
SECURITY AGREEMENT

by and between

JAMES C. GIANULIAS,

James C. Gianulias, as Trustee of
THE JAMES CHRIS GIANULIAS TRUST,

CAMEO HOMES,
a California corporation

and

**TOM SEAMAN, AS TRUSTEE OF THE CREDITORS TRUST FORMED FOR THE
BENEFIT OF THE HOLDERS OF ALLOWED GENERAL UNSECURED CLAIMS
AGAINST JAMES C. GIANULIAS AND CAMEO HOMES**

Dated as of _____, 2010

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SECURITY AGREEMENT

This **SECURITY AGREEMENT**, dated as of _____, 20__ (the "Effective Date") is entered into by and between **JAMES C. GIANULIAS**, an individual ("Gianulias"), James C. Gianulias, as trustee of **THE JAMES CHRIS GIANULIAS TRUST** (the "Trust"), and **CAMEO HOMES**, a California corporation ("Cameo"), on the first part, and **TOM SEAMAN**, as Trustee ("Trustee") of the **CREDITORS TRUST** (the "Creditors Trust" or "Secured Party") **FORMED FOR THE BENEFIT OF THE HOLDERS OF THE ALLOWED GENERAL UNSECURED CLAIMS AGAINST JAMES C. GIANULIAS AND CAMEO HOMES** (the "Committee"), on the second part.

RECITALS

A. On June 6, 2008, three creditors of Gianulias commenced an involuntary case against him under Chapter 7 of Title 11 of the United States Code, as such may be amended from time to time (the "Bankruptcy Code"), thereby commencing case number 8:08-bk-13150-RK (the "JG Case"). Concurrently, the same three creditors commenced an involuntary Chapter 7 case against Cameo, thereby commencing case number 8:08-bk-13151-RK (together with the JG Case, the "Cases"). On July 2, 2008 (the "Petition Date"), the United States Bankruptcy Court for the Central District of California, Santa Ana Division (the "Bankruptcy Court") entered Orders for Relief and converted the Cases to Chapter 11 proceedings.

B. Gianulias is both the trustor and trustee of the Trust, and the Trust is part of Gianulias' bankruptcy estate and subject to the Cases. Gianulias owns 100% of the ownership interests in and to Cameo. On December 11, 2008, the Bankruptcy Court entered an order substantively consolidating Cameo's Chapter 11 estate into Gianulias' estate, effective as of June 6, 2008. Since the commencement of the Cases, the Debtors have managed their affairs as debtors and debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

C. On May 27, 2010, Debtors filed (1) Debtors' Fourth Amended Plan of Reorganization, which sets forth the manner in which claims against and interests in Debtors will be treated, and (2) the Fourth Amended Disclosure Statement for Debtors' Fourth Amended Plan of Reorganization (the "Disclosure Statement"), which describes certain aspects of the Plan, the Debtors' business and related matters.

D. Debtors and the Official Committee of Unsecured Creditors (the "Committee") negotiated and entered into a "Binding Term Sheet" agreement (the "Term Sheet Agreement") in connection with the Plan, which formed the basis for this Agreement and the other Security Documents.

E. The Creditors' Trust is established pursuant to the terms and conditions of the Plan to provide for the orderly payment of amounts due to the holders of Allowed General Unsecured Claims in the Cases.

F. Debtors, as set forth in the Plan, own and may continue to own and operate certain assets post-confirmation held or owned (directly or indirectly) by those certain entities as set forth in Exhibit E attached hereto (which may be owned from time to time by Grantors) (each, a "Portfolio Entity," and collectively, the "Portfolio Entities"), and those certain entities as set forth in Exhibit F which, in turn, own an interest in a Portfolio Entity, and/or any new or additional entities that directly or indirectly have or hold an Ownership Interest in and to a Portfolio Entity, and which are directly or indirectly owned

from time to time by Grantors (each, an "Intermediate Entity," and collectively, the "Intermediate Entities").

G. Pursuant to the terms and conditions of the Plan and the Term Sheet Agreement, and as a condition of the Committee consenting to the Plan, among other things, "Grantors" (as defined below) hereby grant to Secured Party a security interest in the "Collateral" (as defined below) to secure the "Obligations" (as defined below), and the parties agree to enter into this Agreement, subject to the terms and conditions contained herein.

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, Grantors agree as follows:

1. **INCORPORATION OF RECITALS.** The Recitals set forth above are hereby incorporated into and made a part of this Agreement.

2. **DEFINITIONS.** Certain capitalized terms used in this Agreement shall have the meanings as set forth in **Exhibit A** attached hereto.

3. **DEPOSIT OF PROCEEDS.** As a condition of this Agreement, (a) Grantors shall direct in writing that all payments of Proceeds be deposited into the Control Account, and (b) pursuant to the Disbursing Agent Agreement, Disbursing Agent shall promptly deposit Proceeds directly into the Control Account. Without limiting the generality of the foregoing, in the event that Grantors receive any Proceeds, Grantors shall promptly, but in no later than three (3) Business Days, forward any and all such Proceeds directly to Disbursing Agent for prompt deposit in the Control Account, and shall execute and deliver such documents, certificates, instruments and agreements as necessary or appropriate to permit Disbursing Agent to deposit such Proceeds in the Control Account.

4. **GRANT OF SECURITY INTEREST; SUBORDINATION.**

(a) As security for the due and punctual payment and performance of the Obligations in full, each of the Grantors hereby jointly and severally agrees that Secured Party shall have, and Grantors hereby grant, assign, transfer and pledge to and create in favor of Secured Party, a continuing security interest, pledge and Lien under the UCC, to the extent permitted by Applicable Law, in, to and on, all of each Grantor's right, title and interest in and to the Collateral.

(b) Secured Party's security interest in the Collateral shall, to the extent permitted by Applicable Law, attach to the Collateral without further act on the part of Secured Party and shall continue until all Obligations have been indefeasibly paid in full. By way of illustration and not of limitation, from and after the execution of this Agreement, and from time to time (as applicable for new Collateral), Grantors shall deliver to Secured Party any and all documents, instruments, agreements and/or certificates evidencing the Collateral and, to the extent permitted by Applicable Law, the perfection of the security interest granted therein as provided in this Agreement, including, without limitation, Grantors' signature to the Control Agreements, and further including, without limitation, any substitutions, replacements, Proceeds and after-acquired property with respect to the Collateral.

(c) Each Grantor approves, authorizes and ratifies any filings or recordings made by or on behalf of Secured Party in connection with the perfection, to the extent permitted by Applicable Law, and continuation of the Liens granted in favor of Secured Party, and the security interests with respect to the Collateral. Upon the reasonable request of Secured Party, each Grantor will execute such documents, and do such other acts and things, all as required or otherwise reasonably requested by Secured Party from time to time, to establish, preserve, protect and maintain Secured Party's valid perfected security interest, to the extent permitted by Applicable Law, in and to all of the Collateral.

(d) By way of illustration and not of limitation,

(1) Each Grantor further agrees that with respect to each item of Collateral as to which (i) the creation of a valid and enforceable security interest is not governed exclusively by the UCC or (ii) the perfection of a valid and enforceable security interest therein under the UCC cannot be accomplished either by Secured Party taking possession thereof or by the filing in appropriate locations of appropriate UCC financing statements, Grantors will jointly and severally, execute and deliver to Secured Party such documents, agreements, notices, assignments and instruments and take such further actions as may be reasonably requested by Secured Party from time to time for the purpose of creating, to the extent permitted by Applicable Law, a valid and perfected Lien on such item in favor of Secured Party, enforceable against Grantors, and each of them as applicable, and all third parties, to secure the Obligations, subject to the provisions of Section 4(e) below with respect to the Priority Claims. Without limiting the generality of the foregoing, Grantors shall not take any action in opposition to, or otherwise challenge the validity and enforceability of, the security interest granted to Secured Party pursuant to the terms and conditions contained herein.

(2) Each Grantor shall execute and deliver, or cause to be executed and delivered, to Secured Party, concurrently herewith and at any time or times hereafter at the request of Secured Party, all financing statements, continuation financing statements, security agreements, affidavits, reports, notices and letters of authority and all other documents that Secured Party may reasonably request, in form reasonably satisfactory to Secured Party, to, to the extent permitted by Applicable Law, perfect and maintain perfected the perfected security interests of Secured Party in the Collateral, and/or to permit the assignment and transfer of such Collateral and/or the admission and/or substitution of another Person as Secured Party for purposes hereof.

(3) Each Grantor hereby irrevocably makes, constitutes and appoints Secured Party as such Grantor's true and lawful attorney-in-fact, with power to sign the name of such Grantor on any of the above-described documents or on any other similar documents which need to be executed, recorded, and/or filed in order to (a) deposit any check or other instrument representing Collateral in the Control Account and (b) to the extent permitted by Applicable Law, perfect or continue the perfection of the security interests of Secured Party in the Collateral.

(e) Secured Party hereby acknowledges and agrees that:

(1) the Lien granted to Secured Party under this Agreement is a security interest in and to the Collateral, subordinated to the following (the "Priority Claims"): (1) all prior UCC-1 financing statements concerning the Collateral as set forth on Schedule 4(e) attached hereto, and (2) the Priority Payments and any Liens securing any Priority Payment (the foregoing clauses (1) and (2), collectively, "Prior Liens"); provided, further, in the event that Grantors are in default under any agreement securing a Priority Payment, Secured Party is hereby authorized, with respect to such default, to execute joint written instructions regarding the Control Account; and

(2) in the event that Secured Party exercises any rights or remedies as a secured creditor with respect to the Collateral, such rights and remedies notwithstanding, Secured Party shall permit Disbursing Agent to make all Priority Payments from the Control Account as required pursuant to the Plan and the Cash Flow Note, or otherwise direct that all such Priority Payments be made from the Control Account.

5. **REPRESENTATIONS AND WARRANTIES.** Each of the Grantors hereby covenants, represents and warrants to Secured Party as follows, with the understanding that Secured Party is relying on such covenants representations and warranties, that:

(a) Subject to Bankruptcy Court approval, Grantors, and each of them, have (has) full power and authority to enter into this Agreement and the other Security Documents, and, if any Grantor is other than a natural person, the person executing this Agreement and the other Security Documents on behalf of such Grantor, has been duly authorized to act on behalf of such Grantor in the execution hereof and thereof. Without limiting the generality of the foregoing, any officer, agent or representative acting for or on behalf of any Grantor in connection this Agreement, the other Security Documents, and any and all other documents, certificates, instruments or agreements entered into or delivered in connection therewith or otherwise with respect to the Collateral, has been duly authorized so to do, and is fully empowered to act for and represent such Grantor in connection with such documentation and all matters related thereto or hereto or in connection therewith or herewith.

(b) **Schedule 5(b)** attached hereto and incorporated herein sets forth a true, complete and correct list of the capitalization and Ownership Interests, as applicable, of each of the Portfolio Entities, Intermediate Entities, Cameo and any Affiliate of Grantors.

