consent of Bank or except as permitted herein. Any such assignment made without such consent or except as permitted herein shall be void. Borrower recognizes that this is not an ordinary loan and that Bank would not make this Loan except in reliance on Borrower's expertise, reputation and Bank's knowledge of Borrower, and that this Agreement is more in the nature of a personal service contract than a standard loan where Bank would rely on security which already exists.

15.16 Sale of Participations: Bank shall have the right to sell participation interests in the Loan or to assign and transfer the Loan to any other persons or entities without the consent of or notice to Borrower. Bank may disclose to any participants or assignees or prospective participants or assignees any information or other data or material in Bank's possession relating to Borrower, any Guarantor, the Loan, the Property and/or the Project, without the consent of or notice to Borrower, provided that Bank requires that such prospective purchaser or participant maintain such information as confidential. In the event Bank shall participate or assign all or any part of the Loan, the designation "Bank" herein shall include all participants and assigns. Unless written notice to Borrower to the contrary is given by the original Bank, Borrower shall deal and communicate solely with, and rely solely upon communications from, the original Bank, and Borrower shall not be entitled to rely upon and shall not accept any notice or other communication concerning the Loan from any such participant or assignee. Upon an entire assignment by Bank to one or more assignees, Bank shall be relieved of any further obligations or liabilities hereunder and Borrower shall look solely to such assignee(s) for performance of Bank's duties hereunder.

15.17 Participations. Borrower acknowledges that Bank may sell participation interests in portions of this Loan. Borrower acknowledges that participants typically have approval rights over such matters as: (a) reducing principal or interest (except late charges, penalties or similar payments of any kind may be waived or enforced by Bank in Bank's sole discretion); (b) postponing any date fixed for any payment of principal; (c) postponing any date fixed for any payment of interest for a period of more than seventy-five (75) days; or (d) unless required by the terms of the Loan Documents, releasing or subordinating any of the collateral or waiving any claim against any guarantor or person who may be secondarily liable that would have a material, adverse effect on the collection and enforcement of the Loan and the Loan Documents.

15.18 Rules for Construction: A reference to any of the Loan Documents shall include all or any of the provisions of the Loan Documents. A reference to the Property shall be a reference to all or any parts of the Property. A reference to Bank shall include Bank's agents.

15.19 Severability: If any provision of the Loan Documents shall for any reason be determined by a court of competent jurisdiction, and sustained on appeal, if any, to be unenforceable by Bank in any respect, such unenforceability shall not affect any other provisions thereof, and the Loan Documents shall be construed as if such unenforceable provision had not been contained therein; provided, if any provision of the Loan Documents shall be unenforceable by reason of a final judgment of a court of competent jurisdiction based upon such court's ruling, and sustained on appeal, if any, that said provision is unenforceable because of the unenforceable degree of magnitude of the obligation imposed thereby, said unenforceable degree of magnitude of the obligation shall be reduced in magnitude or degree by the minimum amount necessary in order to provide the maximum degree or magnitude of rights which are enforceable by Bank, and the Loan Documents shall be automatically and retroactively amended accordingly to contain such maximum or magnitude of said obligation which is enforceable by Bank, rather than the more burdensome but unenforceable original obligation. As used herein, "unenforceable" is used in the broadest and most comprehensive sense and includes the concepts of void and voidable.

15.20 Heirs, Successors and Assigns: The terms of this Agreement shall be binding upon and inure to the benefit of the heirs, successors and assigns of the parties; provided, however, that this Section shall not be deemed a waiver of the provisions contained in Section 15.15 or, in any other restriction on transfer or assignment with respect to interests in the Loan, the Property or the Borrower contained in any of the Loan Documents.

15.21 Headings: All headings appearing in this Agreement are for convenience only and shall be disregarded in construing this Agreement.

15.22 Interpretation: This Agreement and the Loan Documents shall be governed by, and construed in accordance with, the laws of the State of California, except to the extent preempted by federal law. In any action brought or arising out of this Agreement or the Loan Documents, Borrower and the general partners and joint venturers of Borrower hereby consent to the jurisdiction of any Federal or State Court within the State of California and also consent to the service of process by any means authorized by the laws of said State or by federal law.

15.23 WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. BORROWER AND BANK EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

15.24 Integration: This Agreement contains or expressly incorporates by reference the entire and exclusive agreement of the parties with respect to the matters contemplated herein and supersedes all prior negotiations related thereto, and this Agreement shall not be amended or modified in any way except by a written instrument which is executed by all parties hereto. Borrower acknowledges and represents that the Loan Documents and any documents or instruments referenced therein are the only agreements of the parties with respect to the subject matter of the Loan and that Bank has made no other agreement or representation to Borrower, whether oral or written.

15.25 Bank Consents: With respect to any matter requiring Bank's consent hereunder, Borrower shall direct written request for such consent to Bank at the address set forth on the signature page of this Agreement pursuant to Section 15.3 above, including such information as Borrower may deem pertinent to Bank's decision. From time-to-time, Bank may designate a specific individual to whom such requests shall be directed. No failure of Bank to respond to a request shall be deemed a consent to the request. No response by Bank shall be effective as a consent unless the same is in writing executed by a duly authorized officer of Bank.

15.26 Counterparts: This Agreement may be executed in one or more counterparts, each of which together shall constitute one and the same instrument.

15.27 Recitals: The Recitals contained herein are true and correct and are incorporated into this Agreement.

15.28 Waiver of Civil Code Section 2822: Borrower hereby waives any right under California Civil Code Section 2822 or any successor sections to designate the portion of the obligations under the Loan Documents that are to be satisfied by any payment or other satisfaction by Borrower. Any such payment or other satisfaction shall not affect in any manner the obligations of Guarantor under the Guaranty.

15.29 Survival: The representations, warranties and covenants herein shall survive the disbursement of the Loan and shall remain in force and effect until the Loan is paid in full.

16. SPECIAL CONDITIONS: The special conditions of the Loan, if any, are set forth in Exhibit "B" attached hereto and made a part hereof.

[Remainder of page intentionally left blank.]

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE DEBTOR'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

BANK:

BANK OF THE WEST,
a California banking corporation

By: _____
Name: _____
Title: _____

Address:

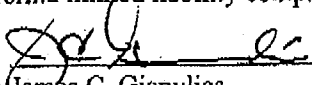
Construction Loan Administration
3000 Oak Road, Suite 400 (NC-OAK-04-A)
Walnut Creek, California 94597
Fax No. (925) 256-0546

With a copy to:

Pillsbury Winthrop Shaw Pittman LLP
501 West Broadway, Suite 1100
San Diego, CA 92101
Attn: Angela M. Yates, Esq.
Fax No.: (619) 236-1995

BORROWER:

JB REDMOND, LLC,
a California limited liability company

By: 
Name: James C. Gianulias
Title: Manager

Address:

JB Redmond, LLC
c/o Cameo Homes
1105 Quail Street,
Newport Beach, CA 92660
Attn: James C. Gianulias
Fax No.: (949) 250-8574

With a copy to:

Croudace & Dietrich
5 Park Plaza, Suite 1150
Irvine, CA 92614
Attn: Debra M. Dietrich, Esq.
Fax No.: (949) 794-9909

EXHIBIT A**DISBURSEMENT SCHEDULE**

THIS EXHIBIT A IS ATTACHED TO AND A PART OF THAT CERTAIN TERM LOAN AGREEMENT DATED AS OF JULY 9, 2007.

THE LOAN PROCEEDS IN THE AMOUNT OF \$5,850,000.00 SHALL BE DISBURSED AS FOLLOWS:

1. **INITIAL DISBURSEMENT:** Lender is hereby authorized and directed to make Initial Disbursements for the purposes, in the amounts, and to the persons indicated:

1.1 To Bank, the approximate sum of \$75,135.00 as reimbursement for Loan expenses as specified in a separate fee agreement between Bank and Borrower.

1.2 To First American Title Insurance Company of Oregon for the benefit of Borrower through Escrow No. 7062-701005 the approximate sum of \$5,364,865.00 for land purchase and Title and Recording.

2. **SUBSEQUENT DISBURSEMENTS:** The remainder of the Loan proceeds in the sum aggregate of \$410,000.00 plus funds not disbursed as provided for in Section 1 hereof or less any additional funds disbursed as provided for in Section 1 hereof, shall be disbursed for the following purposes and subject to the following documentation requirements:

(a) The sum of \$410,000.00 is an interest reserve which shall be disbursed from time to time on the interest payment date specified in the Note by the Bank's disbursement of sufficient amounts to pay interest due on the Note. Each such interest payment shall then be deemed paid in full. When said sum has been completely disbursed, Borrower shall make interest payments directly to Bank in accordance with the terms of the Note.

BORROWER ACKNOWLEDGES THAT STATE LAW REQUIRES ANY ESCROW AGENT HANDLING FUNDS IN AN ESCROW CAPACITY (INCLUDING ANY TITLE INSURANCE COMPANY) TO HAVE DEPOSITED INTO ITS ESCROW DEPOSITORY ACCOUNT, PRIOR TO RECORDING A TRANSACTION, IMMEDIATELY AVAILABLE FUNDS REPRESENTING ALL DISBURSEMENTS TO BE MADE BY THE ESCROW AGENT.

ACCORDINGLY, WITH RESPECT TO ALL FUNDS TO BE DISBURSED PURSUANT TO THE ABOVE, BORROWER AUTHORIZES BANK TO MAKE SUCH DISBURSEMENT TO THE TITLE INSURER ON THE DATE SPECIFIED BY SAID TITLE INSURER, WHICH DATE MAY BE PRIOR TO THE RECORDING OF THE TRUST DEED. INTEREST ON AMOUNTS OUTSTANDING UNDER THE NOTE SHALL ACCRUE FROM THE DATE OF DISBURSEMENT, WHICH MAY NOT BE THE DATE OF RECORDING OF THE TRUST DEED. TITLE INSURER SHALL SPECIFY THE DATE IT REQUIRES SUCH PROCEEDS (INCLUDING LOAN PROCEEDS) FOR USE IN SAID ESCROW.

EXHIBIT B**SPECIAL CONDITIONS**

SPECIAL CONDITIONS: The following provisions are incorporated into the Term Loan Agreement dated as of July 9, 2007, and supersede any provision of the Agreement to the extent inconsistent therewith.

A. **Extensions:** Provided that no uncured Event of Default has occurred as provided in Section 9 of the Agreement, Borrower shall be permitted to extend the Maturity Date for one period of six (6) months (the "**Extension Period**") provided that Borrower (1) by written notice to Bank requests the extension at least thirty (30) days prior to the Maturity Date, (2) pays the applicable Extension Fee on or before the current Maturity Date, (3) executes any documentation required by Bank in connection with such extension, and (4) causes the Title Company to issue an endorsement to the Title Policy assuring Bank that the priority of the Trust Deed is unaffected by the extension.

B. **Single Asset Status:** Within forty-five (45) days of Recordation, Borrower shall either (i) dispose of any and all assets other than its right, title and interest in and to the Property or (ii) cause the Property to be transferred to a newly formed single asset entity, which entity shall be subject to Bank's review and approval, and Borrower and such entity shall enter into assignment and assumption documentation evidencing the assignment and assumption of the Loan by such entity, all of which shall be subject to Bank's review and approval.

C. **Assumption:** At Bank's sole discretion, and pursuant to terms and conditions to be set forth by Bank in its sole discretion, Borrower may cause the Property to be transferred to a single asset entity. Such entity shall be subject to Bank's review and approval in Bank's sole discretion. Such entity shall enter into assignment and assumption documentation evidencing the assignment and assumption of the Loan by such entity and which documentation shall be subject to Bank's approval in Bank's sole discretion.

RECORDING REQUESTED BY:
BANK OF THE WEST,
a California banking corporation

AND WHEN RECORDED MAIL TO:

BANK OF THE WEST
Attn: Judy Lindsey
Construction Finance/REID
3000 Oak Road, Suite 400 (NC-OAK-04-A)
Walnut Creek, CA 94597
Loan No. 1050315395

[Space Above This Line For Recorder's Use]

**DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(Oregon)**

THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING (this "Deed of Trust") is made as of July 9, 2007 by JB REDMOND, LLC, a California limited liability company, as "Trustor," in favor of FIRST SANTA CLARA CORPORATION, a California corporation, as "Trustee," for the benefit of BANK OF THE WEST, a California banking corporation, as "Beneficiary."

1. **GRANT IN TRUST.** For the purpose of securing payment and performance of the Secured Obligations (as defined in Section 2 below), Trustor hereby irrevocably and unconditionally grants, conveys, transfers and assigns to Trustee, its successors and assigns, IN TRUST, WITH POWER OF SALE TOGETHER WITH THE RIGHT OF ENTRY AND POSSESSION, for the benefit and security of Beneficiary, all present and future rights, titles, interests, estates, powers and privileges that Trustor now has or may hereafter acquire in or to the following property and any interest therein (collectively, the "Trust Estate" or "Subject Property"):

(a) The real property located in the County of Deschutes, State of Oregon, more particularly described in Exhibit "A" attached hereto (the "Property");

(b) All buildings and other improvements and structures now or hereafter located on the Property (collectively, the "Improvements");

(c) All existing and future leases, subleases, subtenancies, licenses, agreements and concessions relating to the use, occupancy or enjoyment of all or any part of the Property, together with any and all guaranties and other agreements relating to or made in connection with any of the foregoing (individually, a "Lease", and collectively, the "Leases");

(d) All rents, issues, income, revenues, royalties, profits, proceeds and earnings now or hereafter payable with respect to or otherwise derived from the ownership, use,

management, operation, leasing or occupancy of the Property and the Improvements, including, without limitation, cash or security deposited under any of the Leases to secure the performance by the lessees of their obligations thereunder (collectively, the "Rents");

(e) All tenements, hereditaments, appurtenances, privileges, choses in action, options to purchase all or any part of the Property or Improvements or any interest therein (and any greater estate in the Property or Improvements now owned or hereafter acquired by Trustor pursuant thereto), and other rights and interests now or in the future benefiting or otherwise relating to the Property or the Improvements, including, without limitation, easements, rights-of-way, sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Property, development rights, oil, gas or other mineral rights and all royalty, leasehold and other rights of Trustor pertaining thereto;

(f) All water and water rights pertaining to the Property, and shares of stock evidencing the same, and all deposits made with or other security given to utility companies by Trustor with respect to the Property;

(g) All policies of insurance and all claims, demands or proceeds relating to such insurance or condemnation awards, recoveries or settlements which Trustor now has or may hereafter acquire with respect to the Property or the Improvements situated thereon, including all advance payments of insurance premiums made by Trustor with respect thereto;

(h) All existing and future inventory, furnishings, fixtures, equipment, supplies, construction materials, goods and other tangible personal property, which are now or hereafter owned or acquired by Trustor or in which Trustor now or at any time has rights, wherever located or used or usable in connection with the Property, and whether located at, placed upon or about, or affixed or attached to or installed in or on the Property or the Improvements or any part thereof, or located elsewhere in the possession of Trustor or any warehouseman, bailee, contractor, supplier or any other person, used or to be used in connection with or otherwise relating to the Property or the Improvements or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing or occupancy thereof, and all accessories, attachments, parts, or repairs of or to any of such property, including but not limited to all appliances, furniture and furnishings, findings, materials, supplies, equipment and fixtures, and all building material, supplies, and equipment now or hereafter delivered to the Property and installed or used or intended to be installed or used therein whether stored on the Property or elsewhere; and all renewals or replacements thereof or articles in substitution thereof;

(i) All (i) accounts, chattel paper, deposit accounts, money, documents and instruments (whether negotiable or nonnegotiable), contract rights, insurance policies, and all rights to payment of any kind relating to or otherwise arising in connection with or derived from the Property, the Improvements or any other part of the Trust Estate, (ii) refunds, rebates, reserves, deferred payments, deposits, cost savings, letters of credit, and payments of any kind due from or payable by (A) any federal, state, municipal or other governmental or quasi-governmental agency, authority or district (individually, a "Governmental Agency"), or (B) any insurance or utility company, in either case relating to any or all of the Trust Estate, (iii) refunds, rebates and payments of any kind due from or payable by any Governmental Agency for any

taxes, assessments, or governmental or quasi-governmental charges or levies imposed upon Trustor with respect to or upon any or all of the Trust Estate, (iv) guarantees of any of the foregoing and any security therefor, (v) cash funds and cash collateral accounts maintained pursuant to any of the loan documents secured by or referred to in this Deed of Trust, and (vi) proceeds and claims arising on account of any damages to or taking of the Property or any part thereof, and all causes of action and revenues for any loss or diminution in the value of the Property or Improvements;

(j) All general intangibles relating to or arising out of the ownership, design, development, operation, management and use of the Property and construction of the Improvements, including, but not limited to, (i) all names under which or by which the Property or the Improvements may at any time be operated or known, all rights to carry on business under any such names or any variants thereof, and all goodwill in any way relating to the Property, (ii) all permits, licenses, authorizations, variances, land use entitlements, approvals and consents issued or obtained in connection with the construction of the Improvements, (iii) all permits, licenses, approvals, consents, authorizations, franchises and agreements issued or obtained in connection with the use, occupancy or operation of the Property, (iv) all rights as a declarant (or its equivalent) under any covenants, conditions and restrictions or other matters of record affecting the Property, (v) all materials prepared for filing or filed with any governmental agency, (vi) all rights under any contract in connection with the development, design, use, operation, management and construction of the Property, (vii) all books and records prepared and kept in connection with the acquisition, construction, operation and occupancy of the Property and the Improvements, and (viii) all royalties, fees and goodwill associated with any of the foregoing (subject to any franchise or license agreements relating thereto);

(k) Whether or not included in clause (f), above, all water stock, shares of stock or other evidence of ownership of any part of the Property or the Improvements that is owned by the Trustor in common with others, and all documents of membership in any owners' or members' association or similar group having responsibility for managing or operating any part of the Property or Improvements, and all documents of membership in any membership facility developed on the Property;

(l) All surety, bonding, security, construction, architectural, engineering, development, financing, guaranty, indemnity, maintenance, management, service, supply and warranty agreements, commitments, contracts and subcontracts, all insurance policies, and all licenses and bonds, in any way pertaining to the development, construction, use, operation and maintenance of the Property and Improvements and any business of Trustor therein conducted, and all guarantees of any of the foregoing and any security therefor;

(m) All sales agreements, escrow agreements, deposit receipts and other documents and agreements for the sale or other disposition of all or any part of the real or personal property described herein, and deposits, proceeds and benefits arising from the sale or other disposition of all or any part of such real or personal property;

(n) All engineering and architectural drawings, plans, specifications, soils tests and reports, feasibility studies, appraisals, engineering reports, manuals, computer software, studies, data and drawings pertaining to any or all of the property described in clauses (a)

through (m), above, and all contracts and agreements relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings;

(o) All ledger sheets, files, records, documents and instruments (including, but not limited to, computer programs, tapes, and related electronic data processing software) evidencing an interest in or relating to the foregoing collateral in clauses (a) through (n), above, or in this clause (o); and

(p) All additions and accretions to, substitutions and replacements for, and proceeds and products of, any of the foregoing.

Items l(g) through l(p), inclusive, above, are herein referred to as the "Collateral" and are a part of the Trust Estate.

2. SECURED OBLIGATIONS. Trustor makes the grant, conveyance, transfer and assignment set forth in Section 1 above FOR THE PURPOSE OF SECURING the following obligations (collectively, the "Secured Obligations") in such order of priority as Beneficiary may elect:

(a) Payment of all sums at any time owing and the performance of all other obligations arising under that certain Promissory Note Secured by Deed of Trust in the original principal amount of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000) of even date herewith executed by Trustor to the order or in favor of Beneficiary (the "Note");

(b) Payment of interest on such sums according to the terms of the Note;

(c) Payment of all other sums, including late charges and any attorney's fees and other advances made by Beneficiary hereunder as hereinafter provided, with interest thereon as hereinafter provided, which are due or payable to Trustee or Beneficiary under the provisions hereof;

(d) Due, prompt and complete observance, performance and discharge of each and every obligation, covenant and agreement of Trustor contained herein, in the Note, in the Term Loan Agreement ("Loan Agreement") executed by Trustor in connection with the indebtedness evidenced by the Note, and in any master agreement pertaining to interest rate swaps or options now or hereafter executed by Trustor in connection with the obligations evidenced by the Note, and related transactions thereunder, or in any other instrument or document heretofore or hereafter executed by Trustor having reference to or arising out of the indebtedness evidenced by the Note which recites that the obligations thereunder are secured hereby;

(e) Payment of such additional sums as may be hereafter borrowed from Beneficiary by Trustor when evidenced by a promissory note or notes which are by the terms thereof (or by the terms of any other instrument executed by Trustor in connection therewith) secured by this Deed of Trust, together with interest and late charges thereon according to the terms of such promissory note or notes;

(f) Performance of such future obligations which Trustor may agree to perform for the benefit of Beneficiary when Trustor executes a document or documents which recites that such obligations are secured hereby; and

(g) All modifications, extensions and renewals of any of the obligations secured hereby, however evidenced, including, without limitation: (i) modifications of the required principal payment dates or interest payment dates or both, as the case may be, deferring or accelerating payment dates wholly or partially; or (ii) modifications, extensions or renewals at a different rate of interest whether or not in the case of a note, the modification, extension or renewal is evidenced by a new or additional promissory note or notes.

The term "obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all interest and charges, prepayment charges (if any), late charges, extension fees, renewal fees and loan fees at any time accruing or assessed on any of the Secured Obligations.

This Deed of Trust, the Note, the Loan Agreement, and any other instrument or agreement given to evidence or further secure the payment and performance of any obligation secured hereby are hereinafter sometimes collectively referred to as the "Loan Documents." All terms of the Secured Obligations and the documents evidencing such obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Subject Property shall be deemed to have notice of the terms of the Secured Obligations and to have notice, if provided therein, that: (a) the Loan Documents may permit borrowing, repayment and reborrowing so that repayments shall not reduce the amounts of the Secured Obligations; and (b) the rate of interest on one or more Secured Obligations may vary from time to time.

3. AFFIRMATIVE COVENANTS OF TRUSTOR. Trustor hereby agrees as follows:

3.1 Performance of Obligations. To pay, perform, observe and discharge each and every condition, obligation, covenant and agreement for which this Deed of Trust has been given as security as provided above.

3.2 Maintenance, Repair and Alterations. To keep the Trust Estate in good condition and repair; not to remove, demolish or substantially alter any of the Improvements without the prior written consent of Beneficiary except if and to the extent otherwise expressly provided in the Loan Agreement and except for the demolition of that certain single family residence currently located on the property and except for such alterations as may be required by any law, ordinance, rule, regulation or order by any governmental authority having jurisdiction over the Trust Estate; to notify Beneficiary in writing of any material damage or destruction to the Trust Estate or any portion thereof immediately upon Trustor obtaining knowledge of same, whether or not covered by insurance; to complete or restore promptly and in good and workmanlike manner any Improvements which may be constructed, damaged or destroyed on the Property and to pay when due all claims for labor performed and materials furnished therefor; not to initiate or acquiesce in any change in any zoning or other land classification which affects the Subject Property without Beneficiary's prior written consent except if and to the extent otherwise expressly provided in the Loan Agreement; to comply with all laws,

ordinances, regulations, covenants, conditions, restrictions and equitable servitudes (including, without limitation, the directives of any Governmental Agency) now or hereafter affecting the Trust Estate or any part thereof or requiring any alterations, improvements or alterations to be made thereon; not to commit or permit any waste or deterioration of the Trust Estate; to keep and maintain abutting grounds, sidewalks, roads, parking and landscape areas in good and neat order and repair; to perform, in the event all or any portion of the Trust Estate constitutes a leasehold estate, each and every obligation of Trustor under the terms of the agreements creating such leasehold estate; not commit, suffer or permit any act to be done in or upon the Trust Estate in violation of any law, ordinance or regulation; and do all other acts which from the character or use of the Subject Property or Personal Property may be reasonably necessary to maintain and preserve its value.