(c) Each of Grantors' principal place of business, chief executive office, state of incorporation and/or organization, and/or (if it is a natural person) residence is located at the mailing address set forth from time to time on **Schedule 5(c)** attached hereto, which schedule is true, correct and complete in all respects. Without limiting the generality of the foregoing, **Schedule 5(c)** attached hereto shall contain the exact legal name of each Grantor and the state of incorporation or organization, as the case may be. There are no fictitious business names and/or trade styles used by any Grantor in connection with its business operations. Each of the Grantors expressly acknowledges and agrees that he/she/it will not change the location of its principal place of business, chief executive office, state of incorporation and/or organization, and/or (if it is a natural person) residence without at least thirty (30) days' prior written notice to Secured Party as set forth herein, nor will it form a Subsidiary and transfer all or any Ownership Interests or Collateral to such Subsidiary, without (1) the prior written notice to Secured Party, and (2) without executing and delivering such documents, instruments, certificates and agreements, and taking such actions, as reasonable and appropriate and/or as reasonably requested by Secured Party to maintain Secured Party's Lien in and to such Collateral and to ensure that all Proceeds deriving from the Ownership Interests are delivered to Disbursing Agent and deposited in the Control Account.

(d) Subject to any limitations and qualifications expressly set forth in the Plan, all information furnished by Grantors to Secured Party relating in any way to this Agreement, the other Security Documents and/or the Collateral, is true and correct in all material respects as of the date furnished.

6. **COVENANTS.** The Grantors, as a condition of Secured Party entering into this Agreement and the transactions contemplated herein, individually and jointly covenant and agree as follows from and

after the Effective Date:

(a) No Pledge or Encumbrances; Permitted Sale Transaction.

(1) Grantors will not pledge or otherwise encumber in any way, so long as this Agreement shall remain in effect, the whole or any part of the Collateral, without Secured Party's prior written consent, which shall not be unreasonably withheld.

(2) Subject and in addition to any and all applicable restrictions set forth in the Governing Documents, applicable loan documents between lenders and the Portfolio Entities, and Applicable Law, any sale, transfer and/or assignment (and not encumbrance) of any Ownership Interest (a "Sale Transaction") shall require the prior written consent of the Trustee, which consent shall not be unreasonably withheld, except that the Trustee shall not have any right to consent to (a) the dilution or transfer of an Ownership Interest resulting from a Capital Call Transaction or (b) the sale, transfer and/or assignment (and not encumbrance) of an Ownership Interest to any Other Owner(s) in instances in which such sale, transfer and/or assignment is (i) solely initiated by an Other Owner(s) pursuant to any right of an Other Owner(s) to purchase the Ownership Interest of a Grantor under any Governing Document or (ii) not initiated by the Grantor but is required by the Governing Documents; provided such sale, transfer and/or assignment is effected pursuant to and in accordance with the terms and conditions of such Governing Document; provided, further that the exceptions set forth in subsections (a) and (b) above shall not apply to any Ownership Interest in River Knolls, LP, a California limited partnership, River Knolls, LLC, GVSC, LP, a California limited partnership, and Grass Valley Shopping Center, LLC. Any Sale Transaction for which the consent of the Secured Party is required shall hereinafter be referred to as a "Restricted Sale Transaction." In connection with any Restricted Sale Transaction, Grantors shall require that the parties have one or more written agreements concerning the terms and conditions of such Restricted Sale Transaction ("Sale Documents"), which documentation shall include, by way of illustration and not of limitation, a requirement that all payment of proceeds, if any, (subject to Section 6(a)(4) below) to be paid to Grantors thereunder be deposited directly into the Control Account (including, further, without limitation, in the event that such payment thereunder is in the form of a check or written instrument, a requirement that such payment be delivered to Disbursing Agent for deposit directly into the Control Account). Grantors shall give written notice of any Sale Transaction to Secured Party, which notice shall include information identifying the purchaser/lender, all relevant material terms and conditions relating to the Sale Transaction and a copy of the purchase agreement, if any. With respect to any Restricted Sale Transaction, Secured Party shall have ten (10) Business Days from the receipt of the Sale Documents to consent or withhold consent to the proposed Restricted Sale Transaction by written notice to the Grantors. If Secured Party fails to send to Grantors written notice consenting or withholding consent to a Restricted Sale Transaction within such 10 Business Day period, Secured Party will be deemed to have consented to such Restricted Sale Transaction. Grantors shall provide Secured Party with a copy of a closing statement for any Sale Transaction detailing the payment and/or application of proceeds, if any, (including, without limitation, payees and amounts). All Proceeds from any Sale Transaction, if any, after payment of all reasonable and appropriate fees, costs and expenses which are (i) directly related to such Sale Transaction, and (ii) paid to Persons other than Grantors or their Affiliates, or, upon the Secured Party's prior written consent, paid to Grantors or their Affiliates, shall be directed for deposit in the Control Account and, to the extent such payment is via check or other written instrument, such check or other instrument shall be delivered to Disbursing Agent, with express instructions to deposit said Proceeds in the Control Account. If Secured Party elects to withhold its consent to any proposed Restricted Sale Transaction, Grantors shall only be permitted to complete such Restricted Sale Transaction by obtaining the approval of Judge Goldberg, his duly authorized replacement or the Bankruptcy Court.

(b) **No New Liens.** Grantors will not permit or suffer to exist any Lien of any kind (1) upon the Ownership Interests, without Secured Party's prior written consent, which shall not unreasonably withheld, and/or (2) upon the Collateral, except the Prior Liens and the Lien set forth herein in favor of Secured Party, without Secured Party's prior written consent, which shall not unreasonably withheld.

(c) **Material Adverse Effect.** Grantors will not take any action, or refrain from taking any action, which action or inaction, as the case may be, would constitute a Material Adverse Effect. Grantors shall promptly provide Secured Party with notice of any material adverse effect promptly upon knowledge of such material adverse effect with respect to the Portfolio Entities, the Intermediate Entities and/or their respective assets, businesses and operations, and/or the occurrence of any Material Adverse Effect.

(d) **Deposits Into Control Account; Holding Collateral In Trust.** In the event that Grantors receive any Collateral from (i) any Portfolio Entity, (ii) Intermediate Entity and/or (iii) any Person that (x) acquires an interest in the Ownership Interests and/or the Collateral, or (y) provides loans or other consideration to or for the benefit of Grantors in connection with the Ownership Interests and/or the Collateral (provided, however, that any Proceeds deemed to be received by such Grantors solely in connection with any loans made by Other Owners in connection with Capital Call Transactions on behalf of Grantors, shall not be subject to the provisions of this Section 6(d) solely with respect to the proceeds from such loan), Grantors shall (1) hold such Collateral in trust for Secured Party (2) not commingle it with Grantors' or such Affiliates' general funds, and (3) promptly, but in no event later than three (3) Business Days from receipt thereof, deliver such Collateral to the Disbursing Agent for deposit in the Control Account.

(e) **Written Directions.** Prior to the execution and delivery of this Agreement, each of the Grantors shall deliver, as applicable, (1) an irrevocable written direction to the Portfolio Entities and Intermediate Entities, the form of which is attached hereto as Exhibit G-1 (the "Written Directions"), pursuant to which such Grantor shall direct in writing that (a) all payments of Proceeds be deposited directly into the Control Account and, to the extent such Proceeds are made by means of a check or other written instrument, that such payment by check or other written instrument be delivered to Disbursing Agent for direct deposit in the Control Account, and (b) the written notice/direction so provided, and the directions set forth therein, be irrevocable until such time as otherwise directed in a writing signed by both Grantors and Secured Party. Without limiting the generality of the foregoing, each Grantor and Secured Party acknowledges and agrees that it shall not waive (whether in whole or in part), revoke or attempt to revoke, modify or attempt to modify, amend or attempt to amend, any of the Written Directions, including, without limitation, the contents thereof. For purposes hereof, Grantors shall affirmatively use good faith reasonable efforts to assert compliance by the Portfolio Entities and/or the Intermediate Entities with the provisions of the Written Directions.

(f) **Delivery of Cash Flow Note and Second Note.** Concurrent with the execution and delivery of this Agreement, (1) each of Debtors will execute and deliver to Secured Party an original version of the Cash Flow Note, to be held by Secured Party until such time as further directed by Grantors upon the termination of this Agreement, and (2) each of Debtors will execute and deliver to Secured Party an original version of the Second Note.

(g) **Books and Records.**

(1) **Grantors' Records.** Each Grantor shall prepare and maintain true, accurate and complete books and records concerning the business, operations, assets and ownership of such Grantor

relating to the Portfolio Entities, the Intermediate Entities and/or the Collateral, and shall cause Mesa Management and all other Affiliates that manage or otherwise provide services to, any of the Portfolio Entities or the Intermediate Entities, to prepare and maintain true, accurate and complete books and records concerning the business, operations, assets and ownership, the Ownership Interests and the Collateral, with respect to those Portfolio Entities and Intermediate Entities for which Mesa Management and all such other Affiliates manage and/or provide other services in connection therewith.

(2) Control Account Records and Determinations Under Cash Flow Note. Grantors shall cause the Grantor Disbursing Agent to promptly provide Secured Party and its designees and representatives, with (a) monthly statements of activity with respect to the Control Account, duly certified by the Grantor Disbursing Agent as true and correct, including, without limitation, information and supporting documentation concerning the amount, payor (and if received from Grantors, the initial payor or source of payment) and basis for (i) all deposits into the Control Account, (ii) all interest earned in the Control Account, (iii) all disbursements from the Control Account, (iv) the determination of Gross Available Cash Flow, (v) the determination (as to the amount and payee) of Priority Payments (including, without limitation, detailed calculations of Adjusted Income Taxes as more fully set forth in Section 5(g)(6) below), and (vi) the determination of the amount of Available Cash Flow due to each of Grantors and Secured Party ("Designated Secured Party Payment") pursuant to the terms and conditions of the Cash Flow Note (the "Monthly Activity Statement") by no later than fifth (5th) Business Day of each calendar month (the "Monthly Activity Statement Due Date"), and (b) monthly bank statements from the financial institution/bank concerning the Control Account within five (5) Business Days following receipt thereof by the earlier of Grantors or Grantor Disbursing Agent. In addition, the Grantor Disbursing Agent shall provide to Secured Party and its authorized representatives proper passwords to allow the Secured Party and its authorized representatives to access, and shall cause Secured Party and its authorized representatives to have access to, all statements and other information concerning the Control Account on an online basis.

(3) Portfolio Entity and Intermediate Entity Records. Each Grantor shall provide financial statements, reports, documents and materials concerning Portfolio Entities' and Intermediate Entities' business, operations and assets, the Ownership Interests (including, without limitation, the rights with respect thereto), and the Collateral (the "Reports"), as provided to Grantors and their representatives, agents and advisors from time to time. In addition, (a) Grantors shall provide to Secured Party, within thirty (30) days after receipt, copies of all Form 1099's, Form K-1's and other statements, if any, furnished by or on behalf of the Portfolio Entities, the Intermediate Entities or any other Person, concerning the Ownership Interests, the Collateral and/or receipt of Proceeds. Grantors shall also promptly provide to Secured Party as of the Effective Date copies of Governing Documents for the Portfolio Entities and Intermediate Entities, and all documentation, certificates, agreements or instruments, if any, evidencing the Ownership Interests, Collateral and rights of Grantors in connection therewith, and, as applicable, and from time to time thereafter, all amendments, modifications and restatements in connection with any of the foregoing, and, to the extent received, all other Books and records relating to the Portfolio Entities and Intermediate Entities. Without limiting the generality of the foregoing, to the extent that such notices and documentation is provided to and/or in the possession or control of Grantors, Mesa Management and their respective agents, representatives and Affiliates, each Grantor shall provide, or cause to be provided to Secured Party, upon receipt, copies of any notices or documentation concerning the sale of assets of such Portfolio Entity and/or Intermediate Entity, including, without limitation, any closing statements reflecting, for any purchase or financing of assets or operations of a Portfolio Entity and/or Intermediate Entity, the flow of funds and recipients of all proceeds in connection with such sale or financing ("Entity Asset Closing Statement").

(4) Controlled Entity Records; Budgets. With respect to the Controlled Entities and Intermediate Entities that hold an Ownership Interest in the Controlled Entities:

(i) Grantors and Secured Party and/or its authorized designee and representatives will mutually agree upon an annual budget for each such entity (the "Controlled Entity Budgets") as of the effective date of the Plan. With respect to Controlled Entity Budgets for subsequent years, Debtors shall provide Secured Party and/or its authorized designee and representatives, with access to the prior year's Controlled Entity Budget for such Controlled Entity, and the opportunity to participate in and review (without any right to consent to) the Controlled Entity Budget for such subsequent year, along with all materials, documents and reports in connection with the preparation of such Controlled Entity Budget.

(ii) Grantors shall also certify and promptly deliver to Secured Party for each budget year, the results of the prior year's budget for each such entity, reflecting, among other things, comparisons of actual results versus budgeted results from the prior period in sufficient detail to permit Secured Party to properly review such budgets.

(iii) Grantors shall cause each such entity to provide Secured Party or its designated representatives and advisors, with the following (including, without limitation, supporting documentation, as applicable):

(A) its Governing Documents and Books;

(B) monthly financial statements in form and substance reasonably satisfactory to Secured Party, and a variance report which compares actual results against the applicable budget;

(C) cash receipts and cash disbursements ledger for each such entity, certified by a duly authorized officer of such Person on a monthly basis, which shall be delivered to Secured Party when completed, but in no event later than eleven (11) Business Days after the end of the prior calendar month during the term of this Agreement;

(D) annual financial statements, including, without limitation, balance sheet, income statement, statement of changes in working capital and statement of cash flows, prepared and certified by a duly authorized officer of such entity, and by an accountant mutually acceptable to such Person and Secured Party, which shall be delivered to Secured Party within ninety (90) days following the end of each calendar year during the term of this Agreement;

(E) copies of all federal tax returns filed by such entity, which shall be delivered to Secured Party by no later than ten (10) Business Days following the filing of such tax return during the term of this Agreement;

(F) without limiting the generality of the foregoing or any other provision hereof, advance written notice, any documentation in connection with, and a summary of the terms and conditions of, any sale, transfer, assignment, merger, acquisition, financing or restructuring concerning any Controlled Entity (and such Controlled Entity's respective Intermediate Entities) with respect to such entity's assets and/or Ownership Interests; and

(G) such other reports and materials as Secured Party may reasonably request from time to time to monitor compliance with the terms and conditions of the Controlled Entity Budgets, the Cash Flow Note and the Security Documents.

(5) Mesa Management. Anything to the contrary contained herein notwithstanding, with respect to those Portfolio Entities and Intermediate Entities which are managed by Mesa Management, Grantors will promptly provide and/or cause Mesa Management to promptly provide, to Secured Party and its authorized representatives, copies of all Reports, financial statements, and other documentation and information concerning the Portfolio Entities and/or the Intermediate Entities that Mesa Management manages, including, without limitation, any such Reports, financial statements and other documentation and information provided to any Person holding an Ownership Interest in such entities; provided, that, Mesa Management shall not be required to provide any information which is Privileged Information to the Secured Party and its authorized representatives.

(6) Income Taxes Reports. Without limiting the generality of the prior provisions of Section 6(g) hereof, Grantors and/or Grantor Disbursing Agent shall prepare and provide to Secured Party (A) a detailed statement concerning the determination of Estimated Adjusted Income Taxes (as defined in the Cash Flow Note (the "Estimated Adjusted Income Taxes Report")), including, without limitation, for each of the Estimated Adjusted Income Taxes Reports, detailed calculations and support concerning the determination of Estimated Adjusted Income Taxes and any reserves created with respect to Estimated Adjusted Income Taxes and payments made with respect thereto, all as expressly provided in the Cash Flow Note, for each calendar month, but in no event later than five (5) Business Days from the end of such calendar month, and (B) a statement concerning the determination of Adjusted Income Taxes (the "Adjusted Income Taxes Report"), including, without limitation, detailed calculations and support concerning the determination of Adjusted Income Taxes, as applicable, and all payments made with respect thereto, all as expressly provided in the Cash Flow Note, for each calendar year, but in no event, for any Grantor, later than five (5) Business Days after the filing of such Grantor's federal income tax return.

(7) Capital Call Transactions; Loan Transaction. Without limiting the generality of this Section 6, (a) Grantors shall provide Secured Party with written notice and supporting documentation provided in connection with such notice, if any, concerning any Capital Call Transaction, regardless of whether notice of such Capital Call Transaction is made in writing, orally or electronically, promptly, but in no event later than five (5) Business Days following receipt of notice of such Capital Call Transaction, and (b) Grantors shall provide Secured Party with written notice and supporting documentation concerning any loan made by Grantors and/or Other Owners to a Portfolio Entity and/or an Intermediate Entity within five (5) Business Days of such loan.

(h) Audit and Inspection Rights. At any time and from time to time during the term of this Agreement and upon reasonable prior advance written notice:

(1) Controlled Entities and Intermediate Entities. Each Grantor shall provide, and cause Controlled Entities and the Intermediate Entities which hold an Ownership Interest in the Controlled Entities to provide, to Secured Party and its authorized representatives, reasonable access and the opportunity to review, audit, inspect and copy the Books and records of each such Controlled Entity and Intermediate Entity to monitor compliance with the terms and conditions of the Cash Flow Note, this Agreement and the other Security Documents; provided, that Secured Party shall not have any right to review, audit, inspect or copy any Privileged Information of any Controlled Entity or Intermediate Entity.

(2) Portfolio Entities Managed by Mesa Management. Each Grantor shall provide, and cause Portfolio Entities managed by Mesa Management (and such Portfolio Entities' respective Intermediate Entities) to provide, to Secured Party and its authorized representatives, reasonable access and the opportunity to review, audit, inspect and copy the Books and records of such Portfolio Entity (and/or Intermediate Entity) to monitor compliance with the terms and conditions of the Cash Flow Note, this Agreement and the other Security Documents; provided, that Secured Party shall not have any right to review, audit, inspect or copy any Privileged Information of any Portfolio Entity or Intermediate Entity.

(3) Portfolio Entities Not Managed by Mesa Management. To the extent that Secured Party has questions or issues concerning financial statements, Reports, documents and materials supplied from Portfolio Entities not managed by Mesa Management (and such Portfolio Entities' respective Intermediate Entities), each Grantor will use commercially reasonable efforts to obtain in writing from such Portfolio Entity (and/or Intermediate Entity) information that will answer or resolve the Secured Party's questions and/or issues. Upon receipt of any such information, the Grantors will promptly forward such information to Secured Party; provided that the Grantors shall have no obligation to provide, and Secured Party shall have no right to receive, any Privileged Information of any Portfolio Entity or Intermediate Entity.

(i) **Notices.** Without limiting any other provisions herein relating to notice pursuant to the terms and conditions of this Agreement, each Grantor shall promptly, but in no event later than thirty (30) days of receipt thereof or knowledge thereof, as the case may be, provide Secured Party with written notice as set forth herein (and supporting documentation provided in connection with such notice, if any) of any and all (i) notices, without Privileged Information, transmitted or delivered to each Grantor from a Portfolio Entity or Intermediate Entity, (ii) notices, without Privileged Information, concerning or which involves or is with respect to: (A) Capital Call Transactions and/or any loan made by an Other Owner or Grantors to a Portfolio Entity or Intermediate Entity, (B) distributions to be made to Grantors and/or any Other Owners, (C) an event or occurrence, the result of which may have, a Material Adverse Effect on the business, operations or ownership of such Portfolio Entity and/or Intermediate Entity, (iii) Un-matured Events of Default, (iv) litigations, arbitrations or administrative proceedings to which such Grantor is a party and in which the claim or liability might have a Material Adverse Effect upon the Collateral or the security interests granted hereby, (v) changes in the information as set forth in the schedules attached hereto, (vi) changes in the ownership of, or rights with respect to, Venture Interests, (vii) defaults with respect to any loan agreement, Governing Document, or material contract or agreement, (viii) changes in the management of a Portfolio Entity or Intermediate Entity, or real property held by any such entity, (ix) distributions or loan payments made to holders of Venture Interests, (x) sales of all or substantially all of the assets or Venture Interests of a Portfolio Entity and/or Intermediate Entity (including, without limitation, any merger or reorganization), (xi) events or occurrences, or series of events or occurrences, the result of which may have, a material effect (whether material adverse effect or material beneficial effect) on the Collateral and/or the business, operations and/or assets of a Portfolio Entity and/or Intermediate Entity or may otherwise have a material effect on distributions to holders of Venture Interests in a Portfolio Entity and/or Intermediate Entity, including, without limitation, any matter which has resulted in, or would reasonably be expected to result in, a Material Adverse Effect, and (xii) other matters pursuant to which, under this Agreement and/or the other Security Documents, such Grantor is required to give Secured Party notice as set forth therein or herein, as the case may be. In addition, each Grantor shall promptly provide Secured Party with notice of any breach of the terms and conditions of, or other event of default associated with, the Cash Flow Note, this Agreement and the other Security Documents, as well as all correspondences, communications and documentation relating to such breach and/or event of default and/or any of the foregoing, to the extent of non-Privileged Information contained therein.