3.3 Insurance.

(a) Coverage. To keep the Improvements insured at all times against loss or damage by fire with extended coverage, and against any other risk or hazard which, in the opinion of Beneficiary, should be insured against, including, without limitation, business interruption, in an amount not less than the full insurable value thereof on a replacement cost basis, with a company or companies and in such form and with such endorsements as may be required by Beneficiary. All such insurance policies shall be endorsed with a standard non-contributory mortgagee clause in favor of Beneficiary. Trustor shall also carry public liability insurance, in such form, amount and with such company or companies as Beneficiary may require from time to time, with Beneficiary included thereon as named insured under a standard mortgagee endorsement clause. The policy or policies evidencing all insurance required hereunder (or certificates of such insurance) and receipts for the payment of premiums thereon shall be delivered to and held by Beneficiary. All such insurance policies may only be canceled or modified upon not less than thirty (30) days' prior written notice to Beneficiary. Trustor shall pay premiums on such insurance as they become due, and shall not permit any condition to exist on or with respect to the Property or the Improvements which would wholly or partially invalidate any insurance thereon.

(b) Application of Proceeds. Trustor hereby absolutely and unconditionally assigns to Beneficiary all insurance proceeds that Trustor may be entitled to receive. All such proceeds shall be delivered to and held by Beneficiary to be applied to Beneficiary's expenses in settling, prosecuting or defending any insurance claim, and then, subject to the satisfaction of all of the conditions set forth below, to the restoration of any portion of the Property and/or the Trust Estate that has been damaged or destroyed to the same condition, character and value as existed prior to such damage or destruction. The conditions to such use are: (a) no default or Event of Default shall have occurred and be continuing; (b) Beneficiary's security is not materially impaired, as determined by Beneficiary; (c) all income from the Property (from Leases, insurance or otherwise) during such restoration and thereafter will be equal to or greater than the income which was required to pay all debt service and operating expenses prior to the casualty; (d) Trustor provides evidence satisfactory to Beneficiary that the insurance that Beneficiary requires Trustor to maintain will be available to Trustor during restoration and thereafter; (e) Beneficiary shall have approved the plans and specifications for such restoration; and (f) in the event that in Beneficiary's sole judgment the insurance proceeds are not sufficient to accomplish restoration, Trustor deposits with Beneficiary, within fifteen (15)

days after demand by Beneficiary, the additional amounts necessary to accomplish restoration. Notwithstanding subparagraph (a) above, if a default exists at the time Beneficiary would be required to release such Proceeds, Beneficiary shall hold such Proceeds until such default is cured or the default becomes an Event of Default. If the default is timely cured, then such condition in subparagraph (a) above shall be deemed satisfied. If the default is not cured by the end of the applicable cure period then the condition in subparagraph (a) above will not be deemed to be satisfied. Proceeds disbursed for restoration will be released to Trustor or otherwise under the procedures set forth in the Loan Agreement. If any of the conditions set forth above are not satisfied, or if Trustor fails to commence restoration of the Trust Estate within thirty (30) days after the insurance proceeds have been paid, or if Trustor fails to diligently pursue such restoration to completion, then Beneficiary shall have the option to either apply the insurance proceeds to any indebtedness secured hereby in such order as Beneficiary may determine or release such proceeds to Trustor, without such release being deemed a payment of any indebtedness secured hereby, rather than to apply such proceeds to the restoration of the Property and/or the Trust Estate. Such application or release shall not cure or waive any default or Event of Default or notice of default hereunder or invalidate any act done pursuant to such notice. If the Property and/or the Trust Estate is completely restored at a cost less than the available insurance proceeds, and if there is not then a default or Event of Default under the Loan Documents, and if no amounts of the Loan are then outstanding, then such excess proceeds shall be paid over to Trustor, or if not paid to Trustor, shall be applied to amounts owing under the Loan Documents. Beneficiary may commence, appear in, defend or prosecute any assigned claim or action, and may adjust, compromise, settle and collect all claims, proceeds and awards assigned to Beneficiary, but Beneficiary shall not be responsible for any failure to collect any claim, proceeds or award, regardless of the cause of the failure. As used in this Section, the term "Beneficiary" shall be deemed to include any parent company of Beneficiary and/or its affiliates or subsidiaries.

(c) Statutory Warning. Unless Trustor provides Beneficiary with evidence of the insurance coverage as required by contract or loan agreement, Beneficiary may purchase insurance at Trustor's expense to protect Beneficiary's interest. This insurance may, but need not, also protect Trustor's interest. If the collateral becomes damaged, the coverage Beneficiary purchases may not pay any claim Trustor makes or any claim made against Trustor. Trustor may later cancel this coverage by providing evidence that Trustor has obtained property coverage elsewhere.

Trustor is responsible for the cost of any insurance purchase by Beneficiary. The cost of this insurance may be added to Trustor's contract or loan balance. If the cost is added to Trustor's contract or loan balance, the interest rate on the underlying contract or loan will apply to this added amount. The effective date of coverage may be the date Trustor's prior coverage lapsed or the date Trustor failed to provide proof of coverage.

The coverage Beneficiary purchases may be considerably more expensive than insurance Trustor can obtain on Trustor's own and may not satisfy any need for property damage coverage or any mandatory liability insurance requirements imposed by applicable law.

3.4 Taxes. To (a) pay at least ten (10) days prior to delinquency, all real property taxes and assessments, general and special, and all other taxes, assessments and charges

of any kind or nature whatsoever, which are imposed upon, assessed against or affect the Trust Estate or any part thereof, (b) pay when due all encumbrances, charges or liens of any kind or nature whatsoever, which create or may create a lien upon the Trust Estate or any part thereof (provided, that with respect to Mechanic's Liens, as defined in Section 3.9, Trustor shall have the rights set forth in Section 3.9), or any interest therein, whether prior and superior or subject and subordinate to the lien hereof, and (c) deliver, upon Beneficiary's request, to Beneficiary, within ten (10) days after the date upon which any such tax, assessment, encumbrance, charge or lien is due and payable by Trustor, official receipts of the appropriate taxing authority (or other proof satisfactory to Beneficiary) evidencing the payment thereof. If Trustor is ever in breach of this requirement, then, at Beneficiary's option, Beneficiary may require Trustor to establish and maintain an impound account with Beneficiary, into which Trustor monthly shall deposit an amount established by Beneficiary as Beneficiary's estimate of one-twelfth (1/12th) of the annual amount of all taxes, assessments, encumbrances, charges and liens coming due during each calendar year, such sums to be applied by Beneficiary to payment of these amounts before delinquency, to be replenished by Trustor at any time upon ten (10) days notice if Beneficiary determines the amount it holds to be insufficient to pay the foregoing obligations before they become delinquent. Beneficiary, except as otherwise required by applicable law, shall (i) not be required to pay interest on any funds held hereunder, (ii) be authorized to assign any funds held by it to any successor holder of the Beneficiary's interest in this Deed of Trust and thereupon be relieved of any further obligation for the application or refund of such sums, and (iii) at any time, at its option, following default, apply funds held hereunder to the Secured Obligations.

3.5 Condemnation. Trustor, upon obtaining knowledge of the institution of any proceedings for the condemnation of the Trust Estate or any portion thereof, shall immediately notify Beneficiary of such fact in writing. If the Trust Estate or any part thereof, is taken or damaged by reason of any public improvement or condemnation proceeding, or in any other manner, Beneficiary shall be entitled to all compensation, awards and other payments or relief therefor to which Trustor shall be entitled. Beneficiary shall be entitled at its option to commence, appear in and prosecute in its own name any action or proceeding or to make any compromise or settlement in connection with such taking or damage to the extent of the interests of Trustor therein, but Beneficiary shall not be responsible for any failure to collect any claim or award, regardless of the cause of the failure. Trustor hereby absolutely and unconditionally assigns to Beneficiary all such compensation, awards, damages, rights of action and proceeds to which Trustor shall be entitled (the "Proceeds"), and, after deducting therefrom all its reasonable expenses, including attorneys' fees, Beneficiary shall apply or release the Proceeds with the same effect and as provided in Section 3.3(b) above with respect to disposition of insurance proceeds; provided, however, that if there are any excess Proceeds after the full payment of the costs of the restoration of the Trust Estate, Beneficiary shall be entitled to apply such excess to the reduction of the principal balance due under the Note (in the reverse order of maturity) without any adjustment in the dollar amount of the regular installments due under the Note. Trustor agrees to execute such further assignments of the Proceeds as Beneficiary or Trustee may require. Nothing herein contained shall prevent the accrual of interest as provided in the Note on any portion of the Proceeds to be applied to the principal balance due under the Note until the Proceeds are received by Beneficiary.

3.6 CC&Rs. To promptly and completely observe, perform and discharge each and every condition, obligation, covenant and agreement affecting the Subject Property,

whether the same is prior and superior or subject and subordinate hereto, including, without limitation, if the Subject Property is or will be a condominium, community apartment or part of a planned development project, each and every provision to be performed by Trustor under any declaration of covenants, conditions and restrictions pertaining thereto.

3.7 Actions Affecting Trust Estate. To appear in and defend, at Trustor's expense, any action or proceeding purporting to affect the Trust Estate, the security hereof or the rights or powers of Beneficiary or Trustee hereunder; and to pay all costs and expenses incurred by Beneficiary or Trustee, including attorneys' fees, in any such action or proceeding in which Beneficiary or Trustee may appear and in any suit brought by Beneficiary to foreclose this Deed of Trust or to exercise the power of sale hereunder.

3.8 Actions by Beneficiary to Preserve Trust Estate. Should Trustor fail to perform any of its obligations under this Deed of Trust, then Beneficiary, in its discretion, without obligation to do so and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereunder, may make or do the same. In connection therewith, and without limiting its general powers, Beneficiary shall have and is hereby given the right, but not the obligation: (a) only during the continuance of an Event of Default (subject to Section 7.9 below), to enter upon and take possession of the Trust Estate or any part thereof, (b) only during the continuance of an Event of Default (subject to Section 7.9 below), to make additions, alterations, repairs and improvements to the Trust Estate or any part thereof which Beneficiary may consider necessary or proper to keep the Trust Estate in good condition and repair, (c) to commence, maintain, appear and participate in any action or proceeding affecting or which may affect, or which is necessary to protect, the security hereof or the rights or powers of Beneficiary or Trustee hereunder, (d) to pay, purchase, contest or compromise any encumbrance, claim, charge or lien which in the judgment of Beneficiary may affect or appears to affect the security of this Deed of Trust or which create or may create a lien upon the Trust Estate or any part thereof or interest therein, whether prior and superior or subject and subordinate to the lien hereof, and (e) in exercising such powers, to pay necessary expenses incurred in connection therewith, to employ counsel and other consultants, and to pay such counsel's or consultants' fees and expenses. Immediately upon demand therefor by Beneficiary, Trustor shall pay all costs and expenses incurred by Beneficiary in connection with the exercise by Beneficiary of the foregoing rights, together with interest thereon according to the terms of the Note, and all such sums shall be secured by this Deed of Trust. In no event shall Beneficiary be responsible for any failure to collect any claim or award, or to initiate, prosecute or maximize the amount thereof, regardless of the cause of the failure including, without limitation, any malfeasance or nonfeasance by Beneficiary or its employees or agents.

3.9 Liens and Liabilities.

(a) Discharge of Mechanics Liens. Trustor will pay, bond or otherwise discharge, from time to time when the same shall become due, all claims and demands of mechanics, material suppliers, laborers and others which, if unpaid, might result in, or permit the creation of, a lien on the Property, or on the revenues, rents, issues, income or profits arising therefrom (herein collectively "Mechanic's Liens") and, in general, Trustor shall do, or cause to be done, at Trustor's sole cost and expense, everything necessary to fully preserve the lien and priority of this Deed of Trust; provided, however, Trustor shall not be obligated to pay, bond or

discharge such Mechanic's Liens if payment is not yet due under the contract which is the foundation of such Mechanic's Liens and if such contract does not postpone payment for more than fifty-five (55) days after the performance thereof; and provided further that so long as an Event of Default shall not have occurred and be continuing hereunder, Trustor shall have the right to contest or object to the amount or validity of any such claim and demand by appropriate administrative or judicial proceedings, in which event all of the following provisions shall apply: (a) Trustor shall give Beneficiary written notice of Trustor's intent to so contest or object to such Mechanic's Liens; (b) Trustor shall thereafter diligently proceed to cause such Mechanic's Liens to be removed and discharged; and (c) Trustor, if requested by Beneficiary, shall deposit with Beneficiary a bond or other assurance reasonably satisfactory to Beneficiary in such amounts as Beneficiary shall reasonably require, but not more than 125% of the amount of the Mechanic's Liens plus costs, expenses, including reasonable attorneys' fees, and interest.

(b) Creation of Liens. Except as otherwise set forth herein, Trustor will not, without Beneficiary's consent, create, place or permit to be created or placed, or through any act or failure to act, acquiesce in the placing of, or allow to remain, any deed of trust, mortgage, voluntary or involuntary lien, whether statutory, constitutional or contractual (except for normal ad valorem real property taxes which are not yet due and payable), security interest, encumbrance or charge, or conditional sale or other title retention document, against or covering the Property, prior to, on a parity with or subordinate to the lien of this Deed of Trust. If any of the foregoing becomes attached to the Property without such consent, Trustor will promptly cause the same to be discharged and released.

(c) No Consent. Nothing in the Loan Documents shall be deemed or construed in any way as constituting the consent or agreement by Beneficiary, express or implied, to pay any contractor, subcontractor, laborer, mechanic or materialman for the performance of any labor or the furnishing of any material for any improvement, construction, alteration or repair of the Property, or to constitute any such person as a beneficiary of any obligation Beneficiary may incur to Trustor concerning such matters, or to create a trust fund for any such person. Trustor further agrees that neither Trustee nor Beneficiary stands in any fiduciary relationship to Trustor.

3.10 Books and Records. Trustor shall keep and maintain, or cause to be kept and maintained, proper and accurate books, records and accounts of the Trust Estate and of its own financial affairs to permit the preparation of financial statements therefrom. Beneficiary, through its agents, representative or employees, shall upon reasonable prior notice (provided an Event of Default shall not have occurred, in which case no prior notice shall be necessary) have the right, from time to time, at any time and at all times, during normal business hours, to examine, copy and audit such books, records and accounts.

3.11 Personal Property. Trustor shall not remove from the Property any Personal Property (as defined in Section 6 below) except in the ordinary course of business and then only if such removed property is replaced with similar property of comparable quality and value.

3.12 Further Assurances. Trustor will, at the request of Beneficiary, execute, deliver and furnish such documents or take such further action as Beneficiary may deem

necessary or desirable to evidence Trustor's obligations under the Secured Obligations, perfect the security therefor, or otherwise carry out the terms of this Deed of Trust and any of the other documents delivered to Beneficiary in connection herewith.

4. ADDITIONAL COVENANTS OF TRUSTOR. Trustor hereby agrees as follows:

4.1 Other Financing. Trustor shall not create or permit to continue in existence any mortgage, pledge, security interest, lien, charge or encumbrance of any kind upon the Trust Estate or any part thereof or any interest therein except for: (a) the lien of this Deed of Trust, (b) liens for taxes and assessments not yet delinquent, (c) to the extent permitted to remain under Section 3.9(a), above, certain Mechanic's Liens as therein provided, and (d) such other liens or charges as are specifically approved in writing by Beneficiary. Trustor shall, at Trustor's expense, take all action necessary to promptly secure releases of all liens and encumbrances which in the opinion of Beneficiary are or may be prior and superior to Beneficiary's security interest.

4.2 Transfers.

(a) Transfer of Property. Trustor shall not, directly or indirectly, sell, convey, assign, further encumber, grant a security interest in, mortgage, hypothecate, transfer, alienate or otherwise dispose of the Trust Estate or any part thereof or any interest therein, including, without limitation, air rights or development rights, whether voluntarily, involuntarily, by operation of law or otherwise, or (except as may otherwise be permitted under the Loan Agreement or this Deed of Trust), any lease of all or any portion thereof or an undivided interest therein, or enter into an agreement so to do, without the prior written consent of Beneficiary; provided, however, that if the Trust Estate consists of multifamily residential real property containing five or more dwelling units, Trustor, without Beneficiary's consent, may enter into leases of single residential units for a term of one year or less upon market rates and terms without prior consent of Beneficiary.

(b) Transfer of Beneficial Interest. Except as expressly permitted herein, without limiting the provisions of Section 4.2(a) above, the occurrence of any of the following events, without Beneficiary's prior written consent, shall be deemed to constitute an unpermitted transfer of the Trust Estate: if Trustor is a closely-held corporation, trust, partnership, limited liability company or joint venture, the issuance, sale, conveyance, transfer, disposition or encumbering, or the entering into of any agreement to accomplish any thereof, with respect to more than twenty-five percent (25%) in the aggregate at any time or over time of any class of the currently issued and outstanding stock of or membership interest in Trustor, if a closely-held corporation or limited liability company, or of the beneficial interest of Trustor, if a trust, partnership or joint venture, or a change of any general partner or joint venturer of Trustor, if a partnership or joint venture, either voluntarily, involuntarily, by operation of law or otherwise. For purposes of this Section 4.2(b), "closely-held corporation" shall mean any corporation not listed on a national or regional stock exchange. Notwithstanding the foregoing, however, Trustor may permit a transfer of any membership interest in Trustor or such other action which effects a change in the ownership, structure, management or control of Trustor, provided that, following such action, James C. Gianulias directly or indirectly controls not less

than fifty-one percent (51%) of the interest in Trustor and Beneficiary shall be satisfied that such action will not impair in any way the enforceability of any Guaranty.

(c) Transfer of Duties. Trustor shall not transfer or delegate the duties of managing the Trust Estate under any management agreement, if any, to any person, firm, corporation, partnership or other entity without the prior written consent of Beneficiary.

If Trustor at any time without Beneficiary's express prior written consent shall do, suffer or permit the occurrence of any of the foregoing, under Sections 4.2(a), 4.2(b) or 4.2(c), then the Note and all sums secured hereby shall be immediately due and payable without claim, notice or demand. Any consent by Beneficiary permitting a transaction otherwise prohibited under Sections 4.2(a), 4.2(b) or 4.2(c) above shall not constitute a consent to or waiver of any right of Beneficiary to withhold its consent on any subsequent occasion to a transaction not otherwise permitted by the provisions hereof.

4.3 No Security Interests. Except as otherwise permitted in the Loan Agreement, if any, all equipment, personal property, fixtures and other property subject to the lien of the security interest granted to Beneficiary in this Deed of Trust shall be fully paid for by Trustor, and shall be subject to no security interest, lien or other encumbrance, other than that granted to Beneficiary and as contemplated by the Permitted Encumbrances.

4.4 Notices Received. Trustor shall comply with and promptly furnish to Beneficiary true and complete copies of any notices pertaining to the Property by any governmental authority of the United States, or the State, County, or City, or any other political subdivision in which the Property is located or which exercised jurisdiction over Trustor or the Trust Estate. Trustor shall promptly notify Beneficiary of any material fire or other material casualty or any notice of taking or eminent domain proceeding affecting the Trust Estate. Trustor shall promptly notify Beneficiary of any other action, proceeding or investigation concerning the Property or the Trust Estate, or any party thereof, of which it acquires notice.

4.5 No Changes. So long as any amount or obligation is outstanding by Trustor to Beneficiary under any of the Loan Documents, and except if and to the extent otherwise expressly provided in the Loan Agreement, Trustor will not, without the written consent of Beneficiary:

(a) Change the use of the Subject Property or allow any material permits or licenses required for such use of the Subject Property to expire, lapse or be suspended or terminated.

(b) Cause or suffer to become effective or otherwise consent to the formation of any community facilities district which includes the Subject Property or any part of the Subject Property, any assessment district which includes the Subject Property or any part of the Subject Property, or any other comparable or similar district, area or territory which includes the Subject Property or any part of the Subject Property pursuant to any restriction, or cause or otherwise consent to the levying of assessments by any such assessment district against the Subject Property or any part thereof, the levying of special taxes by any community facilities district against the Subject Property or any part thereof, or the levying of assessments, taxes or

other imposition by any such district, area or territory. Trustor shall immediately give notice to Beneficiary of any notification or advice that Trustor may receive from any municipality or other third party of any intent or proposal to include all or any part of the Subject Property in a community facilities district. Beneficiary shall have the right to file a written objection to the inclusion of all or any part of the Subject Property in a community facilities district, either in its own name or in the name of Trustor, and to appear at, and participate in, any hearing with respect to the formation of any such district.

5. ASSIGNMENT OF LEASES AND RENTS: PERFORMANCE OF LEASES.

5.1 Assignment of Rents and Leases. Trustor hereby irrevocably absolutely and unconditionally assigns and transfers to Beneficiary all of Trustor's right, title and interest in and to the Leases and the Rents; provided, however, that so long as no Event of Default (as defined in Section 7.1 below) has occurred and is continuing (subject to the provisions of Section 7.9 below), Trustor shall have the right under a license granted hereby to collect, receive, use and enjoy all Rents as trustee for the benefit of Beneficiary and to apply the amounts so collected first to the payment of the Secured Obligations that are then due and payable and then to the payment of all other sums due and payable hereunder, and thereafter, so long as no Event of Default is continuing (subject to the provisions of Section 7.9 below), the balance may be distributed to Trustor. If an Event of Default has occurred and is continuing (subject to the provisions of Section 7.9 below), Trustor's right to collect and receive the Rents under the license granted hereby shall cease and the license shall be revoked automatically and, pursuant to Section 7.2(a) hereof, Beneficiary shall have the sole right, with or without taking possession of the Property, to collect all Rents. This is a present and absolute assignment and not an assignment for security only. This assignment shall terminate upon reconveyance of this Deed of Trust, if all amounts owing under the Loan Documents have been paid in full to Beneficiary.

5.2 Effect of Assignment. The foregoing irrevocable and absolute assignment shall not cause Beneficiary to be: (a) a mortgagee in possession; (b) responsible or liable for the control, care, management or repair of the Property or for performing any of the terms, agreements, undertakings, obligations, representations, warranties, covenants and conditions of the Leases; or (c) responsible or liable for any waste committed on the Property by the lessees under any of the Leases or any other parties; for any dangerous or defective condition of the Property; or for any negligence in the management, upkeep, repair or control of the Property resulting in loss or injury or death to any lessee, licensee, employee, invitee or other person. Beneficiary and Trustee shall not directly or indirectly be liable to Trustor or any other person as a consequence of: (i) the exercise or failure to exercise by Beneficiary or Trustee, or any of their respective employees, agents, contractors or subcontractors, any of the rights remedies or powers granted to Beneficiary or Trustee hereunder; or (ii) the failure or refusal of Beneficiary to perform or discharge any obligation, duty or liability of Trustor arising under the Leases.

5.3 Representations and Warranties. Trustor represents and warrants that: (a) all existing Leases are in full force and effect and are enforceable in accordance with their respective terms subject to applicable laws affecting creditors' rights and principles of equity, and no breach or default, or event which would constitute a breach or default after notice or the passage of time, or both, exists under any existing Leases on the part of Trustor or, to the best of Trustor's knowledge, any other party; (b) no rent or other payment under any existing Lease has

been paid by any lessee for more than one (1) month in advance; and (c) none of the lessor's interests under any of the Leases has been transferred or assigned.

5.4 Negative Covenants Regarding Leases. Trustor shall not enter into any Lease without the prior written consent of Beneficiary or as provided in the Loan Agreement. If any Lease is permitted by Beneficiary, Trustor shall not, without the prior written consent of Beneficiary, (a) cancel, terminate or consent to the surrender of any Lease, (b) modify or in any way alter the terms of any Lease, (c) release any lessee or guarantor from any obligations or conditions to be performed by any lessee or guarantor under any Lease, (d) discount the rent or collect any rent from any lessee for a period of more than one (1) month in advance, or (e) execute any further assignment of any of its right, title and interest in the Leases and the Rents without the prior written consent of Beneficiary.

5.5 Affirmative Covenants Regarding Leases. Trustor shall (a) observe, perform and discharge each and every obligation, term, covenant, condition and agreement of Trustor under the Leases, (b) enforce the performance of each and every obligation, term, covenant, condition and agreement in the Leases to be performed by any lessee or guarantor thereof to the extent commercially reasonable to do so, (c) except as may be otherwise provided in the other Loan Documents, keep the Property and the Improvements leased at a market rental, subject to applicable restrictive covenants affecting the Property, and on such other terms and conditions as are reasonably acceptable to Beneficiary, and (d) execute and deliver to Beneficiary upon demand, at any time and from time to time, any and all assignments and other instruments which Beneficiary may deem advisable to carry out the true purposes and intent of the assignment set forth in Section 5.1 above.

5.6 Beneficiary's Right to Proceeds. Any attempted action in violation of the provisions of Section 5.4 or 5.5 shall be null and void. Without in any way limiting the requirement of Beneficiary's consent hereunder, any sums received by Trustor in consideration of any termination (or the release or discharge of any lessee), modification or amendment of any Lease shall be paid over to Beneficiary and applied to reduce the outstanding Secured Obligations and any such sums received by Trustor shall be held in trust by Trustor for such purpose.

5.7 Subordination of Leases and Attornment. Each Lease of any portion of the Property or Improvements shall be absolutely subordinate to the lien of this Deed of Trust. However, each Lease shall contain a provision satisfactory to Beneficiary, and, each tenant under a Lease, by virtue of executing a Lease covering the Property, the Improvements or any portion thereof, hereby agrees, that in the event of the exercise of the private power of sale or a judicial foreclosure hereunder, such Lease shall not be terminated (unless such Lease was executed in violation of the terms of this Deed of Trust, in which event it may be terminated at the option of the purchaser at such sale), and the tenant thereunder shall attorn to such purchaser and, if requested to do so, shall enter into a new Lease for the balance of the term of such Lease then remaining upon the same terms and conditions. Any such Lease and the rents thereunder shall be subject to this Deed of Trust.

6. SECURITY AGREEMENT. This Deed of Trust shall constitute a security agreement as that term is used in the Uniform Commercial Code of Oregon (the "UCC") and

Trustor hereby pledges to Beneficiary and grants to Beneficiary, as additional collateral for the Secured Obligations, a security interest in all of the property described in Section 1 of this Deed of Trust which may be personal property (collectively, the "Personal Property"). Trustor hereby irrevocably authorizes Beneficiary to execute and file in the appropriate state governmental records, as Beneficiary deems necessary or desirable, any and all financing statements covering all or any portion of the Trust Estate, as well as extensions, renewals, amendments and terminations thereof, in such form as Beneficiary deems necessary or desirable to perfect its security interest in the Trust Estate or any portion thereof under the UCC. Trustor shall pay all costs of filing or recording such financing statements and any extensions, renewals, amendments and releases thereof, and shall pay all reasonable costs and expenses of any record searches for financing statements Beneficiary may reasonably require. If this Deed of Trust is fully reconveyed in the real property records as pertaining to the Property and the Improvements, this Deed of Trust nonetheless shall continue in effect as a security agreement until all obligations of Trustor are satisfied, no further advances or commitments on the part of Beneficiary to make further advances are possible or exist, and Beneficiary files a termination statement in the Office of the Secretary of the State of California terminating the UCC-1 in full. Trustor shall not file any termination statement or amendment of any financing statement or continuation statement now or hereafter filed by Beneficiary with respect to the Trust Estate or any portion thereof unless and until (a) all Secured Obligations hereunder have been fully and finally paid, satisfied and retired in full and no further advances or commitments on the part of Beneficiary to make further advances are possible or exist, and (b) Beneficiary has failed to file a termination statement or to furnish Trustor with a termination statement concerning any financing statement filed by Beneficiary regarding all or any portion of the Trust Estate within twenty (20) days following Beneficiary's receipt of an authenticated demand therefor from Trustor. Trustor shall procure any documents, including, without limitation, mortgagee or landlord waivers or subordination agreements, in form and substance satisfactory to Beneficiary, with respect to any and all Personal Property (or fixtures which are a part of the Trust Estate), deliver to Beneficiary any instrument, mark any chattel paper, give any notice and take any other actions which are necessary or desirable to perfect or to continue the perfection and first priority of the security interest created hereunder, or to protect the Personal Property or fixtures against the rights, claims or interests of third parties, and to pay all costs incurred in connection therewith. Trustor hereby appoints Beneficiary as Trustor's true attorney-in-fact, coupled with an interest, to perform (but without any obligation to do so) any of the foregoing acts should Trustor fail to do so, irrevocable until such time as the Secured Obligations have been indefeasibly satisfied, to be exercised from time to time and at any time by Beneficiary during the continuance of an Event of Default hereunder (subject to the provisions of Section 7.9 below). Notwithstanding anything to the contrary contained in this Deed of Trust, Trustor agrees that Beneficiary is, and shall be deemed to be, the "secured party" as that term is defined in the UCC, and Beneficiary shall have all of the rights and remedies of a secured party under the UCC as well as any and all other rights and remedies available at law or in equity. In addition to Beneficiary's rights under the UCC, Beneficiary may, but shall not be obligated to, at any time without notice and at the expense of Trustor: (a) give notice to any person of Beneficiary's rights hereunder and enforce such rights at law or in equity; (b) insure, protect, defend and preserve the Personal Property or any rights or interests of Beneficiary therein; (c) upon reasonable prior notice to Trustor (provided an Event of Default shall not have occurred, in which case no prior notice shall be necessary), inspect the Personal Property; and (d) during the continuance of an

Event of Default (subject to the provisions of Section 7.9 below), endorse, collect and receive any right to payment of money owing to Trustor under or from the Personal Property. Notwithstanding the above, in no event shall Beneficiary be deemed to have accepted any property other than cash in satisfaction of any obligation of Trustor to Beneficiary unless Beneficiary shall make an express written election of said remedy under UCC Section 9505, or other applicable law. Trustor, upon demand of Beneficiary, shall assemble the Personal Property and make it available to Beneficiary at the Property or a place which is reasonably convenient to Beneficiary, and Beneficiary's expense in retaking, holding, preparing for sale, selling or the like shall be borne by Trustor, such expenses to include Beneficiary's and Trustee's attorneys' fees incurred in connection therewith. Except as otherwise provided in this Section or the other Loan Documents so long as no Event of Default is continuing (subject to the provisions of Section 7.9 below) under this Deed of Trust or any of the Loan Documents, Trustor may possess, use, move, transfer or dispose of any of the Personal Property in the ordinary course of trustor's business and in accordance with the Loan Agreement.

7. EVENTS OF DEFAULT AND REMEDIES.

7.1 Events of Default. Any of the following events shall, at Beneficiary's option, constitute an event of default (an "Event of Default") hereunder:

(a) Failure to Pay. The failure of Trustor (i) to pay any installment of principal or interest under the Note within ten (10) days of the due date thereof (or within ten (10) days after written notice from Beneficiary if such notice is required under the terms of the Note), or (ii) to pay any other sum due from Trustor under any Loan Document or any other instrument or agreement secured hereby, whether at maturity, by acceleration or as part of a prepayment or otherwise, and the continuation of such failure following the expiration of any applicable notice or cure period provided for therein or herein, or if no such notice or cure period is so provided, the continuation of such failure for ten (10) days after written notice thereof from Beneficiary;

(b) Failure to Perform Deed of Trust. The failure of Trustor to keep, observe and perform any other provisions of this Deed of Trust, and the continuation of such failure for a period of thirty (30) days after written notice from Beneficiary, except that if such breach is not a violation of any requirement or restriction of Sections 3.3, 3.4, 3.5, 4.1, 4.2, 5.4 or 5.5 of this Deed of Trust and is not reasonably capable of being cured within such thirty-day period, then such thirty-day period shall be further extended as necessary to complete the cure (but in no event more than sixty (60) days after written notice from Beneficiary) so long as Trustor commences the cure within the original fifteen-day period and thereafter diligently pursues such cure to completion.

(c) Failure to Perform Other Documents. The failure of Trustor to promptly and completely observe or perform any term, condition, covenant, agreement or obligation contained in any other Loan Document or other instrument or agreement secured hereby, and the continuation of such failure following the expiration of any applicable notice, cure or grace period, if any, provided for therein or herein;

(d) Other Events of Default. The occurrence of any "event of default" (i.e., after the giving of any required notice and completion of applicable cure periods for such event of default) under any of the other Loan Documents (as defined therein) or any other instrument or agreement secured hereby.

7.2 Remedies. Upon the occurrence of any Event of Default, Beneficiary may, at its option:

(a) Acceleration of Indebtedness. Declare all Secured Obligations, and the same shall thereupon become, immediately due and payable without any presentment, demand, protest or notice of any kind.

(b) Termination of License. Terminate Trustor's right and license to collect the Rents, and either in person or by agent, with or without bringing any action or proceeding, or by a receiver appointed by a court and without regard to the adequacy of its security, enter upon and take possession of the Trust Estate or any part thereof, in its own name or in the name of Trustee, and do any acts which it deems necessary or desirable to preserve the value, marketability or rentability of the Trust Estate, or any part thereof or interest therein, make, modify, enforce, cancel or accept the surrender of any Lease, increase the income therefrom or protect the security hereof and, with or without taking possession of the Trust Estate, sue for or otherwise collect the Rents, including those past due and unpaid, and apply the same, less costs and expenses of operation and collection, including, without limitation, attorneys' fees, to the Secured Obligations, all in such order as Beneficiary may determine. The entering upon and taking possession of the Trust Estate, the collection of such Rents and the application thereof as aforesaid, or any of such acts, shall not cure or waive any default or notice of default hereunder or invalidate any act done in response to such default or pursuant to such notice of default and, notwithstanding the continuance in possession of all or any portion of the Trust Estate or the collection, receipt and application of Rents, Trustee or Beneficiary shall be entitled to exercise every right provided for in any of the Loan Documents or by law upon occurrence of any Event of Default, including the right to exercise the power of sale. Failure of Beneficiary at any time, or from time to time, to collect the Rents shall not in any manner affect the subsequent enforcement of Beneficiary of the right to collect the same.

(c) Appointment of Receiver. As a matter of right and without notice to Trustor or anyone claiming under Trustor, and without regard to the then value of the Trust Estate or the interest of Trustor therein, to apply to any court having jurisdiction to appoint a receiver or receivers of the Trust Estate, and Trustor hereby unconditionally and irrevocably consents to such appointment and waives notice of any application therefor. Any such receiver or receivers shall have all the usual powers and duties of receivers in like or similar cases and all the powers and duties of Beneficiary in case of entry as provided in this Deed of Trust and shall continue as such and exercise all such powers until the later of (i) the date of confirmation of sale of the Trust Estate, (ii) the disbursement of all proceeds of the Trust Estate collected by such receiver and the payment of all expenses incurred in connection therewith, and (iii) the termination of such receivership with the consent of Beneficiary or pursuant to an order by a court of competent jurisdiction.

(d) UCC Remedies. Exercise any and all remedies available to a secured party under the UCC in such order and in such manner as Beneficiary, in its sole discretion, may determine, and in addition to any of Beneficiary's rights under the UCC or applicable law:

(i) During the continuance of an Event of Default (subject to the provisions of Section 7.9 below), Beneficiary may (A) upon written notice, require Trustor to assemble any or all of the Personal Property and make it available to Beneficiary at a place designated by Beneficiary; (B) without prior notice, enter upon the Property or other place where any of the Personal Property may be located and take possession of, collect, sell, and dispose of any or all of the Personal Property and store the same at locations acceptable to Beneficiary at Trustor's expense; (C) sell, assign and deliver at any place or in any lawful manner all or any part of the Personal Property and bid and become the purchaser at any such sales; and

(ii) During the continuance of an Event of Default (subject to the provisions of Section 7.9 below), Beneficiary may for the account of Trustor and at Trustor's expense: (A) operate, use, consume, sell or dispose of the Personal Property as Beneficiary deems appropriate for the purpose of performing any or all of the Secured Obligations; (B) enter into any agreement, compromise, or settlement, including insurance claims, which Beneficiary may deem desirable or proper with respect to any of the Personal Property; and (C) endorse and deliver evidences of title for, and receive, enforce and collect by legal action or otherwise, all indebtedness and obligations now or hereafter owing to Trustor in connection with or on account of any or all of the Personal Property.

(e) Judicial Foreclosure of Deed of Trust. Commence an action to foreclose this Deed of Trust as a mortgage, to specifically enforce any of the covenants hereof, or otherwise to enforce the same. Trustor acknowledges that the covenants of Trustor shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought by Beneficiary under this purpose, Trustor waives the defense of laches and any applicable statute of limitations.

(f) Power of Sale. Deliver to Trustee a written declaration of default and demand for sale, and a written notice of default and election to cause Trustor's interest in the Trust Estate or any portion thereof to be sold, which notice Trustee or Beneficiary shall cause to be duly filed for record in the Official Records of the County in which the Trust Estate is located.

(i) Upon receipt of such notice from Beneficiary, Trustee shall cause to be recorded, published and delivered to Trustor such Notice of Default and Election to Sell as then required by law and by this Deed of Trust. Trustee shall, without demand on Trustor, after lapse of such time as may then be required by law and after recordation of such Notice of Default and after Notice of Sale having been given as required by law, sell the Trust Estate at the time and place of sale fixed by it in said Notice of Sale, either as a whole, or in separate lots or parcels or items as Beneficiary shall deem expedient, and in such order as Beneficiary may determine, at public auction to the highest bidder for cash in lawful money of the United States payable at the time of

sale. Trustor hereby expressly waives any right which it may have to direct the order in which any of the Trust Estate may be sold when it consists of more than one lot or parcel, and such order of sale, whether in a single sale or in multiple sales held on different days or at different times, shall be at the sole discretion of Beneficiary. Trustee shall deliver to such purchaser or purchasers thereof its good and sufficient deed or deeds conveying the property so sold, but without any covenant or warranty, express or implied. The recitals in such deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including, without limitation, Trustor, Trustee or Beneficiary, may purchase at such sale.

(ii) After deducting all costs, fees and expenses of Trustee and of this Deed of Trust, including costs of evidence of title and attorneys' fees of Trustee and Beneficiary in connection with such sale, Trustee shall apply, in the following priority, the proceeds of sale to payment of: (A) first, all sums expended under the terms hereof, not then repaid, with interest thereon according to the terms of the Note, (B) second, all other sums then secured hereby, in such order of priority and in such proportion as Beneficiary in its sole discretion may elect, and (C) the remainder, if any, to the person or persons legally entitled thereto.

(iii) Subject to applicable law, Trustee may from time to time postpone the sale of all or any portion of the Trust Estate by public announcement at the time and place of such sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement or subsequently noticed sale, and without further notice make such sale at the time fixed by the last postponement, or may, in its discretion, give a new notice of sale.

(g) Multiple Foreclosures. To resort to and realize upon the security hereunder and any other security now or later held by Beneficiary concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both, and to apply the proceeds received upon the Secured Obligations all in such order and manner as Trustee and Beneficiary, or either of them, determine their sole discretion.

(h) Other Remedies. During the continuance of an Event of Default (subject to the provisions of Section 7.9 below), Exercise all other rights and remedies provided herein, in any Loan Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law.

(i) Waiver of Marshaling; Multiple Security. Trustor, for itself and for all parties claiming through or under Trustor, and for all parties who may acquire a lien on or interest in the Subject Property and Personal Property hereby waives all rights to have the Subject Property and Personal Property and/or any other property, which is now or later may be security for any Secured Obligation ("Other Property") marshaled upon any foreclosure of the lien of this Deed of Trust or on a foreclosure of any other lien or security interest against any security for the lien of this Deed of Trust or on a foreclosure of any other lien or security interest against any security for any of the Secured Obligations. Beneficiary shall have the right to sell, and any court in which foreclosure proceedings may be brought shall have the right to order a

sale of, the Subject Property and any or all of the Personal Property or Other Property as a whole or in separate parcels, in any order that Beneficiary may designate. Beneficiary may proceed in any sequence to exercise its rights hereunder with respect to all or any portion of the Trust Estate and all or any portion of the Personal Property, and to exercise its rights with respect to all or any portion of the Personal Property in accordance with the provisions of the UCC. Beneficiary may elect to sell some or all of the Personal Property together with all or any portion of the Trust Estate which comprises real property to be sold in one or more combined sales, pursuant to applicable provisions of the UCC.

(j) Credit Bid. Upon sale of the Trust Estate at any judicial or non-judicial foreclosure, Beneficiary may credit bid (as determined by Beneficiary in its sole and absolute discretion) all or any portion of the Secured Obligations. In determining such credit bid, Beneficiary may, but is not obligated to, take into account all or any of the following: (i) appraisals of the Trust Estate as such appraisals may be discounted or adjusted by Beneficiary in its sole and absolute underwriting discretion; (ii) expenses and costs incurred by Beneficiary with respect to the Trust Estate prior to foreclosure; (iii) expenses and costs which Beneficiary anticipates will be incurred with respect to the Trust Estate after foreclosure, but prior to resale, including, without limitation, costs of structural reports and other due diligence, costs to carry the Trust Estate prior to resale, costs of resale (e.g. commissions, attorneys' fees, and taxes), costs of any hazardous materials clean-up and monitoring, costs of deferred maintenance, repair, refurbishment and retrofit, costs of defending or settling litigation affecting the Trust Estate, and lost opportunity costs (if any), including the time value of money during any anticipated holding period by Beneficiary; (iv) declining trends in real property values generally and with respect to properties similar to the Trust Estate; (v) anticipated discounts upon resale of the Trust Estate as a distressed or foreclosed property; (vi) the fact of additional collateral (if any), for the Secured Obligations; and (vii) such other factors or matters that Beneficiary (in its sole and absolute discretion) deems appropriate. In regard to the above, Trustor acknowledges and agrees that: (w) Beneficiary is not required to use any or all of the foregoing factors to determine the amount of its credit bid; (x) this Section does not impose upon Beneficiary any additional obligations that are not imposed by law at the time the credit bid is made; (y) the amount of Beneficiary's credit bid need not have any relation to any loan-to-value ratios specified in the Loan Documents or previously discussed between Trustor and Beneficiary; and (z) Beneficiary's credit bid may be (at Beneficiary's sole and absolute discretion) higher or lower than any appraised value of the Trust Estate.

7.3 Remedies Not Exclusive; Waiver. No remedy herein conferred upon or reserved to Trustee or Beneficiary is intended to be exclusive of any other remedy herein or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. Every power or remedy given by any of the Loan Documents to Trustee or Beneficiary, or to which either of them may be otherwise entitled, may be exercised concurrently or independently, from time to time and as often as may be deemed expedient by Trustee or Beneficiary. If there exists additional security for the obligations secured hereby, Beneficiary, at its sole option, and without limiting or affecting any of the rights or remedies hereunder, may exercise any of the rights or remedies to which it may be entitled hereunder either concurrently with whatever rights it may have in connection with such other security or in such order and in such manner as Beneficiary may deem fit without waiving any rights with respect to such other security.

7.4 Application of Other Sums. All sums received by Beneficiary under Section 3.3, Section 3.5, or any Section of this Article 7, less all costs and expenses incurred by Beneficiary or any receiver under any such section, including, without limitation, attorneys' fees, shall be applied in payment of the Secured Obligations in such order as Beneficiary shall determine in its sole discretion; provided, however, Beneficiary shall have no liability for funds not actually received by Beneficiary.

7.5 No Cure or Waiver. Neither Beneficiary's nor Trustee's nor any receiver's entry upon and taking possession of all or any part of the Subject Property and Personal Property, nor any collection of rents, issues, profits, insurance proceeds, condemnation proceeds or damages, other security or proceeds of other security, or other sums, nor the application of any collected sum to any Secured Obligation, nor the exercise or failure to exercise of any other rights or remedy by Beneficiary or Trustee or any receiver shall cure or waive any breach, Default or notice of default under this Deed of Trust, or nullify the effect of any notice of default or sale (unless all Secured Obligations then due have been paid and performed and Trustor has cured all other defaults), or impair the status of the security, or prejudice Beneficiary or Trustee in the exercise of any right or remedy, or be construed as an affirmation by Beneficiary of any tenancy, lease or option or a subordination of the lien of or security interests created by this Deed of Trust.

7.6 Payment of Costs, Expenses and Attorneys' Fees. Trustor agrees to pay to Beneficiary immediately and without demand all costs and expenses incurred by Trustee and Beneficiary pursuant to this Article 7 (including, without limitation, court costs and attorneys' fees, whether incurred in litigation or not) with interest from the date of expenditure until said sums have been paid at the highest rate of interest then applicable to the principal balance of the Note as specified therein. In addition, Trustor shall pay to Trustee all trustee's fees hereunder and shall reimburse Trustee for all expenses incurred in the administration of this trust, including, without limitation, any attorneys' fees.

7.7 Power to File Notices and Cure Defaults. Trustor hereby irrevocably appoints Beneficiary and its successors and assigns, as its attorney-in-fact, which agency is coupled with an interest, (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Beneficiary deems appropriate to protect Beneficiary's interest, (b) upon the issuance of a deed pursuant to the foreclosure of the lien of this Deed of Trust or the delivery of a deed in lieu of foreclosure, to execute all instruments of assignment or further assurance with respect to the Subject Property and Personal Property, Leases, Rents and other proceeds of the Trust Estate in favor of the grantee of any such deed, as may be necessary or desirable for such purpose, (c) to prepare, execute and file or record financing statements, continuation statements, applications for registration and like papers necessary to create, perfect or preserve Beneficiary's security interests and rights in or to any of the Subject Property and Personal Property, and (d) upon the occurrence of an event, act or omission which, with notice or passage of time or both, would constitute an Event of Default, Beneficiary may perform any obligation of Trustor hereunder; provided, however, that: (i) Beneficiary as such attorney-in-fact shall only be accountable for such funds as are actually received by Beneficiary; and (ii) Beneficiary shall not be liable to Trustor or any other person or entity for any failure to act (whether or not such failure constitutes negligence) by Beneficiary under this Section.