(j) **Third Party Possession.** In the event that any Collateral is in the possession of a third party, Grantors shall join with Secured Party in notifying such third party of Secured Party's security interest and obtaining an acknowledgement from such third party that it is holding such Collateral for the benefit of Secured Party, and shall obtain the recovery of such Collateral for the benefit of Secured Party within fifteen (15) days of such notice.

(k) **Return of Funds.** To the extent that Grantors receive any funds or amounts in connection with the Cash Flow Note, and it is later determined that Grantors received an amount in excess of the amount to which Grantors are otherwise entitled under the Cash Flow Note, upon written notice to Grantors from Secured Party, Grantors shall promptly, but in no event later than three (3) Business Days from such notice, repay such amount directly to Secured Party. In the event that Secured Party is determined to have received any amounts in excess of the amount to which Secured Party is entitled under the Cash Flow Note, this Agreement and/or the other Security Documents, upon written notice from Grantors, Grantors shall offset from future payments under the Cash Flow Note due to Secured Party such excess amount received by Secured Party.

(l) **Findings.** In connection with the confirmation of the Plan, Debtors will incorporate the following findings into the confirmation order to be entered by the Bankruptcy Court, the form and substance of which is satisfactory to Secured Party and Debtors, and a copy of which is attached hereto as **Exhibit D** (the "Confirmation Order"):

(1) The Collateral is the sole and separate property of each of the Grantors, and Grantors have all right, title and interest in and to, and subject to the provisions of Section 4(e) above, Grantors are the legal and beneficial owner of, the Collateral, free from any Liens of any kind, other than the security interest created herein and the Priority Claims.

(2) This Agreement and the other Security Documents, including, without limitation, any instrument, document or agreement required hereunder or thereunder, when delivered, will constitute, legal, valid and binding obligations of each Grantor and Grantors, taken as a whole, enforceable against it and them in accordance with their respective express written terms except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

(3) No additional consent or approval is required in connection with this Agreement, the Notes, the other Security Documents, and the transactions contemplated herein and therein.

(4) The Security Documents do not provide for the grant of a security interest in the Ownership Interests in the Portfolio and/or Intermediate Entities or real estate held by the Portfolio Entities.

(i) Pursuant to the Plan, Debtors are issuing to the Secured Party two promissory notes: (1) the Cash Flow Note, which is secured as described in this Agreement, and (2) the Secondary Note, which is unsecured.

(ii) The Cash Flow Note is secured by means of a grant of a security interest in certain Collateral, which Collateral consists of all distributions received by Grantors in connection with the Ownership Interests held by Grantors in the Portfolio Entities and the Intermediate Entities, as well as

certain claims, deposits, prepayments, refunds, rebates, causes of action, rights of recovery, rights of setoff and rights of recoupment relating to such distributions, and all substitutions, replacements, products derived or attributable with respect to any of the above-mentioned, and proceeds from any and all of the foregoing.

(iii) Neither the Security Agreement nor any other Security Document (1) grants a security interest in or other lien upon all or any part of the Ownership Interests held by Grantors in the Portfolio Entities and/or Intermediate Entities, (2) assigns, transfers or creates by its terms any lien on all or any part of the Ownership Interests of Grantors in the Portfolio Entities and Intermediate Entities, or (3) grants the Secured Party any security interest or lien of whatsoever kind in any real property owned by any Portfolio Entity. The Official Committee of Unsecured Creditors ("Creditors' Committee") and the Debtors, for themselves and for their respective successors and assigns, including any trustees that may be appointed in either or both of the Cases, acknowledge that, to the extent the Term Sheet (the "Term Sheet") purported to provide for a grant of any collateral, beyond what is actually granted in the Security Documents, the Security Documents (as interpreted in this section) shall control.

(5) Debtors and the Creditors' Trust are bound by the terms and conditions of the Plan and the Security Documents; the Grantors, and other partners, members and owners in the Portfolio Entities and Intermediate Entities (the "Other Owners") are bound by such entities' operative Governing Documents. The Security Documents do not bind the Other Owners because the Other Owners are not parties to the Security Documents; in a similar vein, the Governing Documents do not bind the Creditors' Trust because it is not a party to such documents. In particular, the Security Documents do not grant the Creditors' Trust any right to be admitted as an owner, partner or member of any Portfolio Entity or Intermediate Entity, or to participate in any manner in the decision-making process, management and/or operations, of any Portfolio Entity or Intermediate Entity, including, without limitation, any right to vote or otherwise participate in decisions regarding the assets of the Portfolio Entities or Intermediate Entities. The Creditors' Trust and the Grantors understand that the Other Owners are not waiving any right to object to any action taken by the Creditors' Trust in the future, including without limitation any effort to intervene in any way with partnership/company operations and decision making, and that the Other Owners are specifically reserving the right to challenge any such action and to prevent the same and/or have the same declared void, just as the Other Owners should recognize that the Creditors' Trust is not waiving any right to object to any action taken by Grantors and/or the Other Owners now or in the future relating to the terms and conditions of the Security Documents, including, without limitation, any effort to intervene in any way with the terms and conditions of the Security Documents and the obligations of the parties thereto, and that the Creditors' Trust is specifically reserving the right to challenge any such action and to prevent the same and/or have the same declared void.

(6) The Security Documents, in addition to providing for a lien on distributions paid to Grantors and/or deposited into the Control Account, do place certain obligations on Grantors with respect to any sale, transfer or assignment by Grantors of any interest in the Ownership Interests (but not interests of the Other Owners). These obligations are designed to, among other things, protect the rights and remedies granted to the Creditors' Trust under the Security Documents to receive payments under the Cash Flow Note from certain payments made to Grantors in connection with the ownership, sale, transfer, assignment or financing of the Ownership Interests. To be clear, however, the consent of the Creditors' Trust is not required under the Security Documents for any sale, transfer or refinance of any of the assets now or hereafter owned by the Portfolio Entities or Intermediate Entities, including, without limitation, any real property owned or held by any Portfolio Entity. Those obligations would also not prohibit any transfers of Ownership Interests that are required to be made by Grantors to Other Owners under the Governing Documents.

(7) Any Sale Transaction with respect to Ownership Interests shall require the prior written consent of the Trustee, which consent shall not be unreasonably withheld, except that the Trustee shall not have any right to consent to (a) the dilution or transfer of an Ownership Interest resulting from a Capital Call Transaction or (b) the sale, transfer and/or assignment (and not encumbrance) of an Ownership Interest to any Other Owner(s) in instances in which such sale, transfer and/or assignment is (i) solely initiated by an Other Owner(s) pursuant to any right of an Other Owner(s) to purchase the Ownership Interest of a Grantor under any Governing Document or (ii) not initiated by the Grantor but is required by the Governing Documents; provided such sale, transfer and/or assignment is effected pursuant to and in accordance with the terms and conditions of such Governing Document; provided, further that the exceptions set forth in subsections (a) and (b) above shall not apply to any Ownership Interest in River Knolls, LP, a California limited partnership, River Knolls, LLC, GVSC, LP, a California limited partnership, and Grass Valley Shopping Center, LLC.

(8) The consent of the Secured Party is not required to sell, transfer, assign, encumber, finance or refinance any asset or property (including, without limitation, real property) owned and/or held by any Portfolio Entity or Intermediate Entity. Secured Party will remove the Negative Pledge of record within seven (7) days of written request, if provided with evidence that a lender alleges the same is a default, or evidence that removal is required by a proposed lender in connection with refinance of a property owned by a Portfolio Entity or Intermediate Entity; provided, however, that Grantors and Secured Party hereby agree that the removal of the Negative Pledge of record shall not impair, amend, modify or otherwise affect the provisions set forth in the Negative Pledge.

(m) **Negative Pledge.** The Grantors and Secured Party hereby agree that promptly after the confirmation of the Plan, the Secured Party may file (a) the Negative Pledge with the recorder in any County in which any real property owned by a Portfolio Entity is located or in which any Grantor is located and (b) any applicable UCC filings containing the language from the Negative Pledge with the secretary of state in any State in which real property owned by a Portfolio Entity is located or in which any Grantor is located. The Negative Pledge shall state that the consent of the Secured Party is not required to sell, transfer, assign, encumber, finance or refinance any asset or property (including, without limitation, real property) owned and/or held by any Portfolio Entity or Intermediate Entity. Secured Party will remove the Negative Pledge of record within seven (7) days of written request, if provided with evidence that a lender alleges the same is a default, or evidence that removal is required by a proposed lender in connection with refinance of a property owned by a Portfolio Entity or Intermediate Entity; provided that the removal of the Negative Pledge of record shall not impair, amend, modify or otherwise affect the provisions set forth in the Negative Pledge.

(n) **Further Assurances.** Each Grantor shall take such actions and/or provide such assistance as reasonable and appropriate and/or as Secured Party may reasonably determine to be necessary or advisable to carry out the provisions of the Cash Flow Note, this Agreement and the other Security Documents, and the transactions and actions contemplated hereunder and thereunder. Without limiting the generality of the foregoing, each of the Grantors covenants and agrees that it will defend its and their right, title and security interest in and to the Collateral against the claims and demands of all Persons whomsoever, subject to the provisions of Section 4 above.

(o) **Exercise of Rights and Remedies by Grantors in Portfolio and Intermediate Entities.** Grantors expressly acknowledge and agree that (i) (A) in the event that Grantors receive disparate treatment from any other holder of a Venture Interest in a Portfolio Entity or Intermediate Entity, which treatment is in violation of the provisions of the Governing Documents, including, without limitation, the

failure of such entity to distribute funds to Grantors that are otherwise distributed to other holders of a Venture Interest in such entity when such disparate distributions are not called for by the Governing Documents, and/or (B) from and after the occurrence of a breach of a Portfolio Entity's or Intermediate Entity's Governing Documents, which breach has not been consented to by Other Owners holding the requisite majority of Venture Interests pursuant to the terms and conditions of such Governing Documents, and (ii) the result of which is that the rights or remedies of Secured Party are impaired, altered, terminated or waived, including, without limitation, any impairment as to the timing and amount of any payments otherwise due to Secured Party under the Cash Flow Note, then Grantors shall take any and all action as reasonable and appropriate, subject to the Governing Documents and Applicable Law, to remedy such event or occurrence. Without limiting the generality of the foregoing, the parties acknowledge and agree that any action or failure to act on the part of Grantors in connection with this Section 6(o) shall be subject (as between Grantors and the Secured Party) to the dispute resolution procedures as set forth in Section 20 below with respect to Grantors' enforcement in state court of its rights under the Governing Documents.