7.8 Rescission of Notice. Beneficiary, from time to time before completion of a sale, may rescind any notice of breach or default and of election to cause the Trust Estate to be sold by executing and delivering to Trustee a written notice of such rescission, which notice, when recorded, shall also constitute a cancellation of any prior declaration of default and demand for sale. The exercise by Beneficiary of such right of rescission shall not constitute a waiver of any breach or default then existing or subsequently occurring, or impair the right of Beneficiary to execute and deliver to Trustee, as above provided, other declarations of default and demand for sale, and notices of breach or default, and of election to cause the Trust Estate to be sold to satisfy the obligation hereof, nor otherwise affect any provision, agreement, covenant or condition of the Loan Documents, the Indenture, or this Deed of Trust, or any of the rights, obligations or remedies of the parties hereunder or thereunder.

7.9 Continuing Event of Default. After an Event of Default has occurred, the Event of Default will be deemed to be "continuing" for purposes of the Loan Documents until either:

- (a) Beneficiary is obligated to reinstate the indebtedness pursuant to applicable law, or
- (b) Beneficiary expressly agrees in writing, that the Event of Default is no longer continuing.

8. SITE VISITS, OBSERVATION AND TESTING. In addition to any other inspection rights under the Loan Agreement, Beneficiary, through its agents, representatives or employees, is authorized, upon reasonable prior notice (provided an Event of Default shall not have occurred, in which case no prior notice shall be necessary), to enter at any reasonable time upon or in any part of the Trust Estate for the purposes of inspecting same, monitoring construction or other activities thereon, performing any of the acts it is authorized to perform hereunder or under the terms of any of the Loan Documents, performing appraisals, observing the condition thereof, taking and removing soil or groundwater samples, and conducting tests on any part thereof. Beneficiary shall have no obligation or duty to so, however, and no site visit, observation or testing by Beneficiary shall impose any liability on Beneficiary. In no event shall any site visit, observation, inspection, or testing by Beneficiary be a representation that Hazardous Substances (as hereinafter defined) are or are not present in, on or under the Property, or that there has been or shall be compliance with any law, regulation or ordinance pertaining to any applicable governmental law or any plans, specifications, agreements or requirements of any person, including Beneficiary. Neither Trustor nor any other party is entitled to rely on any site visit, observation or testing by Beneficiary. Beneficiary shall endeavor to inform Trustor if Beneficiary discovers any Hazardous Substances or any other adverse condition affecting the Property; however, Beneficiary owes no duty of care to protect Trustor or any other party against, or to inform Trustor or any other party of, any Hazardous Substances or any other adverse condition affecting the Property. Beneficiary shall (i) give Trustor reasonable notice to avoid interfering with Trustor's use of the Property in exercising any rights provided for in this Section, and (ii) reimburse Trustor for the cost of repair of any physical injury to the Property caused by Beneficiary in exercising such rights. For purposes of this Section, "Hazardous Substance" means any substance, material or waste which is or becomes designated, classified

or regulated as being "toxic" or "hazardous" or which is or becomes similarly designated, classified or regulated under any federal, state or local law, regulation or ordinance.

9. MISCELLANEOUS.

9.1 Governing Law. This Deed of Trust is to be governed and construed in accordance with the laws of the State of Oregon and federal law as applicable, except that with respect to any portion of the Property located outside of the State of Oregon, the laws of the state in which such property is located (and federal law as applicable) shall be applicable hereto but only to the extent required for Trustee or Beneficiary to enforce or realize upon the rights and remedies hereunder with respect thereto.

9.2 Severability. In the event any one or more of the provisions contained in this Deed of Trust, in the Note or in any of the other Loan Documents shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provision of this Deed of Trust, but this Deed of Trust shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein or therein.

9.3 Amendment. This Deed of Trust cannot be modified, waived, discharged or terminated orally, but only by a written instrument signed by the party against whom enforcement of the modification, waiver, discharge or termination is asserted.

9.4 Waiver of Remedies. By accepting payment of any of the Secured Obligations after its due date, or an amount which is less than the amount then due, or the performance of any obligation required hereunder after the date required for such performance, Beneficiary does not waive its rights either to require prompt payment or performance when due of all other Secured Obligations, or to declare a default as herein provided for the failure to so pay or perform.

9.5 No Implied Waiver. No waiver by Beneficiary of any default or breach by Trustor hereunder shall be implied from any omission by Beneficiary to take action on account of such default if such default persists or is repeated, and no express waiver shall affect any default other than the default identified in the waiver and such waiver shall be operative only for the time and to the extent therein stated. Waivers of any covenant, term or condition contained herein shall not be construed as a waiver of any subsequent breach of the same covenant, term or condition. The consent or approval by Beneficiary to or of any act by Trustor requiring further consent or approval shall not be deemed to waive or render unnecessary the consent or approval to or of any subsequent similar act. No delay or omission of Trustee or Beneficiary in the exercising of any right or remedy available upon an Event of Default shall impair such right or remedy or any other right or remedy nor shall the same be construed to be a waiver of any Event of Default or any acquiescence therein, and no custom or practice which may develop between Trustor and Beneficiary during the term hereof shall be deemed a waiver of or any way affect the right of Beneficiary to insist upon the performance by Trustor of the obligations secured hereby in strict accordance with the terms hereof or of any other Loan Document.

9.6 Full Reconveyance. Upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and the Note to Trustee for cancellation and retention and upon payment by Trustor of Trustee's fees, Trustee shall reconvey to Trustor, or the person or persons legally entitled thereto, without warranty, any portion of the Trust Estate then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in any reconveyance may be described as "the person or persons legally entitled thereto."

9.7 Partial Reconveyance. Upon written request of Trustor, Beneficiary shall cause Trustee to reconvey the lien of this Deed of Trust from any legal lot or parcel encumbered hereby after satisfaction of each and every condition precedent to such partial reconveyance set forth in any written agreement between Trustor and Beneficiary providing for such partial reconveyance; provided, that in the absence of such a separate written agreement, nothing herein shall obligate Beneficiary to approve a reconveyance prior to payment in full and discharge of all of the Secured Obligations.

9.8 Notices. Whenever Beneficiary, Trustor or Trustee shall desire to give or serve any notice, demand, request or other communication with respect to this Deed of Trust, each such notice, demand, request or other communication (including communications by telegraph, telex or telecommunication facilities providing facsimile transmission) shall be in writing and shall be effective only if the same is delivered by personal service, mailed (postage prepaid, return receipt requested), or telegraphed, telexed or transmitted addressed to the address set forth below. Any such notice if so mailed shall be deemed to have been received by the addressee on the third day following the date of such mailing. Any party may at any time change its address for such notices by delivering or mailing to the other parties hereto, as aforesaid, a notice of such change. It is understood and agreed that each of the parties will use reasonable efforts to send copies of any notices marked "With a copy to" as set forth above; provided, however, that failure to deliver such copy or copies shall have no consequences whatsoever to the effectiveness of any notice made to the other party.

9.9 Acceptance by Trustee. Trustee accepts this trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law.

9.10 Certain Actions of Trustee. At any time or from time to time without liability therefor and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and the Note for endorsement, and without affecting the personal liability of any person for payment of the Secured Obligations or the effect of this Deed of Trust upon the remainder of the Trust Estate, Trustee may (i) reconvey any part of the Trust Estate, (ii) consent in writing to the making of any map or plat thereof, (iii) join in granting any easement thereon, or (iv) join in any extension agreement or any agreement subordinating the lien or charge hereof.

9.11 Statements by Trustor. Trustor, upon ten (10) days' written request from Beneficiary, shall furnish a statement of the amount due or outstanding on the Note, a statement of any offsets, counterclaims or defenses to the payment thereof and an annual statement covering the operations of the Property and Improvements.

9.12 Substitution of Trustee. Beneficiary acting alone may, from time to time, by written instrument executed and acknowledged by Beneficiary and recorded in the County in which the Property is located, appoint another trustee to act in the place and stead of Trustee or any successor. Such writing shall set forth any information required by law. The recordation of such instrument of substitution shall discharge Trustee herein named and shall appoint the new trustee as the trustee hereunder with the same effect as if originally named Trustee herein. A writing recorded pursuant to the provisions of this Section 9.12 shall be conclusive proof of the proper substitution of such new Trustee.

9.13 Loan Statement Fees. Trustor shall pay to Beneficiary for each statement of Beneficiary regarding the obligations secured hereby which is furnished at Trustor's request, the maximum fee allowed by law, or if there be no maximum fee, then such reasonable fee as is charged by Beneficiary as of the time said statement is furnished.

9.14 Successors and Assigns. This Deed of Trust applies to and shall be binding on and inure to the benefit of all parties to this Deed of Trust and their respective heirs, personal representatives, successors and assigns; provided, however, that this Section 9.14 does not waive or modify the provisions of Sections 4.1 and 4.2.

9.15 Interpretation. In this Deed of Trust, whenever the context so requires, the masculine gender shall include the feminine and/or neuter and the singular number shall include the plural and conversely in each case. The word "include(s)" means "include(s) without limitation," and the word "including" means "including, but not limited to." No listing of specific instances, items or matters shall in any way limit the scope or generality of any language in this Deed of Trust.

9.16 Joint and Several Liability. All obligations of each Trustor hereunder shall be joint and several.

9.17 Headings. Headings are for convenience only and are not intended as a limitation on the content of the paragraph following or as an aid to the construction thereof.

9.18 Waiver. To the fullest extent permitted by law, Trustor waives (a) the pleading of any statute of limitations as a defense to any and all obligations secured by this Deed of Trust, and (b) any right to offset any obligations owing by Beneficiary to Trustor or any Trustor funds held by Beneficiary against any obligation or payment due by Trustor or other person obligated to Beneficiary.

9.19 Merger. No merger shall occur as a result of Beneficiary's acquiring any other estate in or any other lien on the Trust Estate unless Beneficiary consents to such merger in writing.

9.20 Attorneys' Fees. In case of any action to recover from Trustor or the Trust Estate, and except as otherwise expressly limited by law, each of Beneficiary and Trustee shall be entitled to recover its reasonable attorneys' fees and costs, in addition to such other relief as it may be entitled. The terms of this Section 9.20 shall be cumulative with Section 7.6 and shall not entitle Beneficiary to a double recovery of attorneys' fees or costs. Whenever Trustor is

obligated to pay or reimburse Beneficiary or Trustee for any attorneys' fees, those fees shall include but not be limited to the allocated cost for the services of in-house counsel.

9.21 Releases, Extensions, Modifications and Additional Security. Without affecting the liability of obligations of any person, including Trustor, for the performance of any obligations secured hereby (excepting only any person or property otherwise expressly released in writing by Beneficiary), Beneficiary may, from time to time and without notice, release any person liable for payment of any of said indebtedness or the performance of any of said obligations, extend the time of payment or otherwise alter the terms of any of said obligations, accept additional security therefor of any kind, including trust deeds or mortgages, or alter, substitute or release any property securing said obligations.

9.22 Sale or Participation. Beneficiary may, at any time, sell, transfer, assign or grant participations herein and in any and all notes and other obligations secured hereby, and Beneficiary may forward to each participant and prospective participant all documents and information which Beneficiary now has or later may acquire relating to those obligations and to Trustor, and any partners or joint venturers of Trustor, whether furnished by Trustor or otherwise, as Beneficiary determines necessary or desirable.

9.23 Request for Notice. Trustor hereby requests that a copy of any notice of default and any notice of sale hereunder be mailed to it at the address set forth below or at such other address as Trustor may designate pursuant to Section 9.8 above. That address is also the mailing address of Trustor as debtor under the UCC. Beneficiary's address given below is the address for Beneficiary as secured party under the UCC.

9.24 Fixture Filing. This Deed of Trust constitutes a financing statement filed as a fixture filing pursuant to ORS Section 79.3130, as amended or recodified from time to time, covering any portion of the Trust Estate which now is or later may become a fixture attached to the Property or any Improvement. In that regard, the following information is provided:

Name of Debtor: JB REDMOND, LLC

Type of Organization: Limited Liability Company

State of Organization: California

Organizational Identification No.: 200533910140

9.25 Waiver of Homestead Exemption. Trustor hereby releases and waives all rights and benefits of the homestead exemption laws of the State of Oregon as to all indebtedness secured by this Deed of Trust.

9.26 Waiver of Jury Trial: TO THE MAXIMUM EXTENT PERMITTED BY LAW, TRUSTOR AND BENEFICIARY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE

PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. TRUSTOR AND BENEFICIARY EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

[Remainder of Page Intentionally Left Blank.]

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES AND COMMITMENTS MADE BY BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE TRUSTOR'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, Trustor has caused this Deed of Trust to be executed as of the day and year first above written.

NOTICES TO TRUSTOR - ADDRESS:

JB Redmond, LLC
c/o Cameo Homes
1105 Quail Street,
Newport Beach, CA 92660
Attn: James C. Gianulias
Facsimile: (949) 250-8574

With a copy to:

Croudace & Dietrich
5 Park Plaza, Suite 1150
Irvine, CA 92614-8591
Attn: Debra M. Dietrich, Esq.
Facsimile: (949) 794-9909

TRUSTOR:

JB REDMOND, LLC
a California limited liability company

By: 

Name: James C. Gianulias

Title: Manager

NOTICES TO BENEFICIARY - ADDRESS:

BANK OF THE WEST
Construction Finance
3000 Oak Road, Suite 400
Walnut Creek, California 94597

With a copy to:

Pillsbury Winthrop Shaw Pittman LLP
501 W. Broadway, Suite 1100
San Diego, CA 92101
Attn: Angela M. Yates, Esq.
Facsimile: (619) 236-1995

EXHIBIT "A"DESCRIPTION OF PROPERTY

THIS EXHIBIT "A" IS ATTACHED TO THAT CERTAIN DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING DATED AS OF JULY 9, 2007, EXECUTED BY JB REDMOND, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY AS TRUSTOR.

Real property in the County of Deschutes, State of Oregon, described as follows:

Parcel 2 of Partition Plat No. 1990-9, located in the Southeast Quarter (SE 1/4) of Section 33, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon. EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division, by deed recorded January 29, 1990 in Book 201, Page 1746.

TOGETHER WITH that portion of the Northwest Quarter of the Northeast (NW 1/4 NE 1/4) of Section 4, Township 15 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, described as follows:

Commencing at a 1/2" pin at the 1/4 corner common to Section 4, Township 15 South, Range 13 East, W.M., and Section 33, Township 14 South, Range 13 East, W.M., the initial point; thence North 89° 18' 27" East along the North line of said Section 4, 859.06 feet to the near edge of a rock wall monumented by a 1/2" pipe and the point of beginning; thence along said edge of a rock wall as follows: South 40° 16' 22" East 23.84 feet; thence South 59° 39' 34" East 27.91 feet; thence South 79° 23' 05" East 16.34 feet; thence South 87° 06' 34" East 31.53 feet; thence North 82° 49' 37" East 32.51 feet; thence North 49° 39' 32" East 18.63 feet; thence North 19° 08' 03" East 23.77 feet to the North line of said Section 4; thence South 89° 18' 27" West along said North line of Section 4, 141.31 feet to the point of beginning.

Tax Parcel Number: 128651 and 247396

NOTARY ACKNOWLEDGMENT

STATE OF CaliforniaCOUNTY OF Orange

On July 9th, 2007 before me Ruth Guerrero, a Notary Public in and for said County and State, personally appeared James C. Granulias, [personally known to me] ~~[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(ies) upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

(SEAL)



PROMISSORY NOTE SECURED BY DEED OF TRUST
(Base Rate)

\$5,850,000

Walnut Creek, California
Dated as of July 9, 2007

FOR VALUE RECEIVED, JB REDMOND, LLC, a California limited liability company ("Debtor") promises to pay to the order of BANK OF THE WEST, a California banking corporation ("Bank"), as indicated below, the principal sum of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below. The entire unpaid principal balance of this Note and all interest, charges and fees thereon shall be due and payable in full on or before August 5, 2008, without claim, notice or demand (the "Maturity Date").

1. INTEREST RATE OPTIONS.

(a) DEFINITIONS: As used herein, the following terms shall have the meanings respectively set forth below: "Base Interest Rate" means a rate of interest based on the LIBOR Rate. "Base Interest Rate Portion" means amounts outstanding under this Note that bear interest at a Base Interest Rate. "Base Rate Maturity Date" means the last day of the Interest Period for a Base Interest Rate Portion. "Business Day" means a day on which Bank is open for business for the funding of corporate loans, and, with respect to the rate of interest based on the LIBOR Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "Interest Period" means with respect to funds bearing interest at a rate based on the LIBOR Rate, any calendar period of one, two, three, four, five, six, seven, eight, nine, ten, eleven, or twelve months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. No Interest Period shall extend beyond the Maturity Date. "LIBOR Rate" means the per annum rate of interest that is the U.S. Dollar LIBOR as published by British Bankers Associations (BBA) at or about 11:00 a.m. (London time) on the second Business Day prior to the first day of an Interest Period, in an amount approximately equal to the Base Interest Rate Portion and for a period comparable to the Interest Period selected, for delivery on the first day of the relevant Interest Period (adjusted for any and all assessments, surcharges and reserve requirements), rounded upward, if necessary to the nearest 1/1000 of 1%, and such rate shall apply for a period of time equal to such relevant Interest Period. "Origination Date" means the first day of the Interest Period. "Prime Rate" means the rate announced by Bank from time to time at its corporate headquarters as its Prime Rate. The Prime Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time. "Variable Rate" means a rate of interest based on the Prime Rate as provided

herein. "Loan Agreement" means that certain Term Loan Agreement of even date herewith, between Debtor and Bank.

(b) DESIGNATION OF BASE INTEREST RATE:

At Debtor's option, subject to the terms of this Section 1, Base Interest Rate Portions in minimum amounts of \$500,000 shall bear interest at a per annum rate, equal to 2.75% in excess of Bank's LIBOR Rate for the Interest Period selected by Debtor, acceptable to Bank.

To exercise this option, Debtor may, from time to time with respect to outstanding principal which is not a Base Interest Rate Portion, and on the expiration of any Interest Period for a Base Interest Rate Portion, select an Interest Period for a Base Interest Rate Portion by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the Interest Period, the Base Interest Rate Portion and the Origination Date selected (which Origination Date, for a Base Interest Rate Portion, shall follow the date of such selection by no more than two (2) Business Days). If, on the date of the selection, the LIBOR Rate selected is unavailable for any reason, the selection shall be void. No Base Interest Rate may be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. In no event shall any Interest Period extend beyond the maturity date of this Note. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

(c) LIMITATIONS ON BASE INTEREST RATE PORTIONS: Anything herein to the contrary notwithstanding, at no time may there be more than three (3) Base Interest Rate Portions; whenever three (3) Base Interest Rate Portions are outstanding, Debtor's option to elect to apply a Base Interest Rate to any additional portion of the Loan shall be deferred until an Interest Period for at least one of the then-effective Base Interest Rate Portions has lapsed and reverted to the Variable Rate.

(d) RECORDS AND CONFIRMATIONS: The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. Bank will mail a written confirmation of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected.

(e) VARIABLE INTEREST RATE: All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum of 0% in excess of the Prime Rate (the "Variable Rate"), which rate shall vary as and when the Prime Rate changes.

(f) GENERAL: If any interest rate defined in this Note ceases to be available from Bank for any reason, then said interest rate shall be replaced by the rate then offered by Bank, which, in the sole discretion of Bank, most closely approximates the unavailable rate.

2. PERIODIC PAYMENTS. Debtor shall pay interest on the first day of each month commencing on August 1, 2007. All computations of interest under this Note shall be made on the basis of a year of 360 days, for actual days elapsed.

This is a non-revolving credit facility.

Debtor shall pay all amounts due under this Note in lawful money of the United States at Bank's office at 3000 Oak Road, Suite 400 (NC-OAK-04-A), Walnut Creek, California 94597, or such other office as may be designated by Bank, from time to time.

3. LATE PAYMENTS. If any periodic payment required by the terms of this Note shall remain unpaid fifteen (15) days after same is due, at the option of Bank, Debtor shall pay a fee to Bank equal to the greater of (a) six percent (6%) of the payment due, or (b) \$100.00. Notwithstanding the foregoing, a late charge shall not be charged if the outstanding principal amount of the Loan is not paid on or before the Maturity Date. Bank's agreement not to charge the late charge in this circumstance does not excuse Debtor from any of its obligations under the Loan Documents and does not limit any of Bank's rights and remedies under the Loan Documents.

4. INTEREST RATE FOLLOWING DEFAULT. During the occurrence of an Event of Default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this Note at a per annum rate equal to five percent (5%) in excess of the applicable interest rate specified above, calculated from the date of default until all amounts payable under this Note are paid in full.

5. PREPAYMENT.

(a) Amounts outstanding under this Note bearing interest at a rate based on the Prime Rate may be prepaid in whole or in part at any time, without penalty or premium. Debtor may prepay amounts outstanding under this Note bearing interest at a Base Interest Rate in whole or in part provided Debtor has given Bank not less than five (5) Business Days prior written notice of Debtor's intention to make such prepayment and pays to Bank the Prepayment Fee (defined below) due as a result. The Prepayment Fee shall also be paid, if Bank, for any other reason, including acceleration or foreclosure, receives all or any portion of a Base Interest Rate Portion prior to its scheduled payment date. "Prepayment Fee" is an amount equal to the present value of the difference between (i) the amount of interest that would have been paid on the principal amount being repaid at the Base Interest Rate and (ii) the amount of interest that Bank would earn if the amount of such prepayment of principal was used to purchase a LIBOR contract having a maturity date most closely matching with the last day of the relevant Interest Period and such contract was held by Bank until the last day of the relevant Interest Period. The rate used in the present value calculation shall be the rate of interest offered on the LIBOR contract having a maturity date most closely matching with the last day of the relevant Interest Period. The time period used in the present value calculation shall be a fraction, the numerator of which is the number of days in the period between the date of prepayment and the last date of the relevant Interest Period, and the denominator of which shall be 360 days.

(b) Intentionally Omitted.

(c) In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under this prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. Bank's determination of the Prepayment Fee amount, if any, shall be *prima facie* as to such determination. In the event of partial prepayment, such prepayments shall be applied to principal payments in the inverse order of their maturity.

(d) Bank shall provide Debtor a statement of the amount payable on account of prepayment. Debtor acknowledges that (i) Bank establishes a Base Interest Rate upon the understanding that it is applied to the Base Interest Rate Portion for the entire Interest Period, and (ii) any prepayment may result in Bank incurring additional costs, expenses or liabilities; and Debtor agrees to pay the liquidated damages as a reasonable estimate of the costs, expenses and liabilities of Bank associated with such prepayment.

(e) Debtor acknowledges that any voluntary prepayment constitutes an alternative method for Debtor to perform its obligations under this Note, for which the amount due under this prepayment formula (whether or not denominated as liquidated damages) is a fair, just and equitable alternate form of compensation to Bank. Debtor further specifically acknowledges and agrees that if Debtor shall prepay all or any part of the indebtedness evidenced by this Note (a) prior to the due date hereof as set forth in this Note for any reason whatsoever, whether such prepayment is voluntary or involuntary, and whether or not such prepayment arises by virtue of the exercise by Debtor of the prepayment privilege expressly reserved in this Note, or (b) after an Event of Default as defined herein, including, but not limited to, an Event of Default under the Deed of Trust or by reason of acceleration as a result of the Deed of Trust, then such prepayment shall include the amount required to be paid hereunder with respect to amounts under this Note bearing interest at the Base Interest Rate. Debtor expressly (i) waives any rights Debtor may have under California Civil Code Section 2954.10 to prepay this Note, in whole or in part, without penalty or fee, upon acceleration of the Maturity Date, and (ii) agrees that if for any reason a prepayment is made, the amount calculated hereunder as it relates to any prepayment restriction contained in this Note shall be due and payable in addition to all other sums due and payable. Debtor expressly acknowledges, by affixing its initials in the space provided herein, that Bank's agreement to make the loan evidenced by this Note at the interest rate and for the term herein set forth constitutes adequate consideration, given individual weight by Debtor, for the foregoing waiver and Debtor's agreement to pay the liquidated damages amount referred to herein. Debtor acknowledges that it would be extremely difficult, costly and impractical to calculate and ascertain the actual damages suffered by Bank and that the amount provided herein is a reasonable estimate of the amount of such detriment and shall constitute a liquidated amount of the damages incurred solely by reason of such a prepayment prior to the regularly scheduled payment date (without limiting any other damages to which Bank may be entitled by reason of any event of default). *See page 6A attached hereto.

Debtor Initials: _____ 

6. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Each of the following shall be an "Event of Default:" (a) the failure of Debtor to make any payment required under this

Note when due, if such failure continues beyond ten (10) days after written notice of delinquency is given by Bank to Debtor; (b) any breach or default by Debtor under the terms of this Note other than as provided in clause (a), above, if such breach or default continues beyond thirty (30) days after written notice from Bank; or (c) any breach, misrepresentation or other default by Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this Note (hereinafter individually and collectively referred to as the "Obligor") under any deed of trust, mortgage, security agreement, guaranty or other agreement between Bank and any Obligor; if such failure continues beyond the period of grace, if any, specified therein. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and, at its option, may declare all obligations under this Note immediately due and payable.

7. SECURED BY DEED OF TRUST. Debtor's obligations under this Note are secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of even date herewith, by Debtor as Trustor, for the benefit of Bank, as beneficiary (as it may be amended, the "Deed of Trust").

8. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, DEBTOR AND BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS NOTE, THE OTHER LOAN DOCUMENTS (AS DEFINED IN THE LOAN AGREEMENT), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. DEBTOR AND BANK EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTER-CLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS NOTE OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE AND THE OTHER LOAN DOCUMENTS.

9. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this Note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this Note. Debtor and any endorser of this Note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind, except for notice requirements that are expressly required herein or in the other Loan Documents; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this Note. All payments due hereunder shall be paid without offset or deduction of any kind, and Debtor hereby waives the right to set off against the indebtedness to Bank any sum of money, claim, liability or obligation Bank may owe or Debtor

may assert against Bank. If this Note is signed by more than one party, the term "**Debtor**" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this Note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this Note shall accrue until the funds are deemed collected. In any action brought under or arising out of this Note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California (subject to the terms of any applicable alternative dispute resolution agreement executed between Debtor and Bank), and consent to service of process by any means authorized by said state's law. The term "**Bank**" includes, without limitation, any holder of this Note. This Note shall be construed in accordance with and governed by the laws of the State of California. This Note hereby incorporates any alternative dispute resolution agreement executed between Debtor and Bank which makes express reference to this Note and the other Loan Documents as defined in the Deed of Trust securing this Note. The Deed of Trust securing this Note permits the Bank to declare all obligations hereunder immediately due and payable upon breach of the following provision: "Trustor shall not, directly or indirectly, sell, convey, assign, further encumber, grant a security interest in, mortgage, hypothecate, transfer, alienate or otherwise dispose of the real property encumbered by this Deed of Trust or any part thereof or any interest therein, including without limitation, air rights or development rights, whether voluntarily, involuntarily, by operation of law or otherwise, or (except as may otherwise be permitted under the Loan Agreement or this Deed of Trust), lease all or any portion thereof or an undivided interest therein, or enter into an agreement to do so, without the prior written consent of Beneficiary; provided, however, that if the real property encumbered by said Deed of Trust consists of residential real property containing five or more units, Trustor without Beneficiary's consent may enter into leases of single residential units for a term of one year or less upon market rates and terms without prior consent of Beneficiary."

10. **INCREASED COSTS.** If, because of the introduction of or any change in, or because of any judicial, administrative, or other governmental interpretation of, any law or regulation, there shall be any increase in the cost to Bank of making, funding, maintaining, or allocating capital to any amount outstanding under this Note bearing interest at the Applicable LIBOR Rate, including a change in LIBOR Reserve Requirements, then Debtor shall, from time to time upon demand by Bank, pay to Bank additional amounts sufficient to compensate Bank for such increased cost. "**LIBOR Reserve Requirements**" means, for any loan bearing interest at a rate based on the One-Month LIBOR Rate or another Applicable LIBOR Rate Loan, the maximum reserves (whether basic, supplemental, marginal, emergency, or otherwise) prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to liabilities or assets consisting of or including "**Eurocurrency liabilities**" (as defined in Regulation D of the Board of Governors of the Federal Reserve System) having a term equal to the term of the applicable Interest Periods for such Base Interest Rate Portions.

[Remainder of Page Intentionally Left Blank]

*Notwithstanding anything set forth above, if, at the time that a prepayment of the Loan is to be made pursuant to a casualty or condemnation, the outstanding principal amount of the Loan that is then subject to the Prime Rate is less than the amount to be prepaid, then, if no Event of Default is then existing under any of the Loan Documents, Bank shall apply the prepaid principal to the outstanding principal amount that is then subject to the Prime Rate and shall hold the amount of prepaid principal in excess of the outstanding principal amount that is then subject to the Prime Rate and apply it to the outstanding principal amount of the Loan on the next Base Rate Maturity Date, unless Bank has received written notice from Debtor, requesting that Bank apply such prepayment on an earlier date. Debtor acknowledges and agrees that interest shall continue to accrue on the portion of principal that is not repaid because Bank is holding such prepayment until the next Base Rate Maturity Date.

UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE BY BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE DEBTOR'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

DEBTOR:

JB REDMOND, LLC,
a California limited liability company

By: 

Name: James C. Gianulias

Title: Manager

**ENVIRONMENTAL INDEMNITY AGREEMENT
(OREGON)**

THIS ENVIRONMENTAL INDEMNITY AGREEMENT ("Agreement") is made as of July 9, 2007, by JB REDMOND, LLC, a California limited liability company ("Borrower"), for the benefit of BANK OF THE WEST, a California banking corporation ("Bank").

BORROWER ENTERS THIS AGREEMENT on the basis of the following facts, understandings, and intentions:

A. Bank is making or continuing an extension of credit to Borrower. Such extension of credit or other financing arrangements, together with any amendments, replacements, substitutions, extensions or refundings thereof, are hereinafter referred to as the "Loan."

B. In connection with the Loan, Borrower will undertake or has undertaken certain obligations to Bank. Said obligations of Borrower to Bank, together with any amendments, replacements, substitutions, extensions or refundings thereof, are hereinafter referred to as the "Obligation." Borrower expressly acknowledges that it benefits financially from the Loan and that this Agreement is a specific inducement to Bank for the Loan.

C. The term "Collateral" shall mean any property to which Bank has been granted a security interest by Borrower, or any other person or entity in connection with the Loan.

D. The term "Property" shall mean that certain real property located in the County of Deschutes, State of Oregon, and more particularly described in Exhibit A, attached hereto.

E. Bank would not make the Loan if, as a result, Bank might incur any liability arising with regard to any Hazardous Substance, as defined in Section 1, below, now or hereafter present in, on, under or around any part of the Property. Bank requires that Borrower execute this Agreement as a further assurance against such liability upon the terms and conditions hereinafter set forth.

F. It is the intention of Bank and Borrower that, as between Bank and Borrower, Borrower shall be solely responsible for any and all liability arising with regard to any Hazardous Substance now or hereafter present in, on, under or around any portion of the Property, and Bank shall under no circumstances have any liability therefor. Bank and Borrower intend this Agreement to be fully enforceable to the maximum extent permitted by law.

NOW THEREFORE, in consideration of, and as an inducement for, Bank making the Loan and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower agrees as follows:

1. Definition of Hazardous Substance. For purposes of this Agreement, a "Hazardous Substance" (any two or more, "Hazardous Substances") is defined to mean any substance or material (including, without limitation, raw materials, building components, wastes, and the products and by-products of manufacturing or other activities) which is or becomes designated, classified or regulated as being "toxic," "hazardous" or similarly designated,

classified or regulated under any federal, state or local law, ordinance, rule or regulation. The term "Hazardous Substance" shall include, without limitation, (i) substances defined as "hazardous substances" or "toxic substances" for purposes of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., as amended by the Superfund Amendments and Reauthorization Act of 1986, or the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; (ii) any material or substance which is (A) defined as a "hazardous waste", "PCB", "hazardous substance", "hazardous material" or "regulated substance" under Sections 465.200(15), 466.005(7), 466.005(12), 466.505(1), 466.605(7) and 466.705(16) of Chapters 465 and 466 of the Oregon Revised Statutes (Hazardous Waste and Hazardous Materials Law I and II) or (B) defined as a substance which would otherwise be a hazardous waste except for the fact that it is not discarded, useless or unwanted as described in Section 466.205 of Chapter 466 of the Oregon Revised Statutes (Hazardous Waste and Hazardous Materials Law II); and (iii) petroleum, flammable explosives, urea formaldehyde insulation, asbestos and radioactive materials.

2. Indemnity Regarding Hazardous Substances. Borrower agrees to indemnify and hold Bank harmless from and against all liabilities, claims, actions, foreseeable and unforeseeable consequential damages, costs and expenses (including sums paid in settlement of claims and all consultant, expert and legal fees and expenses, including allocated costs of in-house legal and technical services) or loss directly or indirectly arising out of or resulting from any Hazardous Substance being present at any time, whether before or after the date of this Agreement, on or around any portion of the Property, or in the soil, groundwater or soil vapor on or under any portion of the Property, including those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any third parties or to any natural resources ("Indemnified Costs"). Upon demand by Bank, Borrower shall defend any investigation, action or proceeding alleging the presence of any Hazardous Substance in any such location, which affects the Property or which is brought or commenced against Bank, whether alone or together with Borrower or any other person or entity, all at the cost of Borrower and by counsel and consultants to be approved by Bank in the exercise of its reasonable judgment. In the alternative, Bank may elect to conduct its own defense at the expense of Borrower. This Section 2 shall not apply to Indemnified Costs that are the result of an act, occurrence or release of Hazardous Substances that first occurs after recordation of the deed pursuant to which title to the Property is transferred pursuant to a foreclosure of the Deed of Trust or a deed in lieu of foreclosure that Bank has agreed in writing to accept, provided that the act of occurrence or release of Hazardous Substances is not due to a condition that existed prior to the recordation of such deed.

3. Representation and Warranty Regarding Hazardous Substances. Before signing this Agreement, Borrower has conducted all appropriate inquiries and investigations into the current and previous uses and ownership of the Property. Based on that due diligence, and except to the extent specifically disclosed to Bank by Borrower in Parts I, II and III of Exhibit B attached hereto, Borrower represents and warrants to Bank that to the best of Borrower's knowledge and belief, after conducting all commercially reasonable inquiries and investigations: (a) no Hazardous Substances are present in, on or under the Property or any nearby real property which could migrate to the Property; (b) there is no present or threatened release of Hazardous Substances in, on under or to the Property; (c) except for any Permitted Materials, Borrower has

not used, generated, stored, handled, manufactured, processed, discharged, transported, released or disposed of any Hazardous Substances at the Property or any part thereof, and Borrower has not permitted any other person to do so; (d) no such activity involving Hazardous Substances has ever occurred at the Property or any part thereof, except for the reasonable use of Permitted Materials; (e) no underground storage tanks of any kind are located in the Property nor were any above-ground or underground storage tanks ever located at the Property; (f) the Property and every part thereof, and all operations and activities therein and thereon and the use and occupancy thereof, comply with all Applicable Laws; (g) neither Borrower nor any person using or occupying the Property or any part thereof is violating any Applicable Laws; (h) the Property has not been designated as "hazardous waste property" or "border zone property" pursuant to Oregon Health and Safety Code, and no proceedings for a determination as to whether the Property should be so designated are pending or threatened; (i) no portion of the Property is located within two thousand (2,000) feet of a significant disposal of "hazardous waste" within the meaning of Oregon Health and Safety Code, which could cause the Property to be classified as a "border zone property"; (j) no claim, demand, action or proceeding of any kind relating to Hazardous Substances or alleged Hazardous Substances in, on, under or at the Property or any past or present violation of any Applicable Laws at the Property has been made or commenced, or is pending, or is being threatened or contemplated by any person; (k) Borrower has made or delivered written disclosure to Bank of every past or present release or threatened release of any Hazardous Substances in, on, under or at the Property and every past or present failure to comply with any Applicable Laws at the Property of which Borrower has knowledge or notice; (l) Borrower is not subject to an order, claim or demand requiring clean up or other remedial action with respect to any site Borrower owns or operates, including, without limitation, the Property, or any site at which Borrower may have disposed of any Hazardous Substances; (m) Borrower has not received a notice that it might be a "potentially responsible party" as defined under any Applicable Laws; and (n) Borrower has all permits, licenses and approvals required by all Applicable Laws for the use and occupancy of, and all operations and activities in, the Property, the Property is in full compliance with all such permits, licenses and approvals; all such permits, licenses and approvals are in full force and effect; and Borrower has disclosed in writing to Bank all such permits, licenses and approvals.

4. Compliance Regarding Hazardous Substances. Except for Permitted Materials, and except for those Hazardous Substances used in connection with the business presently being conducted on the Property and listed in Part III of Exhibit B, attached hereto, Borrower shall not and shall not permit any third party to use, generate, manufacture, store, release, discharge or dispose of any Hazardous Substance in, on, under or about the Property, or transport any Hazardous Substance to or from the Property without the prior written consent of Bank, which consent shall not be unreasonably withheld so long as (i) such use, generation, manufacture, storage, release, discharge or transport does not arise from a proposed change in the character of the use of the Property, and (ii) Borrower demonstrates to the satisfaction of Bank that such use, generation, manufacture, storage, release, discharge or transport will be in full compliance with all laws, ordinances, rules and regulations governing or applicable to any such Hazardous Substances. Borrower has complied and shall comply and cause all occupants of the Property to comply (including, if necessary, by resort to and diligent pursuit of all available legal, equitable and administrative remedies and proceedings) with all laws, ordinances, rules and regulations governing or applicable to Hazardous Substances, the orders and directives of all governmental

authorities having jurisdiction over the Property as well as the recommendations of any qualified environmental engineer or other expert which apply or pertain to the Property.

5. Notices Regarding Hazardous Substances. Until full performance of the Obligation and repayment of the Loan, Borrower shall promptly notify Bank if Borrower knows, suspects or believes there may be any Hazardous Substance which is not a Permitted Material, on or around the Property, or in the soil, groundwater or soil vapor on or under the Property, or that Borrower or the Property may be subject to any threatened or pending investigation by any governmental agency under any law, ordinance, rule or regulation pertaining to any Hazardous Substance, or may be subject to any claim or litigation by a third party regarding the presence of a Hazardous Substance which is not a Permitted Material. Borrower shall furnish Bank with copies of any notice, summons, letter, report or other written communication relating to the presence of Hazardous Substances which is not a Permitted Material, on or around the Property within three (3) business days after Borrower's receipt thereof.

6. Remediation Work. If any investigation, site monitoring, containment, cleanup, removal, restoration or other remediation work of any kind or nature with respect to Hazardous Substances that are not Permitted Materials (the "Remediation Work") is or becomes necessary or required pursuant to any applicable federal, state or local law, ordinance, rule or regulation or the order or directive of any governmental authority having jurisdiction over the Property, the Hazardous Substances or the Remediation Work, or is recommended as necessary for such compliance by any qualified environmental engineer or consultant, because of, or in connection with, the past, present or future presence, suspected presence, release or suspected release of a Hazardous Substance that is not a Permitted Material, on or around any portion of the Property or in the soil, groundwater or soil vapor on or under any portion of the Property (excepting, however, any Hazardous Substances first present on the Property after Borrower no longer has an interest in the Property unless attributable to conditions or occurrences prior thereto), Borrower shall at the sole expense of Borrower, promptly retain a qualified environmental engineer. Such engineer shall investigate the presence, release or threatened release of such Hazardous Substances and the existence of such violation of Applicable Laws and prepare and submit to Bank a written report containing the findings and conclusions resulting from such investigation. The environmental engineer who will prepare the report shall be subject to the prior approval of Bank. Borrower further shall submit to Bank complete plans and specifications for all Remediation Work to be done by Borrower before any Remediation Work is performed, except in an emergency. Such plans and specifications shall (i) be prepared by qualified licensed engineers or contractors approved in writing by Bank; (ii) comply with all Applicable Laws; and (iii) be in form and substance sufficient to secure the approval of all governmental authorities with jurisdiction over the Property or the Remediation Work. Thereafter, Borrower shall commence to perform, or cause to be commenced, and thereafter diligently prosecute to completion, all such Remediation Work. The Remediation Work will be conducted in accordance with such plan of remediation, including but not limited to the documents, if any, identified in Exhibit C, attached hereto, and in full compliance with all, and to the extent required by or recommended for compliance with Applicable Laws, the orders and directives of all governmental authorities having jurisdiction over the Property, the Hazardous Substances or the Remediation Work. Borrower shall cause all Remediation Work to be performed in a good and workman like manner by one or more qualified environmental engineers or contractors, and under the supervision of one or more qualified consulting engineers who shall be identified to

and subject to Bank's approval, not unreasonably to be withheld or delayed. Borrower's obligations with regard to the Remediation Work shall include obtaining a letter or other written statement from all governmental authorities exercising jurisdiction over the Property, the Hazardous Substances or the Remediation Work that no further action is required. Borrower shall pay for all Remediation Work, including the costs of plans and specifications, utilities, permits, fees, taxes and insurance premiums in connection therewith, and shall keep the Property free from all mechanics' or other liens arising out of the Remediation Work. Borrower shall keep Bank fully apprised of all developments and findings during the course of any Remediation Work and shall furnish to Bank, promptly upon receipt or preparation, such information concerning the Remediation Work as Bank may request from time to time in order to verify Borrower's compliance with this section and to protect Bank's security, including, without limitation, copies of all reports, studies, analyses, contracts, manifests, orders and correspondence. Upon Bank's request, Borrower shall also furnish Bank with written confirmation in a form satisfactory to Bank showing that all contaminated soil and other materials removed from the Property and any other property affected by the Remediation Work have been properly disposed of in accordance with all Applicable Laws and the orders and directives of all governmental authorities having jurisdiction over the Property, the Hazardous Substances or the Remediation Work. Bank shall have the right, but not the obligation, to participate in any action or proceeding relating to the presence or suspected presence of any Hazardous Substances in, on, under or around the Property, or the necessity for or adequacy of any Remediation Work. Such participation shall be solely for the purpose of protecting Bank's security, and shall not impose any liability on Bank or result in a waiver of any default of Borrower. Notwithstanding anything to the contrary in this Agreement, Borrower shall not be responsible for performance of any Remediation Work or payment of the costs thereof if and to the extent the same results from acts or omissions following a foreclosure or deed in lieu of foreclosure that Bank has agreed in writing to accept, unless such Remediation Work is required to remediate problems that arose or conditions that existed prior to such foreclosure or deed in lieu of foreclosure; however, this provision will not limit Borrower's obligations under Section 2 above.

7. Site Visits, Observations and Testing. Bank and its agents and representatives shall have the right, after the occurrence of an Event of Default or if Bank has reason to believe that there has been any breach of the requirements of this Agreement or a release of any Hazardous Substances (which are not Permitted Materials) in violation of Applicable Laws, at any reasonable time to enter and visit the Property for the purposes of observing the Property, taking and removing soil or groundwater samples, and conducting tests on any part of the Property with respect to the possible or known presence of Hazardous Materials that are not Permitted Materials or observing compliance with the requirements of this Agreement. Bank is under no duty, however, to visit or observe the Property or to conduct tests, and any such acts by Bank shall be solely for the purposes of verifying Borrower's compliance with this Agreement and protecting Bank's security. No site visit, observation or testing by Bank shall result in a waiver of any default of Borrower or impose any liability on Bank. In no event shall any site visit, observation or testing by Bank be a representation that Hazardous Substances are or are not present in, on or under the Property, or that there has been or shall be compliance with any Applicable Law or any other applicable law or regulation. Neither Borrower nor any other party is entitled to rely on any site visit, observation or testing by Bank. Bank owes no duty of care to protect Borrower or any other party against, or to inform Borrower or any other party of, any

Hazardous Substances or any other adverse condition affecting the Property. Bank may, but shall not be obligated to, disclose to Borrower or any other party any report or findings made as a result of, or in connection with, any site visit, observation or testing by Bank.

8. Subrogation. Bank shall have full benefit of any and all rights which Borrower now or hereafter may have against third parties with regard to Hazardous Substances, whether such rights arise by contract or by operation of law, and shall have the right, but not the obligation, to enforce such rights for the sole benefit of Bank directly against any such third party. If the consent of any such third party is necessary to fully effectuate the foregoing subrogation and assignment of Borrower's rights, Borrower shall promptly obtain such consent.

9. Event of Default. A breach by Borrower of any representation, covenant, warranty or other provision of this Agreement shall constitute, at the election of Bank in its sole discretion, an Event of Default under the Obligation, provided, however, that if such breach is curable and Borrower proceeds to cure the same as soon as reasonably feasible and not more than thirty (30) days after notice from Bank has submitted to Bank a written plan for curing the same which is satisfactory to Bank in Bank's sole discretion, then Borrower shall not be in default so long as Borrower is diligently proceeding to effectuate such cure in accordance with such plan and actually cures the breach within ninety (90) days after Bank's initial notice of breach.

10. Separate Unsecured Obligations. This Agreement (a) shall not be secured by any deed of trust securing the Obligation or the Loan or encumbering all or any portion of the Property, and (b) shall constitute an obligation of Borrower, separate and distinct from any promissory note Borrower may execute in connection with the Loan. The liability of Borrower under this Agreement shall not be limited to or measured by the amount, if any, outstanding under the Loan or Obligation or by reference to the value of any of the Property or Collateral. The rights of Bank under this Agreement shall be cumulative and in addition to any other rights and remedies of Bank under any other document or instrument or at law or in equity.