7. EVENTS OF DEFAULT.

(a) **Defined.** The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default under this Agreement (provided, however, that the parties hereto expressly acknowledge and agree that the occurrence of any Event of Default under any provision of this Section 7 shall not limit or prevent Secured Party with respect to asserting an Event of Default under any other provision of this Section 7), and after expiration of the applicable cure period as set forth in Section 7(b) below ("Event of Default"):

(1) **Payment Defaults.** The occurrence of the following (a "Payment Default"): (i) Grantors individually and collectively (A) fail to deliver and/or return Proceeds to the Disbursing Agent for deposit in the Control Account within three (3) Business Days of receipt of such Proceeds, and/or (B) fail to deposit Proceeds into the Control Account within three (3) Business Days of receipt of such Proceeds, (ii) Grantor Disbursing Agent breaches the terms and conditions of the Disbursing Agent Agreement with respect to payments due to Secured Party, (iii) Grantors and/or Grantor Disbursing Agent fail to deliver to Secured Party the Monthly Activity Statement by no later than the Monthly Activity Statement Due Date, (iv) Grantors and/or Grantor Disbursing Agent fail to pay, when due, any and all amounts due to any Person pursuant to the Plan, including, without limitation, the payments of the Priority Payments as contemplated in the Plan and the Cash Flow Note, and/or (v) the occurrence of a payment default under the Cash Flow Note, including, without limitation, the failure to pay to Secured Party (A) the full amount of the Designated Secured Party Payment to Secured Party as set forth in the Monthly Activity Statement by the fifth (5th) Business Day of each calendar month (which amount may or may not be the full amount due pursuant to the Cash Flow Note) and/or (B) the failure to pay all amounts due Secured Party under the Cash Flow Note by the fifth (5th) Business Day of each calendar month.

(2) **Acceleration Default.** The occurrence of either of the following shall constitute an "Acceleration Default" under the Cash Flow Note: (i) the Grantors, or any of them, have sold, transferred or assigned on any or all of the Ownership Interests in a Restricted Sale Transaction without the prior written consent or deemed consent of the Secured Party; or (ii) the Grantors, or any of them, have voluntarily and affirmatively granted a Lien on any or all of the Ownership Interests without the prior written consent of the Secured Party. With respect to an Acceleration Default under Section 7(a)(2)(i), the parties may request that, in connection with such occurrence, Judge Goldberg, his duly authorized replacement or the Bankruptcy Court determine a proper cure amount representing the amount

of the increase in Gross Available Cash Flow required, if any, as a result of such Acceleration Default to remedy such occurrence (the "Acceleration Cure Amount"); provided, however, that the failure to obtain such determination shall not limit or impair the rights or remedies of Secured Party with respect to the occurrence of an Acceleration Default.

(3) **Breach of Covenants.** Any Grantor or Disbursing Agent fails or neglects to perform, keep or observe any term, provision, condition, covenant, or agreement contained in this Agreement, the Cash Flow Note, or the other Security Documents, as applicable.

(4) **Seizure of Assets.** The occurrence of either of the following conditions: (i) all or any material portion of the Ownership Interests or Collateral are attached, seized, subjected to a writ or levied upon by any Judicial Officer, or (ii) from and after the Effective Date, all or any material portion of the Ownership Interests or Collateral becomes subject to an involuntary Lien in favor of any other Person.

(5) **Voluntary Insolvency.** Except with respect to the Cases, any Grantor commences a voluntary Insolvency Proceeding seeking liquidation, reorganization or other relief with respect to itself or its debt and obligations, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official over it or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary Insolvency Proceeding or takes any action to authorize any of the foregoing.

(6) **Involuntary Insolvency.** An involuntary Insolvency Proceeding is commenced against any Grantor seeking liquidation, reorganization or other relief with respect to it or its debt or obligations, or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and any of the following events occur: (i) the petition commencing the Insolvency Proceeding is not timely controverted; (ii) the petition commencing the Insolvency Proceeding is not dismissed within sixty (60) days of the date of the filing thereof; (iii) an interim trustee is appointed to take possession of all or a substantial portion of the Collateral; or (iv) an order for relief shall have been issued or entered therein.

(7) **Default Under Plan or other Security Documents.** An event of default occurs under (i) the Plan, and/or (ii) under the other Security Documents.

(8) **Misrepresentations.** Any representation, warranty or certification made by any Grantor, Mesa Management, Grantor Disbursing Agent and/or any Affiliate, successor or assign of any of the foregoing, or any officer or employee of any of Grantors, Mesa Management, Grantor Disbursing Agent or any Affiliate, successor or assign of any of the foregoing, in connection with this Agreement, the Disbursing Agent Agreement, any other Security Document, (including, without limitation, in any certificate, financial statement or other document delivered pursuant hereto or thereto), which proves to have been untrue in any material respect when made.

(b) **Cure Period.**

(1) **7 Day Period.** With respect to the occurrence of an Event of Default under Section 7(a)(1), Grantors shall have a period of seven (7) days following written notice by Secured Party to Grantors of such alleged Event of Default to cure said Event of Default prior to such Event of Default being deemed an Event of Default hereunder solely by means of (1) delivering to Secured Party the Monthly Activity Statement (to the extent that Section 7(a)(1)(iii) is applicable), (2) depositing or causing

the deposit of all Gross Available Cash Flow and other Collateral, as applicable, in the Control Account (to the extent that Section 7(a)(1)(i) is applicable), and, in all cases, (3) paying to Secured Party and/or the appropriate Person, as the case may be, the full amount due, if any, with respect to such Payment Default prior to the expiration of said seven (7) day period.

(2) 30 Day Period. With respect to the occurrence of an Event of Default under Sections 7(a)(2), 7(a)(3), 7(a)(4) 7(a)(7) (solely with respect to a non-payment default under the Plan and/or a non-payment default under the other Security Documents), or 7(a)(8), and, without limiting the generality of the foregoing, expressly excluding an Event of Default under Sections 7(a)(1), the cure period for which is governed by Section 7(b)(1) above, Grantors shall have a period of thirty (30) days following written notice by Secured Party to Grantors of such alleged Event of Default to cure said Event of Default prior to such Event of Default being deemed an Event of Default hereunder. By way of illustration and not of limitation, Grantors may "cure" an Acceleration Default by (A) depositing in the Control Account the full amount of the Acceleration Cure Amount, if available, and (B) paying to Secured Party, prior to the expiration of said thirty (30) day period, the full amount, if any, due Secured Party resulting from the increase in Gross Available Cash Flow pursuant to the Note, and all costs and expenses to which Secured Party may be entitled pursuant to Section 20 below.

(3) Cure For Breach by Secured Party. In the event that Grantors assert that Secured Party has breached the terms and conditions of this Agreement or the other Security Documents, Grantors shall provide Secured Party with written notice from Grantors to the Secured Party of such alleged breach. Secured Party shall have a period of thirty (30) days following written notice by Grantors of such alleged breach to cure said breach prior to such breach being deemed a breach hereunder. Secured Party may, to the extent that Secured Party in good faith desires to contest such assertion, seek to resolve such dispute pursuant to Section 20 below, and, in connection therewith, Secured Party shall have seven (7) days following the Determination Date to the extent that Secured Party is found to be in default hereunder to cure said breach.

(4) Additional Time In Connection With Good Faith Dispute. The provisions of this Section 7(b) notwithstanding, in the event that Grantors or Secured Party, in good faith desire to contest any assertion of an Event of Default hereunder, then (i) Grantors or Secured Party, as the case may be, shall, within a seven (7) day period of written notice by Secured Party or Grantors, as the case may be, to the other party or parties of such alleged Event of Default, provide such recipient with written notice of the intent to contest such assertion in good faith; (ii) the parties shall resolve such dispute pursuant to the dispute resolution provisions as set forth in Section 20 below; (iii) during the pendency of any such dispute, no Event of Default shall exist solely with respect to the issue or issues raised by Grantors or Secured Party, as the case may be, in its notice of intent to contest such assertion; and (iv) to the extent that Grantors or Secured Party, as the case may be, contest in good faith the assertion of an Event of Default pursuant to this section, and Grantors or Secured Party, as the case may be, are found to be in default pursuant to this Section 7(b), then the applicable cure period solely with respect to such Event of Default (other than an Acceleration Default) shall continue until seven (7) days, as applicable, following such determination; provided, however, that (A) with respect to an Acceleration Default, Grantors shall have thirty (30) days following the applicable Determination Date, and (B) Grantors expressly acknowledge and agree that, notwithstanding the right to contest any such assertion of an Event of Default hereunder in good faith as provided herein, Grantors shall continue to be obligated with respect to the terms and conditions of the Cash Flow Note, this Agreement and the other Security Documents, and shall continue to perform their obligations hereunder and thereunder, including, without limitation, (x) delivering the Monthly Activity Statement, (y) providing such Reports, Books, records, statements, documents, instruments and certificates as contemplated herein and therein, (z) causing Grantor Disbursing Agent to

pay the amount of the Designated Secured Party Payment to Secured Party as set forth in the Monthly Activity Statement by the date set forth herein, pursuant to the terms and conditions of the Cash Flow Note and this Agreement.

8. RIGHTS AND REMEDIES

From and after, and during the pendency of an Event of Default, to the extent applicable, Secured Party shall have the following rights and powers and may, without further notice of its election to any Grantor and/or Grantor Disbursing Agent, and without demand, do any one or more of the following, if permitted hereunder as applicable, all of which are authorized by Grantors and Grantor Disbursing Agent:

(a) **Acceleration.** Upon the occurrence of an Acceleration Default, Secured Party may accelerate the payment obligations due under the Notes and declare the entire amount of the Obligations and the amount due under the Second Note immediately due and owing. Without limiting the generality of the foregoing, from and after the occurrence of an Acceleration Default, Secured Party may exercise any and all rights and remedies available to Secured Party under the Notes, this Agreement, the other Security Documents, the Plan, and/or available at law or in equity, including, without limitation, taking such actions (including, without limitation, the rights and remedies under Sections 8(b) and 8(d) below), and enforcing such rights and remedies as reasonable and appropriate to prevent, retain and/or recover any and all Collateral of whatsoever kind and nature that might otherwise be paid, payable or distributed to Grantors, including, without limitation, seeking the appointment of a receiver for Grantors for the Collateral; provided Secured Party complies with Applicable Laws regarding the appointment of a receiver, if any. The parties expressly acknowledge and agree that the provisions hereof shall not be deemed a limitation, waiver or prohibition of whatsoever kind and nature with respect to each parties' rights and remedies available under contract, in equity and/or under Applicable Law, all of which are expressly reserved.

(b) **Disgorgement and Offset of Proceeds.** Without limiting the application of Section 8(a) above, upon the occurrence of (i) a Payment Default, including, without limitation, a Sale Transaction in which the Proceeds payable as a result thereof have not been deposited in the Control Account within three (3) Business Days of consummation of such Sale Transaction or (ii) an Event of Default under Section 7(a)(4), and the amount of Proceeds received by Secured Party is reduced due to the attachment of such involuntary Lien as provided in Section 7(a)(4) above, the Secured Party may exercise any and all of its rights or remedies (1) to recover from Grantors any such Proceeds received by Grantors or attached or received by any holder of an involuntary Lien for the benefit of Grantors in the case of the attachment of an involuntary Lien, (2) restrict any distributions to Grantors from the Control Account from and after such occurrence, and (3) require Disbursing Agent to distribute to Secured Party any and all amounts to which Grantors are otherwise entitled under the Cash Flow Note and the Security Documents, until in all cases Secured Party has recovered all such Proceeds, costs and expenses as to which it would otherwise be entitled under the Cash Flow Note and the Security Documents. Without limiting the generality of the foregoing, in the event that Grantor Disbursing Agent fails to comply with the terms hereof, and without waiving any rights or remedies Secured Party may have against Grantors and/or Grantor Disbursing Agent in connection therewith, Secured Party may seek the appointment of a receiver with respect to the Collateral, including, without limitation, the Control Account; provided Secured Party complies with Applicable Laws regarding the appointment of a receiver, if any.

(c) **Other Events of Default.** Except as otherwise provided herein, upon the occurrence of an Event of Default, upon written direction from Secured Party to the Disbursing Agent, Disbursing Agent shall refrain from making any distributions to Grantors from the Control Account from and after

such notice to Disbursing Agent pursuant to Section 8(d) below unless and until such Event of Default has been cured, including, without limitation, the payment of all costs and expense to which Secured Party may be entitled pursuant to Section 20 below. In the event that, notwithstanding the provisions hereof, Grantors receive a distribution of Proceeds from and after such occurrence, in addition to the rights provided herein, Secured Party may take such actions and enforce such rights and remedies as reasonable and appropriate to obtain from Grantors any such Proceeds from and after such occurrence. At such time as the Event of Default has been cured, if curable, and provided Secured Party has not otherwise elected to accelerate the payment obligations due under the Notes and declare the entire amount of the Obligations and the amount due under the Second Note immediately due and owing, Secured Party shall, within five (5) Business Days after Secured Party has received written notice from Grantors and independent confirmation, if applicable, that such Event of Default has been cured, and given an opportunity by Secured Party to confirm such Event of Default has been cured to its reasonable satisfaction, give written notice to Disbursing Agent that the Event of Default has been cured and all accrued distributions not otherwise applied or offset against amounts due Secured Party pursuant to this Agreement shall be paid to Grantors from the Control Account, net of applicable costs and expenses to which Secured Party may be entitled pursuant to Section 20 below. If Secured Party fails to send such written notice to Disbursing Agent within said five (5) Business Day period, Grantors may initiate the dispute resolution provision under this Agreement.

(d) **Further Limitations on Distributions from Control Account.** Anything to the contrary contained herein notwithstanding, and without limiting any other rights or remedies Secured Party may have hereunder, including, without limitation, under Sections 8(a), 8(b) and 8(c):

(1) Upon the earlier to occur of the following, Secured Party may, upon written notice to Disbursing Agent and Grantors, direct (i) that Disbursing Agent not make any distributions from the Control Account to Grantors (other than in respect of a Priority Payment), and (ii) that the financial institution which maintains the Control Account not permit any distributions from the Control Account without the prior written consent of the Secured Party (other than in respect of a Priority Payment):

(A) In the event that Grantors and/or Grantor Disbursing Agent fail to deliver to Secured Party the Monthly Activity Statement by no later than the Monthly Activity Statement Due Date, and after the expiration of the cure period as set forth in Section 7(b)(1),

(B) In the event that Grantors and/or Grantor Disbursing Agent fails to pay the full amount of the Designated Secured Party Payment to Secured Party as set forth in the Monthly Activity Statement by the expiration of the cure period as set forth in Section 7(b)(1),

(C) On the Determination Date with respect to an Acceleration Default by Judge Goldberg, his duly appointed successor, or the Bankruptcy Court, as applicable, and prior to the application of the applicable cure period in Section 7(a)(2), and

(D) On the Determination Date with respect to an Event of Default by Judge Goldberg, his duly appointed successor, or the Bankruptcy Court, as applicable, and prior to the application of any applicable cure period as set forth above.

(2) To the extent applicable, at such time as such event, act or occurrence has been cured, if curable, within the applicable cure period as set forth herein, Secured Party shall give written notice to Disbursing Agent and the financial institution which maintains the Control Account within five

(5) Business Days after such event has been cured that Disbursing Agent shall, from and after receipt of such written notice, make distributions to Grantors pursuant to the Cash Flow Note and this Agreement.

(e) **Protection of Security Interest.** Anything to the contrary contained herein notwithstanding, and without notice to or demand upon any Grantor, Secured Party may, in its sole discretion, make such payments and do such acts as Secured Party considers necessary or reasonable to protect its security interest in the Collateral.

(f) **Application of Payments.** Notwithstanding any provision herein to the contrary, all payments received by Secured Party shall be applied as follows (regardless of how Secured Party treats such payments for purposes of its own accounting): first, to satisfy and discharge in full, the Obligations, second, upon the occurrence of an Acceleration Default, to satisfy and discharge in full the amounts due under the Second Note; and third, any remainder to Grantors.

(g) **Lien For the Benefit of Secured Party.** The Lien on the Collateral, and the security interest in the Collateral granted to and created in favor of Secured Party by this Agreement shall be for the benefit of Secured Party. Each of the rights, privileges, and remedies provided to Secured Party hereunder or otherwise by Applicable Law with respect to the Collateral shall be exercised by Secured Party only for its own benefit, and any of the Collateral or proceeds thereof held or realized upon at any time by Secured Party shall be applied to the Obligations. Grantors shall remain jointly and severally liable to Secured Party for and shall pay to Secured Party any deficiency which may remain after such sale(s), disposition(s) and/or transfer(s).

(h) **Furnishing Documentation.** Without limiting any of Secured Party's rights or remedies under this Agreement, the other Security Documents, under contract, at law or in equity, all of which are expressly reserved, upon the occurrence and during the pendency of an Event of Default, Grantors will promptly furnish to Secured Party such information and documents relating to the Collateral as the Secured Party may reasonably request in writing, all of the foregoing to be certified upon request by Secured Party by an authorized officer of each of Grantors.

(i) **Not Exclusive Remedies to Other Persons.** The remedies granted herein and in the other Security Documents are not exclusive, and shall not limit Secured Party's rights or remedies in any manner whatsoever, as to any rights or remedies Secured Party may have against any Person other than Gianulias, the Trust and/or Cameo, whether such right or remedy is available to Secured Party under contract, at law or in equity, all of which are expressly reserved (except where expressly limited in this Agreement); nor shall the provisions hereof limit in any manner any rights or remedies fashioned (1) in connection with the dispute resolution procedures as set forth in Section 20 below, and/or (2) by the Bankruptcy Court.

9. **TERMINATION OF SECURITY INTERESTS.** Upon indefeasible payment in full of the Obligations, this Agreement shall terminate and be of no further force and effect, Until such time, however, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. In addition, in the event that there is any required repayment or disgorgement of any or all of the payment of the Obligations hereunder, this Agreement, the other Security Documents, and the security interests granted hereby and thereby, shall be reinstated in full, as if such agreements and the security interests granted in connection therewith had never been discharged.

10. **ACCESS TO INFORMATION.** Each of the Grantors acknowledges that the provisions hereof giving Secured Party rights of access and inspection as provided herein are intended to afford Secured Party

with prompt access to current information concerning such Grantor and its activities relating to the Portfolio Entities, the Intermediate Entities, the Control Account, the Ownership Interests, Gross Available Cash Flow and/or the Collateral, including without limitation, the value, nature and location of the Collateral, so that Secured Party can, among other things, make an appropriate determination after the occurrence of an Event of Default, whether and when to exercise its other remedies hereunder and at law, including without limitation, instituting a replevin action should such Grantor or Grantors refuse to turn over any Collateral to Secured Party. Each Grantor further acknowledges that should such Grantor at any time fail to promptly provide such information and access to Secured Party, Secured Party would have no adequate remedy at law to promptly obtain the same, and/or that there are certain breaches of this Agreement and/or the other Security Documents, for which no adequate remedy may be available at law to preserve Secured Party's rights in and to the Collateral as contemplated herein, and therefore each Grantor (a) agrees that the provisions hereof may be specifically enforced by Secured Party, and (b) expressly acknowledges that nothing in this Agreement or in the other Security Documents shall be deemed to limit or prevent Secured Party from seeking equitable relief at any time if the facts so justify such equitable relief.

11. **NOTICES.** All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, telecopied, sent by nationally recognized overnight courier, sent by electronic transmission or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Debtors, to:

James C. Gianulias or
Cameo Homes
1105 Quail Street
Newport Beach, California 92660
(949) 955-3832
Attn: John McFadden, Corporate Controller
E-Mail: johnm@gcompanies.com

With a copy to:

Irell & Manella LLP
840 Newport Center Drive, Suite 400
Newport Beach, California 92660
(949) 760-0991
(949) 760-5200 (fax)
E-Mail: afriedman@irell.com
Attention: Alan J. Friedman, Esq.

If to Secured Party, to:

With a copy to:

SulmeyerKupetz
A Professional Corporation
333 South Hope Street, Thirty-Fifth Floor
Los Angeles, CA 90071
(213) 626-2311
(213) 629-4520 fax
E-Mail: vsahn@sulmeyerlaw.com
Attention: Victor A. Sahn, Esq.

All such notices and other communications shall be deemed to have been given and received (i) in the case of personal delivery, on the date of such delivery, (ii) in the case of delivery by telecopy, on the date of such delivery (at time of confirmation of transmission), (iii) in the case of delivery by nationally recognized overnight courier, on the first (1st) Business Day following dispatch, (iv) in the case of delivery by electronic transmission, on the date of such delivery (at the time of confirmation of transmission), and (v) in the case of mailing, on the third (3rd) Business Day following such mailing or distribution.

12. **NO WAIVERS.** No failure or delay by Secured Party in exercising any right, power or privilege hereunder or under the Cash Flow Note and/or any other Security Document shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

13. **AMENDMENTS AND WAIVERS.** Any provision of this Agreement or any of the other Security Documents to which any Grantor is a party may be amended or waived if, but only if, such amendment or waiver is in writing and is signed by the party asserted to be bound thereby, and then such amendment or waiver shall be effective only in the specific instance and specific purpose for which given.

14. **SUCCESSORS AND ASSIGNS.** This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Grantors may not assign their rights under the Cash Flow Note, this Agreement and the other Security Documents, and/or delegate any and all of their respective or collective duties under the Cash Flow Note, this Agreement and/or the other Security Documents, without the prior written consent of Secured Party in its sole and absolute discretion.

15. **CONSTRUCTION.**

(a) **Article and Section Headings.** Article and section headings and article and section numbers have been set forth herein for convenience only. Unless the contrary is compelled by the context, everything contained in each article and section applies equally to this entire Agreement.