11. Survival of Sale by Borrower. Borrower's obligations hereunder shall, except to the extent expressly otherwise provided in this Agreement, survive the sale or other transfer of the Property by Borrower. The rights of Bank under this Agreement shall be in addition to any other rights and remedies of Bank against Borrower under any other document or instrument now or hereafter executed by such Borrower, or at law or in equity (including, without limitation, any right of reimbursement or contribution pursuant to CERCLA), and shall not in any way be deemed a waiver of any of such rights. Borrower agrees that it shall have no right of contribution (including, without limitation, any right of contribution under CERCLA) or subrogation against any other Borrower (if more than one Borrower exists under this Agreement or any similar agreement between Bank and another person in connection with the Loan). Borrower further agrees that, to the extent that the waiver of its rights of subrogation and contribution as set forth herein is found by a court of competent jurisdiction to be void or voidable for any reason, any rights of subrogation or contribution Borrower may have shall be junior and subordinate to the rights of Bank against Borrower hereunder.

12. Survival. This Agreement and the obligations and liabilities of Borrower hereunder shall, except to the extent expressly otherwise provided in this Agreement, survive and

remain in full force and effect following the period of seven (7) years after the last to occur of (a) performance, repayment or discharge of the Obligation and the Loan, (b) full reconveyance of the Property from the mortgage or deed of trust held by Bank as security for the Obligation, or (c) completion of a trustee's sale or foreclosure sale of the Property thereunder; provided, however, the above period of time shall be tolled while any Remediation Work continues, if such Remediation Work commenced prior to the occurrence of any of the events described in clauses (a), (b) and (c); and provided, further, that to the extent any Hazardous Substances are disclosed by Borrower in Part I or III of Exhibit B attached hereto or are actually known to Borrower and not so disclosed, all obligations of Borrower hereunder shall be of unlimited duration with respect to such matters; and in any event, the provisions of Sections 8, 10 and 11 hereof shall be of unlimited duration. Borrower waives the right to assert any statute of limitations as a bar to the enforcement of this Agreement.

13. Severability. If any of Borrower's obligations hereunder shall be held to be unenforceable, the remainder of this Agreement and its application to all obligations other than those with respect to which it is held unenforceable shall not be affected thereby and shall remain in full force and effect.

14. Notices: Any notice, demand or request required hereunder shall be given in writing (at the addresses set forth below) by any of the following means: (a) personal service; (b) electronic communication, whether by telex, telegram or telecopying; (c) overnight courier; or (d) registered or certified, first class mail, return receipt requested.

If to Borrower:

JB Redmond, LLC
c/o Cameo Homes
1105 Quail Street,
Newport Beach, CA 92660
Attn: James C. Gianulias
Facsimile: (949) 250-8574

With a copy to:

Croudace & Dietrich
5 Park Plaza, Suite 1150
Irvine, CA 92614-8591
Attn: Debra M. Dietrich, Esq.
Fax: (949) 794-9909

If to Bank:

Bank of the West
3000 Oak Road, Suite 400 (NC-OAK-04-A)
Walnut Creek, California 94597
Attn: Real Estate Industries Division
Fax: (925) 256-4143

With a copy to:

Bank of the West
4041 MacArthur Blvd., Suite 100
Newport Beach, CA 92660
Attn: Jon Ely
Facsimile: (949) 852-1510

With a copy to:

Pillsbury Winthrop Shaw Pittman LLP
501 West Broadway, Suite 1100
San Diego, CA 92101
Attn: Angela M. Yates, Esq.
Fax: (619) 236-1995

Such addresses may be changed by notice to the other parties given in the same manner as above provided. Any notice, demand or request sent pursuant to either subsection (a) or (b) hereof shall be deemed received upon such personal service or upon dispatch by electronic means. Any notice, demand or request sent pursuant to subsection (c) shall be deemed received on the business day immediately following deposit with the overnight courier, and, if sent pursuant to subsection (d), shall be deemed received forty-eight (48) hours following deposit into the mail.

15. Attorneys' Fees. If Bank is required to enforce Borrower's obligations hereunder, Borrower shall pay to Bank all costs incurred, whether or not suit is filed, including, but not limited to, reasonable attorneys' fees (including but not limited to allocated costs of in-house legal services) and court costs.

16. Governing Law. The terms of this Agreement shall be governed by and construed according to the laws of the State of California.

17. Joint and Several Obligations. If more than one person or entity has executed this Agreement as Borrower, their liability shall be joint and several.

18. Successors and Assigns. All of the provisions hereof shall inure to the benefit of Bank and Bank's successors and assigns and be binding upon Borrower and Borrower's successors and assigns; provided, however, that no assignment of this Agreement by Borrower shall release Borrower from Borrower's obligations hereunder.

19. No Third-Party Beneficiary. The terms of this Agreement are for the sole and exclusive protection and benefit of Bank. No party shall be a third-party beneficiary hereunder and no provision hereof shall operate or inure to the use or benefit of any third party.

20. Entire Agreement. This Agreement contains the entire agreement of the parties with regard to the subject matter contained herein. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing and signed by both Bank and Borrower.

21. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, BORROWER AND BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. BORROWER AND BANK EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS.

[Remainder of Page Intentionally Left Blank.]

IN WITNESS WHEREOF, Borrower has executed this Agreement as of the date first above written with the intent to be legally bound thereby.

BORROWER:

JB REDMOND, LLC,
a California limited liability company

By: 

Name: James C. Gianulias

Title: Manager

EXHIBIT APROPERTY

Real property in the County of Deschutes, State of Oregon, described as follows:

Parcel 2 of Partition Plat No. 1990-9, located in the Southeast Quarter (SE 1/4) of Section 33, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon. EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its Department of Transportation, Highway Division, by deed recorded January 29, 1990 in Book 201, Page 1746.

TOGETHER WITH that portion of the Northwest Quarter of the Northeast (NW 1/4 NE 1/4) of Section 4, Township 15 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, described as follows:

Commencing at a 1/2" pin at the 1/4 corner common to Section 4, Township 15 South, Range 13 East, W.M., and Section 33, Township 14 South, Range 13 East, W.M., the initial point; thence North 89° 18' 27" East along the North line of said Section 4, 859.06 feet to the near edge of a rock wall monumented by a 1/2" pipe and the point of beginning; thence along said edge of a rock wall as follows: South 40° 16' 22" East 23.84 feet; thence South 59° 39' 34" East 27.91 feet; thence South 79° 23' 05" East 16.34 feet; thence South 87° 06' 34" East 31.53 feet; thence North 82° 49' 37" East 32.51 feet; thence North 49° 39' 32" East 18.63 feet; thence North 19° 08' 03" East 23.77 feet to the North line of said Section 4; thence South 89° 18' 27" West along said North line of Section 4, 141.31 feet to the point of beginning.

Tax Parcel Number: 128651 and 247396

EXHIBIT BKNOWN HAZARDOUS SUBSTANCES

I. Environmental Disclosure Documents: Borrower has furnished the following documents to Bank (herein "**Environmental Disclosure Documents**");

(i) that certain Phase One Environmental Site Assessment prepared by David Evans and Associates, Inc., dated February 21, 2006 (the "**Phase I Environmental Report**"); and

(ii) that certain Environmental Questionnaire and Disclosure Statement covering the Property, filled out and executed by Borrower in connection with the Loan and dated July 3, 2007.

II. Permitted Materials: The following Hazardous Substances are or may be present and used in the Property:

(i) reasonable de minimus amounts of gasoline, and oil or other vehicle lubricants stored in the vehicles and equipment used on the Property,

(ii) reasonable de minimus amounts of commercially packaged and marketed fertilizers, herbicides and/or pesticides, painting and cleaning supplies, obtained and used only in the ordinary course of maintaining any buildings, landscaping and improvements on the Property, and

(iii) standard building components and materials which are properly and lawfully installed in or incorporated into any improvements on the Property and may lawfully remain therein in accordance with applicable laws, taking into account the nature, purpose and intended use and occupancy thereof; provided that in all cases all such components, materials, substances and other items referred to in clauses (i) and (ii), above, are so stored, transported, used, installed, incorporated and disposed of, in accordance with all Applicable Laws, and are not released into the environment in a manner or in quantities in violation of Applicable Laws.

III. Business-Related Materials: [Insert "None" or list specific Hazardous Substances in addition to Permitted Materials which are used in the business conducted on the Property.]

EXHIBIT C

REMEDIATION PLANS

Describe Remediation Plans below or write "None."

GUARANTY

THIS GUARANTY ("Guaranty") is executed as of July 9, 2007, by James C. Gianulias, individually and as Trustee of the James Chris Gianulias 1998 Trust U/D/T dated December 22, 1998, as amended and restated October 14, 2003 (collectively, "Guarantor"), for the benefit of Bank of the West, a California banking corporation ("Bank"), with reference to the following facts:

A. Pursuant to that certain Term Loan Agreement of even date herewith ("Loan Agreement"), Bank has agreed to make a loan of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000) ("Loan") to JB Redmond, LLC, a California limited liability company ("Borrower"). The Loan is evidenced by a Promissory Note of even date herewith in the principal amount of the Loan ("Note") and secured by a Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing of even date herewith affecting the Real Property ("Deed of Trust"). Any capitalized term used but not defined herein shall have the meaning set forth in the Loan Agreement.

B. As a condition to the making of the Loan, Bank has required that Guarantor guaranty the obligations of Borrower in accordance with the terms of this Guaranty.

AGREEMENT

NOW, THEREFORE, in consideration of Bank's agreement to make the Loan and as an inducement to Bank to do so, Guarantor covenants and agrees with Bank, for the benefit of the holder from time to time of the Note as follows.

1. Guaranty.

1.1 Guaranty. Guarantor hereby unconditionally and irrevocably guaranties (a) the due and punctual payment of all amounts due under the Note and the Loan Agreement and of all monetary payments required to be made under the Loan Documents (and all renewals, extensions, modifications and rearrangements thereof); and (b) the full and faithful performance of all of the terms, covenants, conditions, agreements and other obligations of Borrower contained in the Loan Documents and in the Environmental Indemnity Agreement of even date herewith between Bank and Borrower ("Environmental Indemnity"), and all renewals, extensions, modifications and rearrangements of said Loan Documents and Environmental Indemnity (collectively, the "Obligations"). This is a guaranty of payment and performance and not of collection or collectibility only. The obligations under this Guaranty shall be absolute, independent and unconditional under any and all circumstances. For purposes of this Guaranty, the term Obligations is used in its most comprehensive sense to include both monetary and non-monetary obligations of Borrower to Bank and to include, without limitation, each and every debt, obligation and liability of Borrower already, now or hereafter made, incurred or created pursuant to (a) the Loan Documents, and (b) the Environmental Indemnity (together with the Loan Documents referred to herein as the "Guaranteed Agreements") and all extensions, renewals, modifications, restatements and consolidations thereof. The term also includes voluntary and involuntary indebtedness however it arose or arises, whether it was or is a direct obligation to Bank or was or is acquired by Bank by assignment, merger or succession, whether

it is due or not yet due, absolute or contingent, liquidated or unliquidated or determined or undetermined, whether arising under a single transaction or a series of transactions, whether arising before or after an obligation of Borrower to Bank has been satisfied in full, and whether Borrower may be liable for it individually or jointly with others, provided that in each case such indebtedness arises pursuant to the Guaranteed Agreements.

1.2 Intentionally Omitted.

1.3 Reinstatement. All of Bank's rights pursuant to this Guaranty continue with respect to amounts previously paid on account of any Obligations which are thereafter restored or returned by Bank, whether in bankruptcy, reorganization, dissolution, liquidation, insolvency, receivership or similar proceeding ("Insolvency Proceeding"), of Borrower or for any other reason, all as though such amounts had not been paid to Bank, and Guarantor's liability under this Guaranty (and all its terms and provisions) for the amounts that are restored or repaid shall be reinstated and revived, notwithstanding any surrender or cancellation of this Guaranty. Bank, in its sole discretion, may determine whether any amount paid to it must be restored or returned; provided, however, that if Bank elects to contest any claim for return or restoration, Guarantor agrees to indemnify and hold Bank harmless from and against all costs and expenses, including reasonable attorneys' fees, expended or incurred by Bank in connection with such contest. If any Insolvency Proceeding is commenced by or against Borrower or Guarantor, then at the Bank's election, Guarantor's obligations under this Guaranty shall immediately and without notice or demand become due and payable, whether or not then otherwise due and payable. However, Guarantor shall not be liable for repayment of an amount that is due to an overpayment unrelated to any bankruptcy or insolvency.

1.4 Expenses.

(a) Guarantor shall reimburse Bank for all reasonable attorneys' fees, costs and expenses arising from and after the date hereof, incurred by Bank in connection with the enforcement of Bank's rights under this Guaranty and each of the Guaranteed Agreements including, without limitation, reasonable attorneys' fees, costs and expenses for trial, appellate proceedings, out-of-court negotiations, workouts and settlements, and for enforcement of rights under any state or federal statute, including, without limitation, reasonable attorneys' fees, costs and expenses incurred to protect Bank's security interests and attorneys fees, costs and expenses incurred in bankruptcy and insolvency proceedings such as (but not limited to) expenses incurred in connection with seeking relief from stay in a bankruptcy proceeding. The term "expenses" means any expenses incurred by Bank in connection with any of the out-of-court, or state, federal or bankruptcy proceedings referenced above, including but not limited to the fees and expenses of any appraisers, consultants and expert witnesses retained or consulted by Bank in connection with any of those proceedings. Such amounts shall bear interest until paid at either the then-current per annum rate of interest set forth in the Note or the default rate of interest provided for in the Note, at Bank's option.

(b) Bank shall also be entitled to recover all attorneys fees, costs and expenses incurred in any post-judgment proceedings to collect and enforce the judgment. This provision is separate and several and shall survive the merger of this agreement into any judgment on this Guaranty.

Post-it® Fax Note	7671	Date	# of pages
To	Diane Young	From	
Co./Dept.		Co.	
Phone #		Phone #	
		Fax #	

2. Authorization. Guarantor authorizes Bank, without notice and without affecting Guarantor's liability under this Guaranty, from time to time, whether before or after any revocation of this Guaranty, to (a) renew, compromise, extend, accelerate, release, subordinate, waive, amend and restate, or otherwise amend or change, the interest rate, time or place for payment or any other terms of all or any part of the Obligations; (b) accept delinquent or partial payments on the Obligations; (c) take or not take security or other credit support for this Guaranty or for all or any part of the Obligations, and exchange, enforce, waive, release, subordinate, fail to enforce or perfect, sell, or otherwise dispose of any such security or credit support; (d) apply proceeds of any such security or credit support and direct the order or manner of its sale or enforcement as Bank, in its sole discretion, may determine; (e) release or substitute Borrower or any guarantor or other person or entity liable in respect of all or any part of the Obligations; and (f) alter, modify or amend any of the terms, covenants and conditions of the Guaranteed Agreements.

3. Obligations Absolute. The obligations of Guarantor hereunder shall remain fully effective without regard to, and shall not be affected or impaired by the following, any of which may be taken, at any time, without the consent of, or notice to, Guarantor, nor shall any of the following give Guarantor any recourse or right of action against Bank:

(a) Any express or implied amendment, modification, renewal, addition, supplement, extension (including, without limitation, extensions beyond the original term) or acceleration of or to any provisions of the Guaranteed Agreements;

(b) Any exercise or non-exercise by Bank of any right or privilege under this Guaranty or any of the Guaranteed Agreements;

(c) Any bankruptcy, insolvency, reorganization, composition, adjustment, dissolution, liquidation or other like proceeding (each, an "Insolvency Proceeding") relating to Guarantor, Borrower, any affiliate of Borrower or any "guarantor" (which term shall mean any other party at any time directly or contingently liable for any of the Borrower's obligations under the Guaranteed Agreements);

(d) Any action taken with respect to this Guaranty by any trustee or receiver, or by any court, in any Insolvency Proceeding, whether or not Guarantor shall have had notice or knowledge of any of the foregoing;

(e) Any release, discharge, modification, impairment or limitation of the liability of Borrower from its liability under any of the Guaranteed Agreements, or any release or discharge of any endorser or guarantor or of any other party at any time directly or contingently liable for the Obligations, whether or not consented to by Bank;

(f) Any assignment or other transfer of this Guaranty in whole or in part or of any of the Guaranteed Agreements;

(g) Any acceptance of partial performance of the Obligations or the obligations of Borrower under the Guaranteed Agreements, or of any obligations of Guarantor under this Guaranty or of any obligations of any other guarantor;

(h) Any subordination, compromise, release (by operation of law or otherwise), discharge, compound, collection or liquidation of any or all of the real or personal property security or other collateral described in any of the Guaranteed Agreements or otherwise, in any manner, or any substitute or replacement for such collateral;

(i) Any consent to the transfer of the real or personal property security or any portion thereof or any other collateral described in the Guaranteed Agreements or otherwise; and

(j) Any bid or purchase at any sale of the real or personal property security or any other collateral described in the Guaranteed Agreements or otherwise.

4. Waivers.

4.1 Guarantor unconditionally waives all defenses to the enforcement of this Guaranty, including, without limitation:

(a) All presentments, demands for performance, notices of nonperformance, protests, notices of protest, notices of dishonor, and notices of acceptance of this Guaranty, and all other notices to which Guarantor may be entitled, except as expressly provided herein;

(b) All defenses arising by reason of any disability or other defense of Borrower, the cessation for any reason of the liability of Borrower, any defense that any other indemnity, guaranty or security was to be obtained, any claim that Bank has made Guarantor's obligations more burdensome than Borrower's obligations, and the use of any proceeds of the Loan other than as intended by Bank or Guarantor;

(c) Any right to require Bank to proceed against Borrower or any guarantor at any time, or to proceed against, enforce or exhaust any security for the Obligations at any time, or to marshal assets or to pursue any other remedy whatsoever at any time;

(d) The benefit or defense of any statute of limitations affecting the liability of Guarantor hereunder, the liability of Borrower or any guarantor under the Guaranteed Agreements or the enforcement hereof, to the extent permitted by law;

(e) Any defense arising by reason of any invalidity or unenforceability of any of the Guaranteed Agreements or any provision thereof, or any disability of any guarantor or of any manner in which Bank has exercised its rights and remedies under the Guaranteed Agreements or by any cessation from any cause whatsoever of the liability of any guarantor;

(f) Any defense based on any action taken or omitted by Bank in any Insolvency Proceeding involving Borrower or any guarantor, including any election to have Bank's claim allowed as being secured, partially secured or unsecured, any extension of credit by Bank to Borrower in any Insolvency Proceeding and the taking and holding by Bank of any security for any such extension of credit;

(g) All conditions precedent to the effectiveness of this Guaranty;

(h) All rights to file a claim in connection with the Obligations in an Insolvency Proceeding filed by or against Borrower;

(i) All rights to require Bank to enforce any of its remedies;

(j) Any defense based upon an election of remedies by Bank, including, without limitation, any election to proceed by judicial or nonjudicial foreclosure of any security, whether real property or personal property security, or by deed in lieu thereof, and whether or not every aspect of any foreclosure sale is commercially reasonable;

(k) Any right Guarantor may have under applicable law including, without limitation, a right to a hearing with respect to the fair market value of any security now or hereafter held for the Obligations, and any right Guarantor may have to require Bank to proceed against any collateral before seeking to obtain a judgment against Guarantor hereunder;

(l) Any duty of Bank to advise Guarantor of any information known to Bank regarding the financial condition of Borrower and all other circumstances affecting Borrower's ability to perform its obligations to Bank and any defense based on any failure by Bank to inform Guarantor of any facts Bank may now or hereafter know about Borrower, the Project, the Loan, or the transactions contemplated by the Loan Agreement, or Bank's assessment of Borrower's financial condition, it being understood and agreed that Bank has no duty so to inform and that Guarantor is fully responsible for being and remaining informed by Borrower of all circumstances bearing on the risk of nonperformance of Borrower's obligations. Credit may be granted or continued from time to time by Bank to Borrower without notice to or authorization from Guarantor, regardless of the financial or other condition of Borrower at the time of any such grant or continuation. Bank shall have no obligation to disclose or discuss with Guarantor its assessment of the financial condition of Borrower. Guarantor acknowledges that no representations of any kind whatsoever have been made by Bank regarding the financial condition of Borrower and all other circumstances affecting Borrower's ability to perform its obligations to Bank; and Guarantor assumes the responsibility for being and keeping informed regarding such condition or any such circumstances;

(m) Any rights that Guarantor may have under California Civil Code Sections 2787 through 2855, inclusive, 2899 and 3433;

(n) Any right Guarantor might have, under Section 2815 of the California Civil Code or otherwise, to revoke this Guaranty as to any advances made by Bank to or on behalf of Borrower or pursuant to the terms of any of the Guaranteed Agreements; and

(o) To the fullest extent permitted by law, (1) any defense arising as a result of Bank's election, in any proceeding instituted under Title 11 of the United States Code entitled "Bankruptcy" as now or hereafter in effect, or any successor thereto or any other present or future bankruptcy or insolvency statute (the "Bankruptcy Code"), of the application of Section 1111(b)(2) of the Bankruptcy Code, and (2) any defense based on any borrowing or grant of a security interest under Section 364 of the Bankruptcy Code.

4.2 Waivers to Be Effective to Maximum Permissible Extent. Guarantor acknowledges and agrees that all waivers of defenses arising from any impairment of

Guarantor's rights of subrogation, reimbursement, contribution and indemnification and waivers of any other rights, privileges, defenses or protections available to Guarantor at law, in equity, or otherwise, are intended by Guarantor to be effective to the maximum extent possible.

4.3 Waiver of Subrogation. Without limiting the generality of the foregoing in any way:

(a) Guarantor waives all rights and defenses arising out of an election of remedies by Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Guarantor's rights of subrogation and reimbursement against Borrower by the operation of Section 580d of the Code of Civil Procedure or otherwise;

(b) Guarantor understands that, if Bank conducts a non-judicial foreclosure sale under a deed of trust providing security for the Obligations, Guarantor would have a defense to a deficiency judgment under this Guaranty because the non-judicial foreclosure would eliminate Guarantor's right of subrogation. This defense arises, in part, because California Code of Civil Procedure Section 580d provides that a non-judicial foreclosure sale under a deed of trust eliminates the right of the secured party to seek a deficiency judgment on an obligation secured by that deed of trust. In addition to the other waivers set forth in this Guaranty, Guarantor specifically waives this defense and agrees that Guarantor will be liable for any deficiency remaining after a non-judicial foreclosure sale under such deed of trust, even though such non-judicial foreclosure destroys Guarantor's right of subrogation. Guarantor will not assert any defense arising from such foreclosure in any action or proceeding which Bank may commence to enforce this Guaranty.

(c) Guarantor waives all rights and defenses that Guarantor may have because the Borrower's debt to Bank is secured by any real property. This means, among other things:

(i) Bank may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by Borrower; and

(ii) If Bank 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 real property or other said collateral is sold at the foreclosure sale, even if the real property or other said collateral is worth more than the sale price; and

(B) Bank may collect from Guarantor even if Bank, by foreclosing on some or all of the real property collateral, has destroyed any right the Guarantor may have to collect from Borrower.

This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because the Borrower's debt is secured by any real property. These rights and defenses include,

but are not limited to, any rights or defenses based upon Sections 580a, 580b, 580d or 726 of the California Code of Civil Procedure.

(d) Guarantor understands that the exercise by Bank of certain rights and remedies under the Guaranteed Agreements may affect or eliminate Guarantor's right of subrogation against Borrower or any guarantor and that Guarantor may therefore incur partially or totally nonreimbursable liability hereunder. Nevertheless, Guarantor hereby authorizes and empowers Bank, its successors, endorsees and/or assigns, to exercise in its or their sole discretion, any rights and remedies, or any combination thereof, which may then be available, it being the purpose and intent of Guarantor that the obligations hereunder shall be absolute, continuing, independent and unconditional under any and all circumstances. Notwithstanding any other provision of this Guaranty to the contrary, Guarantor hereby waives any claim or other rights which Guarantor may now have or hereafter acquire against Borrower or any other guarantor of all or any of the obligations of Guarantor hereunder that arise from the existence or performance of Guarantor's obligations under this Guaranty or the Guaranteed Agreements, including, without limitation, any right of subrogation, reimbursement, exoneration, contribution and indemnification, and any rights or claims of any kind or nature against Borrower which arise out of or are caused by this Guaranty, and any rights to enforce any remedy which Bank now has or may hereafter have against Borrower, and any benefit of, and any right to participate in, any claim, remedy or security or collateral now or hereafter held by Bank, whether or not such claim, remedy or right arises in equity or under contract, statute or common law, by any payment made hereunder or otherwise, including, without limitation, the right to take or receive from Borrower, directly or indirectly, in cash or other property or by setoff or in any other manner, payment or security on account of such claim or other rights.

4.4 Additional Waivers. Guarantor shall not be released or discharged, either in whole or in part, by Bank's delay or failure to (a) perfect or continue the perfection of any lien or security interest in any collateral described in the Guaranteed Agreements or otherwise, which secures the obligations of Borrower, Guarantor or any other guarantor, or (b) protect the property covered by such lien or security interest.

5. Independent and Separate Obligations. The obligation of Guarantor hereunder is independent of the obligation of Borrower and, after the occurrence of an Event of Default under any of the Guaranteed Agreements, a separate action or actions may be brought and prosecuted against Guarantor whether or not Guarantor is the alter ego of Borrower, and whether or not Borrower is joined therein or a separate action or actions are brought against Borrower.

6. Bankruptcy; No Discharge. So long as any of the obligations guaranteed hereunder shall be owing to Bank, Guarantor shall not, without Bank's prior written consent, commence or join with any other party in commencing any Insolvency Proceedings of or against Borrower. Guarantor understands and acknowledges that by virtue of this Guaranty, Guarantor has specifically assumed any and all risks of a bankruptcy or reorganization case or other Insolvency Proceeding with respect to Borrower. As an example and not in any way of limitation, a subsequent modification of the Obligations or any other obligations of Borrower under the Guaranteed Agreements in any reorganization case concerning Borrower shall not affect the obligation of Guarantor to pay and perform the Obligations in accordance with their respective original terms.

7. Repayment. If claim is ever made upon Bank for repayment of any amount or amounts received by Bank in payment of the obligations under the Guaranteed Agreements or hereunder (whether or not all or any part of such payment is subsequently invalidated, declared to be fraudulent or preferential, set aside or required to be repaid by Bank) and Bank repays all or any part of said amount, then, notwithstanding any revocation or termination of this Guaranty or the cancellation of the Note or any other instrument evidencing the Loan, Guarantor shall be and remain liable to Bank for the amount so repaid to the same extent as if such amount had never originally been received by Bank, except for a repayment that is due to an overpayment unrelated to any bankruptcy or insolvency.

8. Subordination. Any indebtedness of Borrower now or hereafter owing to Guarantor (including without limitation all interest thereon accruing after the commencement of any Insolvency Proceeding) is hereby subordinated in lien and right of payment to the obligations of Borrower to Bank under the Guaranteed Agreements (including without limitation all interest thereon accruing after the commencement of any Insolvency Proceeding). If requested by Bank, such indebtedness shall be collected, enforced and received by Guarantor as trustee for Bank and Guarantor shall promptly pay over to Bank all such proceeds recovered, for application to the Obligations. However, no such payment shall reduce or affect in any manner the absolute, unconditional and independent liability of Guarantor under this Guaranty, except to the extent such payment is applied against the Obligations, subject to Section 1.

9. Payments. Guarantor shall not be credited for payment of any of the Obligations unless such payment is received by Bank in immediately available funds and is made by Guarantor after a demand made by Bank pursuant to this Guaranty. Guarantor agrees that whenever Guarantor shall make any payment to Bank hereunder on account of the liability hereunder, Guarantor will deliver such payment to Bank at the address provided below in this Guaranty and will notify Bank in writing that such payment is made under this Guaranty for such purpose. Bank, without impairing this Guaranty, may apply payments from Borrower to the Obligations, or to such other obligations owed by Borrower to Bank, in such amounts and in such order as Bank in its complete discretion determines. No payment made hereunder by Guarantor to Bank shall cause Guarantor to be or become a creditor of Bank.

10. Representations and Warranties. Guarantor makes the following representations and warranties which shall be continuing (except for the representations and warranties described in Section 10.3 below, which shall be given as of the date this Guaranty is executed and Section 10.4 below which are reinstated as described therein) representations and warranties until this Guaranty terminates in accordance with its terms:

10.1 Guaranty Authorized and Binding. The execution, delivery and performance of this Guaranty are duly authorized and do not require the consent or approval of any court, governmental body or other regulatory authority; and are not in contravention of, or in conflict with, any law or regulation or any term or provision of Guarantor's articles of incorporation or organization, bylaws, or operating agreement, as applicable. This Guaranty is a valid and legally binding obligation of Guarantor enforceable in accordance with its terms. No modification or waiver of any of the provisions of this Guaranty shall be binding upon Bank except as expressly set forth in a writing duly signed and delivered by Bank.

10.2 No Conflict. The execution and delivery of this Guaranty are not, and the performance of this Guaranty will not be, in contravention of, or in conflict with, any agreement, indenture or undertaking to which Guarantor is a party or by which Guarantor or any of Guarantor's property is or may be bound or affected and do not, and will not, cause any security interest, lien or other encumbrance to be created or imposed upon any such property.

10.3 Litigation. There is no litigation or other proceeding pending or, to the best of Guarantor's knowledge, threatened against, or affecting, Guarantor or Guarantor's property which, if determined adversely to Guarantor, would have a materially adverse effect on the financial condition, property(ies), business(es) or operations of Guarantor, or which prevents or interferes with or adversely affects Guarantor's entering into this Guaranty or the validity of this Guaranty or the carrying out of the terms hereof. Guarantor is not in default with respect to any order, writ, injunction, decree or demand of any court or other governmental or regulatory authority.

10.4 Financial Condition. Guarantor's income statement, balance sheet, and statement of retained earnings with supporting schedules ("Financial Statements"), which have been submitted in writing by Guarantor to Bank in connection with the Loan, are true and correct and fairly present the financial condition of Guarantor for the period covered thereby. Since the date of said Financial Statements, there has been no material adverse change in Guarantor's financial condition. Guarantor has no knowledge of any liabilities, contingent or otherwise, as of the date of said Financial Statements which are not reflected in said Financial Statements. Other than in the ordinary course of Guarantor's business, Guarantor has not entered into any commitments or contracts which are not reflected in said Financial Statements or which may have a material adverse effect upon Guarantor's financial condition, operations or business as now conducted. Guarantor further covenants and agrees to immediately notify Bank of any material adverse change in Guarantor's financial condition. The representations set forth in the first two sentences of this section shall be deemed to refer to Guarantor's most recent financial statements that are delivered to Bank, upon such delivery to Bank, until the next set of financial statements are delivered to Bank.

10.5 Solvency. Guarantor is not Insolvent as of the date hereof and the execution and delivery of this Guaranty will not (a) render Guarantor insolvent under generally accepted accounting principles nor render Guarantor Insolvent, or (b) leave Guarantor with remaining assets which constitute unreasonably small capital given the nature of Guarantor's business, or (c) result in the incurrence of Debts beyond Guarantor's ability to pay them when and as they mature. For the purposes of this Subsection, "Insolvent" means that the present fair salable value of assets is less than the amount that will be required to pay the probable liability on existing Debts as they become absolute and matured, and "Debts" includes any legal liability for indebtedness, whether matured or unmatured, liquidated or unliquidated, absolute, fixed or contingent.

10.6 Financial or Other Benefit or Advantage. Guarantor hereby acknowledges and warrants that Guarantor has derived or expects to derive a financial or other benefit or advantage from the Loan and from each and every renewal, extension, release of collateral or other relinquishment of legal rights made or granted or to be made or granted by Bank to Borrower in connection with the Loan. Guarantor acknowledges that Borrower is not merely the

agent, instrumentality or alter ego of Guarantor, and that Borrower is an independent and separate business entity, fully and adequately capitalized for its own business purposes.

10.7 Advice of Counsel. Guarantor has consulted with its attorneys regarding the terms, conditions and waivers set forth in this Guaranty. Guarantor's attorneys have advised Guarantor of the true legal consequences of each waiver set forth in this Guaranty, including the rights Guarantor would have in the absence of such waivers.

10.8 Commercial Purposes. The Loan guaranteed hereby is not made to an individual primarily for personal, family or household purposes and is not secured by a deed of trust or mortgage on a dwelling for four or fewer families occupied entirely or in part by Borrower.

10.9 Power and Authority. James C. Gianulias, as trustee of the James Chris Gianulias 1998 Trust U/D/T dated December 22, 1998, as amended and restated October 14, 2003, has the legal power and authority to execute this Guaranty and perform hereunder and the trust has all the rights and franchises to own its property and to carry on its business as now owned and carried on. Each individual Guarantor has the power and authority to make and carry out this Guaranty.

11. Litigation. Within fifteen (15) days after Guarantor has notice of such matters, Guarantor shall deliver to Bank a detailed disclosure of any litigation or other proceeding pending or, to the best of Guarantor's knowledge, threatened against, or affecting, Guarantor or Guarantor's properties which, if determined adversely to Guarantor, would have a materially adverse effect on the financial condition, properties, businesses or operations of Guarantor, or which prevents or interferes with or adversely affects Guarantor's entering into this Guaranty or the validity of this Guaranty or the carrying out of the terms hereof. Such disclosure shall be updated and delivered to Bank in connection with material occurrences during the course of such litigation or other proceeding.

12. Financial Statements. Guarantor shall provide to Bank all financial statements as and when required by the Loan Agreement. In addition to the foregoing, Guarantor shall permit Bank at any reasonable time to inspect, audit, and examine the books and records of Guarantor and make copies thereof.

13. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, GUARANTOR AND BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS GUARANTY, THE GUARANTEED AGREEMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. GUARANTOR AND BANK EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION, IF TRIED, SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY

ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS GUARANTY, THE GUARANTEED AGREEMENTS, OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS GUARANTY, THE GUARANTEED AGREEMENTS. GUARANTOR OR BANK MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE GUARANTOR AND BANK HERETO TO THE WAIVER OF THEIR RIGHT TO TRIAL BY JURY.

14. Notices. All notices, demands and other communications between Bank and Guarantor pursuant to this Guaranty shall be in writing, shall be addressed to the appropriate address set forth in this Section, or at such other place as Bank or Guarantor, as the case may be, may from time to time designate in writing by ten (10) days prior written notice thereof, and shall be: (a) hand-delivered, effective upon receipt; or (b) sent by facsimile, effective upon receipt; or (c) sent by United States Express Mail or by private overnight courier, effective upon receipt; or (d) sent by certified mail, return receipt requested, shall be deposited in the United States mail, with postage thereon fully prepaid and shall be deemed effective on the day of actual delivery as shown by the addressee's return receipt or the expiration of three (3) business days after the date of mailing, whichever is the earlier in time. It is understood and agreed that each of the parties will use reasonable efforts to send copies of any notices marked "With a copy to"; provided, however, that failure to deliver such copy or copies shall have no consequences whatsoever to the effectiveness of any notice made to the other party. The addresses of the parties are as follows:

To Guarantor:

James C. Gianulias, individually and as Trustee
1105 Quail Street
Newport Beach, CA 92660
Facsimile: (949) 250-8574

With a Copy to:

Croudace & Dietrich
5 Park Plaza, Suite 1150
Irvine, CA 92614-8591
Attn: Debra M. Dietrich, Esq.
Facsimile: (949) 794-9909

With a Copy to:

JB Redmond, LLC
c/o Cameo Homes
1105 Quail Street,
Newport Beach, CA 92660
Attn: James C. Gianulias
Facsimile: (949) 250-8574

To Bank:

Bank of the West
Real Estate Industries Division
3000 Oak Road, Suite 400 (NC-OAK-04-A)
Walnut Creek, California 94597
Attn: Real Estate Loan Administration
Facsimile: (925) 937-1041

With a copy to:

Bank of the West
4041 MacArthur Blvd., Suite 100
Newport Beach, CA 92660
Attn: Jon Ely
Facsimile: (949) 852-1510

Pillsbury Winthrop Shaw Pittman LLP
501 West Broadway, Suite 1100
San Diego, CA 92101
Attn: Angela M. Yates, Esq.
Fax: (619) 236-1995

15. Miscellaneous:

15.1 Amendments. Neither this Guaranty nor any term hereof may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver, discharge or termination is sought.

15.2 Assignment. Bank may, at any time and from time to time, assign, conditionally or otherwise, all of the rights of Bank under the Obligations, the Guaranteed Agreements and/or this Guaranty, whereupon such assignee shall succeed to all rights of Bank hereunder to the extent of such assignment. Bank, or each successor holder of the interests so assigned by Bank may give written notice to Guarantor of any such assignment, but any failure to give, or delay in giving, such notice shall not affect the validity or enforceability of any such assignment. Guarantor shall not have the right to assign any of Guarantor's rights or obligations under this Guaranty.

15.3 Counterparts. This Guaranty may be executed in one or more counterparts, each of which taken together shall constitute one and the same instrument.

15.4 Demands. Each demand by Bank for performance or payment hereunder shall be in writing and shall be made in the manner set forth herein for notices. A dated statement signed by an officer of Bank setting forth the amount of indebtedness at the time owing to Bank by Borrower under the Guaranteed Agreements shall be prima facie evidence thereof as between Guarantor and Bank in any legal proceedings against Guarantor in connection with this Guaranty.

15.5 Does Not Supersede Other Obligations. The obligations of Guarantor hereunder are in addition to any obligations of Guarantor under any other guaranties of the Obligations and/or any obligations of Borrower or any other persons or entities heretofore given or hereafter to be given to Bank by Guarantor, and this Guaranty shall not affect or invalidate any such other guaranties. The liability of Guarantor to Bank shall at all times be deemed to be the aggregate liability of Guarantor under the terms of this Guaranty and of any other guaranties heretofore or hereafter given by Guarantor to Bank.

15.6 Entire Agreement. This Guaranty supersedes any prior negotiations, discussions or communications between Guarantor and Bank and constitutes the entire agreement between Bank and Guarantor with respect to the Obligations. No course of dealing or parol evidence shall be used to modify or supplement the express terms of this Guaranty.

15.7 Governing Law. This Guaranty shall be governed by and construed according to the laws of California, and, except as provided in any alternative dispute resolution agreement executed between Guarantor and Bank, Guarantor submits to the nonexclusive jurisdiction of the state or federal courts in said state.

15.8 Guarantor to Keep Informed. Guarantor warrants that it has established with Borrower adequate means of obtaining, on an ongoing basis, such information as Guarantor may require concerning all matters bearing on the risk of nonpayment or nonperformance of the Obligations. Guarantor assumes sole and continuing responsibility for obtaining such information from sources other than from Bank. Bank has no duty to provide any information to Guarantor until Bank receives Guarantor's written request for specific information in Bank's possession and Borrower has authorized Bank to disclose such information to Guarantor.

15.9 Joint and Several Liability. If more than one Guarantor signs this Guaranty, the obligations of each under this Guaranty are joint and several, and independent of the Obligations and of the liabilities and commitments of any other person or entity. A separate action or actions may be brought and prosecuted against any one or more guarantors, whether action is brought against Borrower or other guarantors of the Obligations, and whether Borrower or others are joined in any such action.

15.10 No Waiver; Remedies. No failure on the part of Bank to exercise, and no delay in exercising, any right or remedy hereunder shall operate as a waiver thereof. Bank shall not be estopped from exercising any such right or remedy at any future time because of any such failure or delay; nor shall any single or partial exercise of any right or remedy hereunder

preclude any other or further exercise thereof or the exercise of any other right or remedy. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

15.11 Section Headings. Section headings in this Guaranty are included for convenience of reference only and shall not modify, define, limit or expand the express provisions of this Guaranty.

15.12 Severability; Inconsistencies. If any provision of this Guaranty is found to conflict with applicable law or to be illegal, invalid or unenforceable, such provision shall be enforced to the maximum extent permitted, but if fully unenforceable, such provision shall be severable, and this Guaranty shall be construed as if such provision had never been a part of this Guaranty, and the remaining provisions shall continue in full force and effect. In the event that the provisions of this Guaranty are claimed or held to be inconsistent with any other instrument evidencing or securing the Loan, the Environmental Indemnity or the obligations of Guarantor, the terms of this Guaranty shall remain fully valid and effective and shall control as to the Obligations of Guarantor.

15.13 Successors and Assigns. This Guaranty binds Guarantor and its successors and inures to the benefit of Bank and its successors and assigns.

15.14 Term. The obligations of Guarantor under this Guaranty and any instrument which grants collateral to secure such obligations and the rights of Bank under this Guaranty shall continue in full force and effect until the last date that all of the following have occurred: (a) the Obligations have been fully paid and performed; (b) Bank's commitment to make advances under the Guaranteed Agreements has been terminated or has expired; and (c) the period of time has expired during which any payment received by Bank under the Loan Documents may be deemed to be a preferential or fraudulent transfer under the United States Bankruptcy Code or other similar applicable laws.

15.15 Term Usage. The term "Borrower" shall mean both the named Borrower and any other person or entity at any time assuming or otherwise becoming primarily liable for all or any part of the obligations set forth in the Guaranteed Agreements. When the context in which the words are used in this Guaranty indicates that such is the intent, words in the singular number shall include the plural and vice-versa. The use of the word "including" in this Guaranty shall not be deemed to limit the generality of the term or clause to which it has reference, whether or not limiting language (such as "but not limited to" or "without limitation" or words of similar import) is used with reference thereto.

15.16 Time is of the Essence. Time is of the essence hereof.

15.17 Married Guarantors. By executing this Guaranty, a Guarantor who is married agrees that recourse may be held against his or her separate and community property for all his or her obligations under this Guaranty.

15.18 Limitation on Liability. Notwithstanding anything to the contrary elsewhere contained herein or in any Loan Document to which Guarantor is a party, the aggregate liability of Guarantor under this Guaranty for payment and performance of the obligations guaranteed by this Guaranty shall not exceed an amount which, in the aggregate, is


One Thousand Dollars (\$1,000) less than that amount which if so paid or performed would constitute or result in a fraudulent conveyance, or terms of similar import, under applicable state or federal law, including, without limitation, Section 548 of the United States Bankruptcy Code.

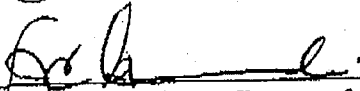
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UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE AFTER OCTOBER 3, 1989, CONCERNING LOANS AND OTHER CREDIT EXTENSIONS THAT ARE NOT FOR PERSONAL, FAMILY, OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY BORROWER'S RESIDENCE MUST BE IN WRITING, EXPRESS CONSIDERATION, AND BE SIGNED BY THE BANK TO BE ENFORCEABLE.

IN WITNESS WHEREOF, this Guaranty has been executed as of the date first written above. Guarantor acknowledges having received a copy of this Guaranty and having made each waiver contained in this Guaranty with full knowledge of its consequences.

GUARANTOR:


James C. Gianulias, an individual


James C. Gianulias, as Trustee of the
James Chris Gianulias 1998 Trust U/D/T
dated December 22, 1998, as amended and
restated October 14, 2003

**AMENDED AND RESTATED PROMISSORY NOTE
SECURED BY DEED OF TRUST
(Base Rate)**

\$6,435,000

Walnut Creek, California
Dated as of August 7, 2007

This Amended and Restated Promissory Note Secured by Deed of Trust ("**Note**") amends and restates in its entirety that certain Promissory Note Secured by Deed of Trust dated as of July 9, 2007, from JB REDMOND, LLC, a California limited liability company ("**Debtor**"), to BANK OF THE WEST, a California banking corporation ("**Bank**") in the principal amount of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000) ("**Existing Note**"). All principal outstanding under the Existing Note shall be deemed outstanding under this Note and all accrued but unpaid interest under the Existing Note shall be deemed accrued under this Note upon the effectiveness of the Additional Advance Agreement (defined below). This Note is the "**Restated Note**" described in the Additional Advance Agreement (defined below).

FOR VALUE RECEIVED, Debtor promises to pay to the order of Bank, as indicated below, the principal sum of Six Million Four Hundred Thirty-Five Thousand Dollars (\$6,435,000), or so much thereof as is disbursed, together with interest on the balance of such principal from time to time outstanding, at the per annum rate or rates and at the times set forth below. The entire unpaid principal balance of this Note and all interest, charges and fees thereon shall be due and payable in full on or before August 5, 2008, without claim, notice or demand (the "**Maturity Date**").

1. INTEREST RATE OPTIONS.

(a) DEFINITIONS: As used herein, the following terms shall have the meanings respectively set forth below: "**Base Interest Rate**" means a rate of interest based on the LIBOR Rate. "**Base Interest Rate Portion**" means amounts outstanding under this Note that bear interest at a Base Interest Rate. "**Base Rate Maturity Date**" means the last day of the Interest Period for a Base Interest Rate Portion. "**Business Day**" means a day on which Bank is open for business for the funding of corporate loans, and, with respect to the rate of interest based on the LIBOR Rate, on which dealings in U.S. dollar deposits outside of the United States may be carried on by Bank. "**Interest Period**" means with respect to funds bearing interest at a rate based on the LIBOR Rate, any calendar period of one, two, three, four, five, six, seven, eight, nine, ten, eleven, or twelve months. In determining an Interest Period, a month means a period that starts on one Business Day in a month and ends on and includes the day preceding the numerically corresponding day in the next month. For any month in which there is no such numerically corresponding day, then as to that month, such day shall be deemed to be the last calendar day of such month. Any Interest Period which would otherwise end on a non-Business Day shall end on the next succeeding Business Day unless that is the first day of a month, in which event such Interest Period shall end on the next preceding Business Day. No Interest Period shall extend beyond the Maturity Date. "**LIBOR Rate**" means the per annum rate of interest that is the U.S. Dollar LIBOR as published by British Bankers Associations (BBA) at or about 11:00 a.m. (London time) on the second Business Day prior to the first day of an Interest

Period, in an amount approximately equal to the Base Interest Rate Portion and for a period comparable to the Interest Period selected, for delivery on the first day of the relevant Interest Period (adjusted for any and all assessments, surcharges and reserve requirements), rounded upward, if necessary to the nearest 1/1000 of 1%, and such rate shall apply for a period of time equal to such relevant Interest Period. "**Origination Date**" means the first day of the Interest Period. "**Prime Rate**" means the rate announced by Bank from time to time at its corporate headquarters as its Prime Rate. The Prime Rate is an index rate determined by Bank from time to time as a means of pricing certain extensions of credit and is neither directly tied to any external rate of interest or index nor necessarily the lowest rate of interest charged by Bank at any given time. "**Variable Rate**" means a rate of interest based on the Prime Rate as provided herein. "**Loan Agreement**" means that certain Term Loan Agreement as of July 9, 2007 between Debtor and Bank, as modified by that certain Additional Advance Agreement ("**Additional Advance Agreement**") of even date herewith between Debtor and Bank.