(b) **Construction.** Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by all parties and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and

intentions of all parties hereto. The words "hereof," "herein," "hereby," "hereunder," and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. Article, section, subsection, clause, exhibit and schedule references are to this Agreement, unless otherwise specified. Any reference in this Agreement or any of the other Security Documents includes any and all permitted alterations, amendments, changes, extensions, modifications, renewals, or supplements thereto or thereof, as applicable. Unless the context of this Agreement clearly requires otherwise, references to the plural include the singular and references to the singular include the plural, references to any gender include any other gender, the part includes the whole, the term "including" is not limiting, and the term "or" has, except where otherwise indicated, the inclusive meaning represented by the phrase "and/or". References in this Agreement to "determination" by a party include good faith estimates by such party (in the case of quantitative determinations) and good faith beliefs by such party (in the case of qualitative determinations). This Agreement is entered into subject to the terms and conditions of the Plan, including, without limitation, the Confirmation Order. In the event of any inconsistency concerning the transactions contemplated in the Notes and/or the Security Documents and the Plan, the terms and conditions of the Security Documents shall govern.

(c) Conflict and Inconsistencies; Acknowledgments Concerning Other Owners and Governing Documents.

(1) In the event of any conflict or inconsistency concerning the transactions contemplated in the Security Documents and the Plan, the terms and conditions of the Security Documents shall govern.

(2) In the event of any conflict or inconsistency between the terms and conditions of the Term Sheet Agreement and the Security Documents, the terms and conditions of the Security Documents shall govern.

(3) The parties hereto expressly acknowledge and agree that:

(i) Grantors and Secured Party are legally bound by the terms and conditions of the Plan and the Security Documents;

(ii) The Security Documents do not bind the Other Owners because such Other Owners are not parties to the Security Documents;

(iii) The Governing Documents do not bind Secured Party because it is not a party to such documents;

(iv) The Other Owners are not waiving any right to object to any action taken by Secured Party from and after the date hereof, including without limitation any effort to intervene in any way with partnership/company operations and decision making, and that the Other Owners are specifically reserving the right to challenge any such action and to prevent the same and/or have the same declared void; and

(v) Secured Party is not waiving any right to object to any action taken by Grantors and/or the Other Owners from and after the date hereof relating to the terms and conditions of the Security Documents, including, without limitation, any effort to intervene in any way with the terms and conditions of the Security Documents and the obligations of the parties thereto, and that Secured

Party is specifically reserving the right to challenge any such action and to prevent the same and/or have the same declared void.

(d) **Exhibits and Schedules.** All of the exhibits and schedules attached hereto shall be deemed incorporated herein by reference.

16. **COUNTERPARTS.** This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall be effective when executed by each of the parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by email or facsimile transmission shall be as effective as delivery of a manually executed counterpart of this Agreement, provided that such manually executed counterpart is promptly delivered to the other party. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

17. **SEVERABILITY.** The provisions of this Agreement are severable. The invalidity, in whole or in part, of any provision of this Agreement shall not affect the validity or enforceability of any other of its provisions. If one or more provisions hereof shall be declared invalid or unenforceable, the remaining provisions shall remain in full force and effect and shall be construed in the broadest possible manner to effectuate the purposes hereof.

18. **CHOICE OF LAW.** The validity of this Agreement, its construction, interpretation and enforcement, and the rights of the parties hereunder and concerning the Collateral, shall be determined under, governed by and construed in accordance with the internal laws of the State of California, without regard to principles of conflicts of laws.

19. **SURVIVAL OF REPRESENTATIONS AND WARRANTIES.** All representations and warranties of the parties contained in this Agreement shall survive the execution and delivery of this Agreement and shall continue until any and all Obligations have been indefeasibly paid and performed in full.

20. **DISPUTE RESOLUTION; VENUE, JURISDICTION AND PROCESS.**

(a) In the event that the parties hereto cannot reach an agreement concerning a determination or other issue with respect to this Agreement, the Cash Flow Note and/or the other Security Documents, and/or there is a dispute concerning the interpretation and enforcement of this Agreement, the Cash Flow Note and/or the other Security Documents, the parties agree that Judge Goldberg will attempt to mediate any such dispute or conflict, and failing a resolution via mediation, the parties agree that Judge Goldberg will have the sole and exclusive binding authority to resolve said dispute or conflict. For purposes hereof, in the event that Judge Goldberg is unable to provide such services or is otherwise unavailable, Grantors and Secured Party shall mutually agree in writing as to a suitable replacement, and if a replacement cannot be agreed upon, Grantors and Secured Party shall seek relief from the Bankruptcy Court to obtain a suitable replacement for Judge Goldberg.

(b) Anything to the contrary contained herein notwithstanding, no party hereto shall be precluded from securing equitable remedies, including, without limitation, temporary restraining orders and preliminary injunctions, at any time and from time to time, to protect and preserve its rights and interests hereunder and/or the other Security Documents; provided, however, that no party shall seek equitable remedies solely as a means of avoiding or staying arbitration as provided herein.

(c) SUBJECT TO THE PROVISIONS OF THIS SECTION 20, THE PARTIES AGREE THAT ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE INTERPRETATION, PERFORMANCE OR BREACH OF THIS AGREEMENT, SHALL BE INSTITUTED IN THE BANKRUPTCY COURT, OR IF THE BANKRUPTCY COURT SHALL REFUSE TO EXERCISE JURISDICTION, THEN ANY FEDERAL OR STATE COURT LOCATED IN ORANGE COUNTY, CALIFORNIA. BY EXECUTION AND DELIVERY OF THIS AGREEMENT, AND SUBJECT TO THE PROVISIONS OF THIS SECTION 20 ABOVE, EACH OF THE GRANTORS AND SECURED PARTY (a) ACCEPTS JURISDICTION OF THE AFORESAID COURTS AND IRREVOCABLY AGREES TO BE BOUND BY ANY JUDGMENT RENDERED THEREBY, (b) WAIVES PERSONAL SERVICE OF PROCESS, (c) AGREES THAT SERVICE OF PROCESS UPON IT MAY BE MADE BY CERTIFIED OR REGISTERED MAIL, RETURN RECEIPT REQUESTED, PURSUANT TO THE ADDRESS AS SET FORTH IN THIS AGREEMENT, AND (d) WAIVES ANY OBJECTION TO JURISDICTION AND VENUE OF ANY ACTION INSTITUTED HEREUNDER AND AGREES NOT TO ASSERT ANY DEFENSE BASED ON LACK OF JURISDICTION, VENUE OR CONVENIENCE.

(d) In the event of any dispute or conflict arising under this Agreement, the Cash Flow Note and/or the other Security Documents, the prevailing party or parties in such dispute or conflict as determined pursuant to the provisions hereof by Judge Goldberg, his duly appointed replacement or the Bankruptcy Court, as applicable, shall be entitled to recover such losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) with respect to such dispute or conflict from the non-prevailing party or parties, with the amount of such losses, damages, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) recoverable to be determined by Judge Goldberg, his duly appointed replacement or the Bankruptcy Court, as applicable.

[SIGNATURE PAGE IMMEDIATELY FOLLOWING]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed
as of the Effective Date.

DEBTORS:

JAMES C. GIANULIAS, an individual,

James C. Gianulias, as Trustee of **THE JAMES CHRIS
GIANULIAS TRUST**

CAMEO HOMES, a California corporation

By: _____
Print Name: _____
Title: _____

SECURED PARTY:

Tom Seaman, as Trustee of the **CREDITORS TRUST
FORMED FOR THE BENEFIT OF THE
HOLDERS OF ALLOWED GENERAL
UNSECURED CLAIMS AGAINST JAMES C.
GIANULIAS AND CAMEO HOMES**

EXHIBIT A
DEFINITIONS

1. "Affiliate" means, with respect to any Person, (a) any other Person which, directly or indirectly, controls or is controlled by or is under common control with such Person and (b) any Subsidiary of such Person, as applicable. A Person shall be deemed to be "controlled by" any other Person if such Person possesses, directly or indirectly, power to vote 50% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managers or power to direct or cause the direction of the management and policies of such Person whether by contract or otherwise; provided, however, that for purposes hereof, "Affiliate" shall exclude the Portfolio Entities and the Intermediate Entities.
2. "Agreement" means Security Agreement and any extensions, supplements, amendments or modifications to this Security Agreement.
3. "Applicable Law" means, in respect of any Person, all provisions of constitutions, statutes, rules, regulations and orders of governmental bodies or regulatory agencies applicable to such Person, and all orders and decrees of all courts and arbitrators in proceedings or actions to which the Person in question is a party or by which it or its properties are bound.
4. "Asset" means any interest of a Person in any kind of property or asset, whether real, personal, or mixed real and personal, and whether tangible or intangible.
5. "Available Cash Flow" shall have the same meaning attributable to such term in the Cash Flow Note.
6. "Bankruptcy Code" shall have the meaning as set forth in the Recitals above.
7. "Books" means all of each Grantor's books and records (regardless of format) for the Portfolio Entities, the Intermediate Entities and books and records concerning the Ownership Interests and/or the Collateral, including, but not limited to the following: (a) minute books, ledgers, records indicating, summarizing or evidencing each Portfolio Entity's and Intermediate Entity's assets, liabilities, the Ownership Interests, the Collateral, the Obligations, and all information relating thereto; (b) records indicating, summarizing or evidencing each Portfolio Entity's and Intermediate Entity's business operations or financial condition and Ownership Interests in connection therewith.
8. "Business Day" means any day other than a Saturday, a Sunday or a "legal holiday" (as defined in Bankruptcy Rule 9006(a)).
9. "Capital Call Transaction" shall mean a transaction or series of transactions pursuant to which a Portfolio Entity and/or Intermediate Entity, or any manager, partner, member or general partner thereof, makes a capital call of whatsoever kind and nature, including, without limitation, any request (whether written, oral, electronic or otherwise) by any such entity to any holder or owner of a Venture Interest in such entity as of the date of such notice, for additional investment of whatsoever kind and nature (including, without limitation, via loan or capital contribution) pursuant to the Governing Documents.
10. "Cash" means lawful currency of the United States and equivalents thereof, including, but not limited, to bank deposits, wire transfers, checks, interests in marketable equity and marketable debt

securities, interests in money market funds and similar liquid investment, and other similar items.

11. "Cash Flow Note" shall mean that certain Secured Promissory Note in the principal amount of \$42,000,000, subject to adjustment as set forth therein, made by Debtors in favor of Secured Party, a copy of which is attached hereto as Exhibit B, and any and all substitutions and/or amendments thereto from time to time.

12. "Collateral" means the following, individually and collectively with respect to Grantors: (a) all Proceeds, (b) any and all claims, deposits, prepayments, refunds, rebates, causes of action, rights of recovery, rights of set-off and rights of recoupment relating to any of the above-mentioned Proceeds (to the extent that such Proceeds constitute Gross Available Cash Flow), but only as permitted by the Governing Documents and the Security Documents, and by Applicable Law, (c) any and all substitutions, replacements, additions, accessions, products derived or attributable with respect to any of the above-mentioned Collateral set forth herein, and (d) "proceeds" (as defined in Section 9102(a)(64) of the UCC) from any and all of the foregoing; provided, however, that any Cash distributed from the Control Account pursuant to and in compliance with the terms and conditions of the Cash Flow Note and the other Security Documents shall from and after the time of such release no longer constitute "Collateral" and shall not be subject to the security interest granted herein.