(b) DESIGNATION OF BASE INTEREST RATE:

At Debtor's option, subject to the terms of this Section 1, Base Interest Rate Portions in minimum amounts of \$500,000 shall bear interest at a per annum rate, equal to 2.75% in excess of Bank's LIBOR Rate for the Interest Period selected by Debtor, acceptable to Bank.

To exercise this option, Debtor may, from time to time with respect to outstanding principal which is not a Base Interest Rate Portion, and on the expiration of any Interest Period for a Base Interest Rate Portion, select an Interest Period for a Base Interest Rate Portion by telephoning an authorized lending officer of Bank located at the banking office identified below prior to 10:00 a.m., Pacific time, on any Business Day and advising that officer of the Interest Period, the Base Interest Rate Portion and the Origination Date selected (which Origination Date, for a Base Interest Rate Portion, shall follow the date of such selection by no more than two (2) Business Days). If, on the date of the selection, the LIBOR Rate selected is unavailable for any reason, the selection shall be void. No Base Interest Rate may be changed, altered or otherwise modified until the expiration of the Interest Period selected by Debtor. In no event shall any Interest Period extend beyond the maturity date of this Note. Bank reserves the right to fund the principal from any source of funds notwithstanding any Base Interest Rate selected by Debtor.

(c) LIMITATIONS ON BASE INTEREST RATE PORTIONS: Anything herein to the contrary notwithstanding, at no time may there be more than three (3) Base Interest Rate Portions; whenever three (3) Base Interest Rate Portions are outstanding, Debtor's option to elect to apply a Base Interest Rate to any additional portion of the Loan shall be deferred until an Interest Period for at least one of the then-effective Base Interest Rate Portions has lapsed and reverted to the Variable Rate.

(d) RECORDS AND CONFIRMATIONS: The exercise of interest rate options by Debtor shall be as recorded in Bank's records, which records shall be prima facie evidence of the amount borrowed under either interest option and the interest rate; provided, however, that failure of Bank to make any such notation in its records shall not discharge Debtor from its obligations to repay in full with interest all amounts borrowed. Bank will mail a written confirmation of the terms of the selection to Debtor promptly after the selection is made. Failure to send such confirmation shall not affect Bank's rights to collect interest at the rate selected.

(e) VARIABLE INTEREST RATE: All principal outstanding hereunder which is not bearing interest at a Base Interest Rate shall bear interest at a rate per annum of 0% in excess of the Prime Rate (the "**Variable Rate**"), which rate shall vary as and when the Prime Rate changes.

(f) GENERAL: If any interest rate defined in this Note ceases to be available from Bank for any reason, then said interest rate shall be replaced by the rate then offered by Bank, which, in the sole discretion of Bank, most closely approximates the unavailable rate.

2. PERIODIC PAYMENTS. Debtor shall pay interest on the first day of each month following the date of this Note. All computations of interest under this Note shall be made on the basis of a year of 360 days, for actual days elapsed.

This is a non-revolving credit facility.

Debtor shall pay all amounts due under this Note in lawful money of the United States at Bank's office at 3000 Oak Road, Suite 400 (NC-OAK-04-A), Walnut Creek, California 94597, or such other office as may be designated by Bank, from time to time.

3. LATE PAYMENTS. If any periodic payment required by the terms of this Note shall remain unpaid fifteen (15) days after same is due, at the option of Bank, Debtor shall pay a fee to Bank equal to the greater of (a) six percent (6%) of the payment due, or (b) \$100.00. Notwithstanding the foregoing, a late charge shall not be charged if the outstanding principal amount of the Loan is not paid on or before the Maturity Date. Bank's agreement not to charge the late charge in this circumstance does not excuse Debtor from any of its obligations under the Loan Documents and does not limit any of Bank's rights and remedies under the Loan Documents.

4. INTEREST RATE FOLLOWING DEFAULT. During the occurrence of an Event of Default, at the option of Bank, and, to the extent permitted by law, interest shall be payable on the outstanding principal under this Note at a per annum rate equal to five percent (5%) in excess of the applicable interest rate specified above, calculated from the date of default until all amounts payable under this Note are paid in full.

5. PREPAYMENT.

(a) Amounts outstanding under this Note bearing interest at a rate based on the Prime Rate may be prepaid in whole or in part at any time, without penalty or premium. Debtor may prepay amounts outstanding under this Note bearing interest at a Base Interest Rate in whole or in part provided Debtor has given Bank not less than five (5) Business Days prior written notice of Debtor's intention to make such prepayment and pays to Bank the Prepayment Fee (defined below) due as a result. The Prepayment Fee shall also be paid, if Bank, for any other reason, including acceleration or foreclosure, receives all or any portion of a Base Interest Rate Portion prior to its scheduled payment date. "**Prepayment Fee**" is an amount equal to the present value of the difference between (i) the amount of interest that would have been paid on the principal amount being repaid at the Base Interest Rate and (ii) the amount of interest that Bank would earn if the amount of such prepayment of principal was used to purchase a LIBOR contract having a maturity date most closely matching with the last day of the relevant Interest Period and

such contract was held by Bank until the last day of the relevant Interest Period. The rate used in the present value calculation shall be the rate of interest offered on the LIBOR contract having a maturity date most closely matching with the last day of the relevant Interest Period. The time period used in the present value calculation shall be a fraction, the numerator of which is the number of days in the period between the date of prepayment and the last date of the relevant Interest Period, and the denominator of which shall be 360 days.

(b) Intentionally Omitted.

(c) In no event shall Bank be obligated to make any payment or refund to Debtor, nor shall Debtor be entitled to any setoff or other claim against Bank, should the return which Bank could obtain under this prepayment formula exceed the interest that Bank would have received if no prepayment had occurred. All prepayments shall include payment of accrued interest on the principal amount so prepaid and shall be applied to payment of interest before application to principal. Bank's determination of the Prepayment Fee amount, if any, shall be *prima facie* as to such determination. In the event of partial prepayment, such prepayments shall be applied to principal payments in the inverse order of their maturity.

(d) Bank shall provide Debtor a statement of the amount payable on account of prepayment. Debtor acknowledges that (i) Bank establishes a Base Interest Rate upon the understanding that it is applied to the Base Interest Rate Portion for the entire Interest Period, and (ii) any prepayment may result in Bank incurring additional costs, expenses or liabilities; and Debtor agrees to pay the liquidated damages as a reasonable estimate of the costs, expenses and liabilities of Bank associated with such prepayment.

(e) Debtor acknowledges that any voluntary prepayment constitutes an alternative method for Debtor to perform its obligations under this Note, for which the amount due under this prepayment formula (whether or not denominated as liquidated damages) is a fair, just and equitable alternate form of compensation to Bank. Debtor further specifically acknowledges and agrees that if Debtor shall prepay all or any part of the indebtedness evidenced by this Note (a) prior to the due date hereof as set forth in this Note for any reason whatsoever, whether such prepayment is voluntary or involuntary, and whether or not such prepayment arises by virtue of the exercise by Debtor of the prepayment privilege expressly reserved in this Note, or (b) after an Event of Default as defined herein, including, but not limited to, an Event of Default under the Deed of Trust or by reason of acceleration as a result of the Deed of Trust, then such prepayment shall include the amount required to be paid hereunder with respect to amounts under this Note bearing interest at the Base Interest Rate. Debtor expressly (i) waives any rights Debtor may have under California Civil Code Section 2954.10 to prepay this Note, in whole or in part, without penalty or fee, upon acceleration of the Maturity Date, and (ii) agrees that if for any reason a prepayment is made, the amount calculated hereunder as it relates to any prepayment restriction contained in this Note shall be due and payable in addition to all other sums due and payable. Debtor expressly acknowledges, by affixing its initials in the space provided herein, that Bank's agreement to make the loan evidenced by this Note at the interest rate and for the term herein set forth constitutes adequate consideration, given individual weight by Debtor, for the foregoing waiver and Debtor's agreement to pay the liquidated damages amount referred to herein. Debtor acknowledges that it would be extremely difficult, costly and impractical to calculate and ascertain the actual damages suffered by Bank and that the amount provided herein

is a reasonable estimate of the amount of such detriment and shall constitute a liquidated amount of the damages incurred solely by reason of such a prepayment prior to the regularly scheduled payment date (without limiting any other damages to which Bank may be entitled by reason of any event of default). Notwithstanding anything set forth above, if, at the time that a prepayment of the Loan is to be made pursuant to a casualty or condemnation, the outstanding principal amount of the Loan that is then subject to the Prime Rate is less than the amount to be prepaid, then, if no Event of Default is then existing under any of the Loan Documents, Bank shall apply the prepaid principal to the outstanding principal amount that is then subject to the Prime Rate and shall hold the amount of prepaid principal in excess of the outstanding principal amount that is then subject to the Prime Rate and apply it to the outstanding principal amount of the Loan on the next Base Rate Maturity Date, unless Bank has received written notice from Debtor, requesting that Bank apply such prepayment on an earlier date. Debtor acknowledges and agrees that interest shall continue to accrue on the portion of principal that is not repaid because Bank is holding such prepayment until the next Base Rate Maturity Date.

Debtor Initials:

6. DEFAULT AND ACCELERATION OF TIME FOR PAYMENT. Each of the following shall be an "Event of Default:" (a) the failure of Debtor to make any payment required under this Note when due, if such failure continues beyond ten (10) days after written notice of delinquency is given by Bank to Debtor; (b) any breach or default by Debtor under the terms of this Note other than as provided in clause (a), above, if such breach or default continues beyond thirty (30) days after written notice from Bank; or (c) any breach, misrepresentation or other default by Debtor, any guarantor, co-maker, endorser, or any person or entity other than Debtor providing security for this Note (hereinafter individually and collectively referred to as the "**Obligor**") under any deed of trust, mortgage, security agreement, guaranty or other agreement between Bank and any Obligor; if such failure continues beyond the period of grace, if any, specified therein. Upon the occurrence of any such default, Bank, in its discretion, may cease to advance funds hereunder and, at its option, may declare all obligations under this Note immediately due and payable.

7. SECURED BY DEED OF TRUST. Debtor's obligations under this Note are secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated as of July 9, 2007, by Debtor as trustor, for the benefit of Bank, as beneficiary, recorded in the Official Records of Deschutes County, Oregon, on July 11, 2007 as Instrument No. 2007-38414 (as modified by that certain Memorandum of Additional Advance and Amendment to Deed of Trust between Debtor and Bank, of even date herewith) (collectively, the "**Deed of Trust**").

8. WAIVER OF JURY TRIAL. TO THE MAXIMUM EXTENT PERMITTED BY LAW, DEBTOR AND BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS NOTE, THE OTHER LOAN DOCUMENTS (AS DEFINED IN THE LOAN AGREEMENT), OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY ANY OF THE PARTIES AGAINST ANY OTHER PARTY OR PARTIES, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE.

DEBTOR AND BANK EACH AGREE THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT A JURY. WITHOUT LIMITING THE FOREGOING, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTER-CLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS NOTE OR THE OTHER LOAN DOCUMENTS OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS NOTE AND THE OTHER LOAN DOCUMENTS.

9. ADDITIONAL AGREEMENTS OF DEBTOR. If any amounts owing under this Note are not paid when due, Debtor promises to pay all costs and expenses, including reasonable attorneys' fees, incurred by Bank in the collection or enforcement of this Note. Debtor and any endorser of this Note, for the maximum period of time and the full extent permitted by law, (a) waive diligence, presentment, demand, notice of nonpayment, protest, notice of protest, and notice of every kind, except for notice requirements that are expressly required herein or in the other Loan Documents; (b) waive the right to assert the defense of any statute of limitations to any debt or obligation hereunder; and (c) consent to renewals and extensions of time for the payment of any amounts due under this Note. All payments due hereunder shall be paid without offset or deduction of any kind, and Debtor hereby waives the right to set off against the indebtedness to Bank any sum of money, claim, liability or obligation Bank may owe or Debtor may assert against Bank. If this Note is signed by more than one party, the term "**Debtor**" includes each of the undersigned and any successors in interest thereof; all of whose liability shall be joint and several. Any married person who signs this Note agrees that recourse may be had against the separate property of that person for any obligations hereunder. The receipt of any check or other item of payment by Bank, at its option, shall not be considered a payment on account until such check or other item of payment is honored when presented for payment at the drawee bank. Bank may delay the credit of such payment based upon Bank's schedule of funds availability, and interest under this Note shall accrue until the funds are deemed collected. In any action brought under or arising out of this Note, Debtor and any Obligor, including their successors and assigns, hereby consent to the jurisdiction of any competent court within the State of California (subject to the terms of any applicable alternative dispute resolution agreement executed between Debtor and Bank), and consent to service of process by any means authorized by said state's law. The term "**Bank**" includes, without limitation, any holder of this Note. This Note shall be construed in accordance with and governed by the laws of the State of California. This Note hereby incorporates any alternative dispute resolution agreement executed between Debtor and Bank which makes express reference to this Note and the other Loan Documents as defined in the Deed of Trust securing this Note. The Deed of Trust securing this Note permits the Bank to declare all obligations hereunder immediately due and payable upon breach of the following provision: "Trustor shall not, directly or indirectly, sell, convey, assign, further encumber, grant a security interest in, mortgage, hypothecate, transfer, alienate or otherwise dispose of the real property encumbered by this Deed of Trust or any part thereof or any interest therein, including without limitation, air rights or development rights, whether voluntarily, involuntarily, by operation of law or otherwise, or (except as may otherwise be permitted under the Loan Agreement or this Deed of Trust), lease all or any portion thereof or an undivided interest therein, or enter into an agreement to do so, without the prior written consent of

Beneficiary; provided, however, that if the real property encumbered by said Deed of Trust consists of residential real property containing five or more units, Trustor without Beneficiary's consent may enter into leases of single residential units for a term of one year or less upon market rates and terms without prior consent of Beneficiary."

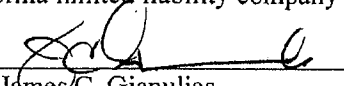
10. **INCREASED COSTS.** If, because of the introduction of or any change in, or because of any judicial, administrative, or other governmental interpretation of, any law or regulation, there shall be any increase in the cost to Bank of making, funding, maintaining, or allocating capital to any amount outstanding under this Note bearing interest at the Applicable LIBOR Rate, including a change in LIBOR Reserve Requirements, then Debtor shall, from time to time upon demand by Bank, pay to Bank additional amounts sufficient to compensate Bank for such increased cost. "**LIBOR Reserve Requirements**" means, for any loan bearing interest at a rate based on the One-Month LIBOR Rate or another Applicable LIBOR Rate Loan, the maximum reserves (whether basic, supplemental, marginal, emergency, or otherwise) prescribed by the Board of Governors of the Federal Reserve System (or any successor) with respect to liabilities or assets consisting of or including "**Eurocurrency liabilities**" (as defined in Regulation D of the Board of Governors of the Federal Reserve System) having a term equal to the term of the applicable Interest Periods for such Base Interest Rate Portions.

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UNDER OREGON LAW, MOST AGREEMENTS, PROMISES, AND COMMITMENTS MADE BY BANK AFTER OCTOBER 3, 1989 CONCERNING LOANS AND OTHER CREDIT EXTENSIONS WHICH ARE NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES OR SECURED SOLELY BY THE DEBTOR'S RESIDENCE, MUST BE IN WRITING, EXPRESS CONSIDERATION AND BE SIGNED BY BANK TO BE ENFORCEABLE.

DEBTOR:

JB REDMOND, LLC,
a California limited liability company

By: 
Name: James C. Gianulias
Title: Manager

FIRST AMENDMENT TO GUARANTY

THIS FIRST AMENDMENT TO GUARANTY ("**Amendment**") is made as of August 7, 2007 by JAMES C. GIANULIAS, individually and as Trustee of the James Chris Gianulias 1998 Trust U/D/T dated December 22, 1998, as amended ("**Guarantor**"), and BANK OF THE WEST, a California banking corporation ("**Lender**").

A. Under the terms of that certain Term Loan Agreement dated as of July 9, 2007 (the "**Loan Agreement**"), executed by and between JB REDMOND, LLC, a California limited liability company ("**Borrower**"), and Lender, Lender has made a loan (the "**Existing Loan**") to Borrower in the original principal amount of Five Million Eight Hundred Fifty Thousand Dollars (\$5,850,000), which Loan is evidenced by that certain Promissory Note Secured by Deed of Trust, executed by Borrower in favor of Lender in said amount, dated as of July 9, 2007 (the "**Existing Note**").

B. All terms defined in the Loan Agreement shall have the same meaning in this Amendment, except as otherwise defined.

C. The Existing Loan is secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated as of July 9, 2007, recorded July 11, 2007, Instrument No. 2007-38414, in the Official Records of Deschutes County, Oregon, executed by Borrower, as trustor, in favor of First Santa Clara Corporation, a California corporation, as trustee ("**Trustee**"), for the benefit of Lender, as beneficiary, encumbering Borrower's interest certain real property located in the County of Deschutes, State of Oregon, and all personal property of Borrower, as more particularly described therein (the "**Deed of Trust**").

D. In connection with the Loan, Guarantor previously executed in favor of Bank that certain Guaranty dated as of July 9, 2007 (the "**Existing Loan Guaranty**"), whereby Guarantor guaranteed payment and performance of Borrower's obligations under the Existing Loan.

E. Substantially concurrently herewith, Lender is committing to lend to Borrower an additional advance under the Deed of Trust in the aggregate principal sum of Five Hundred Eighty-Five Thousand Dollars (\$585,000) (the "**Additional Advance**") pursuant to that certain Additional Advance Agreement of even date herewith by Borrower and Lender ("**Additional Advance Agreement**").

F. The Existing Loan and the Additional Advance are now evidenced by that certain Amended and Restated Promissory Note Secured by Deed of Trust in the principal amount of \$6,435,000, which shall be executed and delivered by Borrower concurrently with Borrower's execution and delivery of the Additional Advance Agreement to Lender (the "**Restated Note**"). The Restated Note shall be and remain governed by the terms of the Loan Agreement, as amended by the terms of the Additional Advance Agreement, and secured by the Deed of Trust, as amended by that certain Memorandum of Additional Advance Agreement and Amendment to Deed of Trust between Borrower and Lender dated as of even date herewith (the "**Memorandum**").

G. As a condition to the Additional Advance, Lender requires and Guarantor has agreed to execute this Amendment to guarantee payment and performance of Borrower's obligations under the Existing Loan and the Additional Advance up to a maximum principal amount of Six Million Four Hundred Thirty-Five Thousand Dollars (\$6,435,000), on a joint and several basis.

NOW, THEREFORE, for good and valuable consideration, Guarantor does hereby agree as follows:

1. The Existing Loan Guaranty is revised such that all references to the "**Loan**" shall be deemed to refer to the Existing Loan and the Additional Advance, in the aggregate principal amount of \$6,435,000.

2. The Existing Loan Guaranty is revised such that all references to the "**Note**" shall be deemed to refer to the Restated Note, as amended, modified extended, reviewed, supplemented or replaced from time to time.

3. The Existing Loan Guaranty is revised such that all references to the "**Loan Agreement**" shall be deemed to refer to the Loan Agreement as amended by the Additional Advance Agreement, as amended, modified extended, reviewed, supplemented or replaced from time to time.

4. The Existing Loan Guaranty is revised such that all references to the "**Loan Documents**" shall be deemed to refer to the loan documents as amended by the Additional Advance Documents, as defined in the Additional Advance Agreement.


5. The Existing Loan Guaranty is revised such that all references to the "**Deed of Trust**" shall be deemed to refer to the Deed of Trust as amended by that certain Memorandum of Additional Advance Agreement and Amendment to Deed of Trust of even date herewith by Borrower and Lender.


6. Except as specifically amended above, the Existing Loan Guaranty shall remain in full force and effect and is hereby ratified and confirmed in all respects by Guarantor.

7. This Amendment may be executed in counterparts, all of which, taken together, shall constitute the same document.

IN WITNESS WHEREOF, the undersigned has executed this Amendment as of the date first above written.

GUARANTOR:


James C. Gianulias, an individual


James C. Gianulias, as Trustee
of the James Chris Gianulias
1998 Trust U/D/T dated
December 22, 1998, as amended

LENDER:

BANK OF THE WEST,
a California banking corporation

By: _____
Name: _____
Its: _____

PROOF OF SERVICE BY MAIL

I, Pamela Breeden, the undersigned, hereby declare as follows:

1. I am over the age of 18 years and am not a party to the within cause. I am employed by Pillsbury Winthrop Shaw Pittman LLP in the City of San Diego, California.

2. My business address is 12255 El Camino Real, Suite 300, San Diego, CA 92130-4088.

3. I am familiar with Pillsbury Winthrop Shaw Pittman LLP's practice for collection and processing of correspondence for mailing with the United States Postal Service; in the ordinary course of business, correspondence placed in interoffice mail is deposited with the United States Postal Service with first class postage thereon fully prepaid on the same day it is placed for collection and mailing.

4. On November 10, 2008, at 12255 El Camino Real, Suite 300, San Diego, California, I served a true copy of the attached document(s) titled exactly **PROOF OF CLAIM** by placing it/them in an addressed, sealed envelope clearly labeled to identify the person being served at the address shown below and placed in interoffice mail for collection and deposit in the United States Postal Service on that date following ordinary business practices:

SEE ATTACHED SERVICE LIST

I declare under penalty of perjury that the foregoing is true and correct. Executed this 10th day of November, 2008, at San Diego, California.

/s/ Pamela L. Breeden

Pamela L. Breeden

SERVICE LIST

Office of the U.S. Trustee

Michael J. Hauser
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Santa Ana, CA 92701

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Newport Beach, CA 92660

Debtor's Counsel

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Los Angeles, CA 90067

Central District Of California Claims Register

8:08-bk-13150-RK James C Gianulias CASE CONVERTED on 07/02/2008

Judge: Robert N. Kwan


Chapter: 11

Office: Santa Ana

Last Date to file claims: 11/12/2008

Trustee:

Last Date to file (Govt):

<i>Creditor:</i> (20546708) Bank of the West c/o Sue Hodges Esq Pillsbury Winthrop et al 501 W Broadway Ste 1100 San Diego CA 92101-3675	Claim No: 25 <i>Filed:</i> 11/10/2008 <i>Entered:</i> 11/10/2008	<i>Status:</i> <i>Filed by:</i> CR <i>Entered by:</i> Walker, Matthew <i>Modified:</i>
Unsecured claimed: \$6823562.55 Total claimed: \$6823562.55		
<i>History:</i>  25-1 11/10/2008 Claim #25 filed by Bank of the West , total amount claimed: \$6823562.55 (Walker, Matthew)		
<i>Description:</i> (25-1) Proof of Claim with attachment, exhibits and POS (Guarantee of Loan)		
<i>Remarks:</i>		

Claims Register Summary