13. "Confirmation Order" shall have the meaning as set forth in Section 6(l) above, and shall represent a final, non-appealable order entered by the Bankruptcy Court with respect to the Plan and in compliance with the provisions of this Agreement, including, without limitation, Section 6(l) above.

14. "Control Account" means a deposit account for deposit of Proceeds received by Grantors with a financial institution mutually acceptable to Secured Party and Debtors pursuant to which a Control Agreement and the Disbursing Agent Agreement, relating to the ability of the Disbursing Agent and/or any other Person to make distributions of Proceeds from such Control Account, shall govern.

15. "Control Agreement" means the deposit account control agreement mutually acceptable to Secured Party and Debtors concerning the Control Account.

16. "Controlled Entities" shall mean the following 4 Portfolio Entities, and their respective successors and assigns: (a) Fountain Valley Senior Housing, L.P., (b) Placentia 422, LP, (c) River Knolls, LP, and (d) GVSC, LP.

17. "Debtors" shall have the meaning as set forth in the Cash Flow Note.

18. "Determination Date" shall mean the date on which Judge Goldberg, his duly authorized successor, or the Bankruptcy Court, as applicable, makes a determination (regardless of whether such determination is oral or in writing, or oral and later provided in written form, in which such case the period shall commence from the earliest determination, regardless of format of determination).

19. "Disbursing Agent" shall mean the Grantor Disbursing Agent or an authorized successor not controlled by Grantors and appointed as provided in the Disbursing Agent Agreement.

20. "Disbursing Agent Agreement" means that certain Disbursing Agent Agreement among Disbursing Agent, Grantors and Secured Party.
21. "Event of Default" means any of the events set forth in Section 7 of this Agreement.
22. "GAAP" means generally accepted accounting principles as in effect from time to time in the United States, consistently applied.
23. "Governing Documents" means the certificate or articles of incorporation, by-laws, operating agreement, partnership agreement or other organizational or governing documents of any Portfolio Entity and/or Intermediate Entity.
24. "Governmental Authority" shall mean any Federal, state, local or other governmental department, commission, board, bureau, agency, central bank, court, tribunal or other instrumentality or authority or subdivision thereof, domestic or foreign, exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.
25. "Grantor Disbursing Agent" shall mean Mesa Management or an authorized successor controlled by Grantors and appointed as provided in the Disbursing Agent Agreement.
26. "Grantors" shall mean Gianulias, the Trust, Cameo, and any parent, Subsidiary, Affiliate, heir, successor and/or assign of any of the foregoing; provided, however, that, for purposes hereof, the term "Grantors" shall (a) only include any Affiliate, heir, successor or assign that holds, directly or indirectly, from time to time, an Ownership Interest in and to the Portfolio Entities and/or Intermediate Entities, and (b) expressly exclude the Portfolio Entities and the Intermediate Entities, and those successors and assigns expressly excluded from the definition of Debtor pursuant to clauses (1)(A) and (B) of Sections 2(l), 2(cc) and 2(yy) of the Cash Flow Note.
27. "Grantors' Address" means each address of Grantors as set forth from time to time on Schedule 5(f) of this Agreement, as such may be amended from time to time.
28. "Gross Available Cash Flow" shall have the meaning as set forth in the Cash Flow Note.
29. "Insolvency Proceeding" means any proceeding commenced by or against any Person, including any Grantor, under any provision of the Bankruptcy Code, or under any other foreign or domestic bankruptcy or insolvency law, including, but not limited to, assignments for the benefit of creditors, formal or informal moratoriums, compositions or extensions with all or substantially all of such Person's creditors.
30. "Intermediate Entities" shall mean those entities as set forth in Exhibit F and/or any new or additional entities that directly or indirectly have or hold an Ownership Interest in and to a Portfolio Entity, and which are directly or indirectly owned from time to time by Grantors, and any successors, transferees or assigns in connection therewith.
31. "Judicial Officer or Assignee" means any trustee, receiver, controller, custodian, assignee for the benefit of creditors or any other Person having powers or duties like or similar to the powers and duties of a trustee, receiver, controller, custodian or assignee for the benefit of creditors.

32. "Lien" means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement or other preferential arrangement, charge or encumbrance (including, any conditional sale or other title retention agreement, or capital lease) of any kind.

33. "Material Adverse Effect" means a material adverse effect on (a) the Collateral, taken as a whole and as to any payment rights of Secured Party under the Cash Flow Note, (b) the validity or enforceability of this Agreement, the Cash Flow Note, the other Security Documents and/or or any other agreement or document entered into by any party in connection herewith, and/or (c) the rights or remedies of Secured Party hereunder or thereunder.

34. "Mesa Management" shall have the meaning as set forth in the Cash Flow Note.

35. "Negative Pledge" shall mean that certain negative pledge, a form of which is attached hereto as Exhibit C, as such may be amended from time to time.

36. "Notes" shall mean the Cash Flow Note and the Second Note.

37. "Obligations" means (a) any and all amounts owing under the Cash Flow Note, and (b) all present and future debts, liabilities, obligations, guaranties, covenants, duties and indebtedness at any time owing by any Grantor and/or Disbursing Agent to Secured Party pursuant to this Agreement or any other Security Document.

38. "Other Owner" shall mean any Person that holds or owns a Venture Interest and is not an Affiliate of Debtors.

39. "Ownership Interests" shall mean have the meaning as set forth in the Cash Flow Note.

40. "Person(s)" shall mean any individual, corporation, limited liability company, joint venture, association, organization, estate, trust or other entity or any Governmental Authority.

41. "Plan" means Debtors' Fourth Amended Plan of Reorganization dated May 27, 2010, as such may be amended, and as confirmed by the Bankruptcy Court in a final, non-appealable confirming order entered by the Bankruptcy Court.

42. "Portfolio Entities" shall mean those certain entities as set forth in Exhibit E attached hereto and shall include all successors and assigns thereof.

43. "Priority Payments" shall have the same meaning ascribed to such term in the Cash Flow Note.

44. "Privileged Information" shall mean only that information contained in a document, instrument, agreement or Report which is subject to legal privilege from general disclosure (and by way of illustration and not of limitation, the remaining information contained in such document, instrument, agreement or Report is non-privileged pursuant to this Agreement) ; provided, however, that such privilege shall not apply to (a) non-privileged information which is otherwise confidential or proprietary, (b) information which would otherwise not be subject to privilege but which is subject to privilege as a result of Grantor's attempt to avoid the terms and conditions of this Agreement, and/or (c) financial information, payees of the Portfolio Entities and the Intermediate Entities, and the amount of Proceeds and identity of any Person that (i) acquires any or all of the Ownership Interests or Collateral or otherwise acquires any rights in and thereto, and/or (ii) provides any financing (regardless of form, and including, without limitation, any

loans or other consideration) to or for the benefit of Debtors in connection with the Ownership Interests and/or the Collateral.

45. "Proceeds" means Gross Available Cash Flow and any other Cash received by Grantors from time to time from any Collateral identified in Section 12(b), (c) and (d) of the Definitions to this Agreement.

46. "Second Note" shall mean that certain unsecured Promissory Note in the principal amount of \$5,000,000 from Debtors in favor of Secured Party, without interest and due and payable on or before December 31, 2025, and any and all substitutions and/or amendments thereto from time to time.

47. "Security Documents" means this Agreement, the Negative Pledge, the Disbursing Agent Agreement, the Control Agreement, the Uniform Commercial Code financing statements filed by Secured Party, as secured party, against each Grantor, as debtor, and such other documents, instruments, filings and agreements as Secured Party may require in connection with this Agreement and/or the transactions contemplated hereunder, or, to the extent permitted by Applicable Law, to perfect the liens and security interests granted to Secured Party in connection herewith.

48. "Subsidiary" means any corporation, limited liability company, partnership, trust or other entity (whether now existing or hereafter organized or acquired) of which any Grantor or one or more Subsidiaries of any Grantor at the time owns or controls directly or indirectly more than fifty percent (50%) of the shares of stock or partnership or other ownership interest having general voting power under ordinary circumstances to elect a majority of the board of directors, managers or trustees or otherwise exercising control of such corporation, limited liability company, partnership, trust or other entity (irrespective of whether at the time stock or any other form of ownership of any class or classes shall have or might have voting power by reason of the happening of any contingency).

49. "UCC" means the Uniform Commercial Code as adopted and in effect in the State of California from time to time.

50. "Un-matured Event of Default" means an occurrence or event which, with the passing of time or notice, or both, and in Grantors' good faith reasonable discretion, would become an Event of Default.

51. "Venture Interest" shall mean any partnership interest, membership interest, shareholder interest or other ownership or equity interest and/or economic or other interest in a Portfolio Entity and/or Intermediate Entity.

52. "Written Directions" means the form of irrevocable written direction to the Portfolio Entities and Intermediate Entities attached hereto as Exhibit G-1.

EXHIBIT B

Form of Cash Flow Note

(see attached)

EXHIBIT C

Form of Negative Pledge

(see attached)

EXHIBIT D

Copy of Confirming Order

(see attached)

EXHIBIT E

List of Portfolio Entities

The following, along with any successor, assign, transferee thereof, shall be deemed a Portfolio Entity:

1. East Coast Properties—Woodwind Gardens, a New York General Partnership
2. East Coast Properties—Country Estates, a New York General Partnership
3. East Coast Properties—Country Gardens, a New York General Partnership
4. East Coast Properties—Grenadier Village, a New York General Partnership
5. Fountain Valley Senior Housing, LP, a California limited partnership
6. LG Parkewood Village, LP, a California limited partnership
7. Park Glen, LP, a California limited partnership
8. Park Mesa, LP, a California limited partnership
9. Picadilly Square, LP, a California limited partnership
10. Placentia 422, LP, a California limited partnership
11. River Knolls, LP, a California limited partnership
12. Villa Buena, LP, a California limited partnership
13. Coast Business Center (Coast Business Center, LP, a California limited partnership)
14. Crown Building (Crown Building, LLC, a California limited liability company)
15. Dana Center, a California general partnership
16. Dana Centre, LP, a California limited partnership
17. Greenhaven Plaza, a California General Partnership
18. GVSC, LP, a California limited partnership
19. Lahaina Cannery Mall, LLC, a Hawaii limited liability company
20. Lucas-Gianulias, a California general partnership
21. Sunrise Village Retail Center, LP, a California limited partnership

EXHIBIT F

Intermediate Entities

The following, along with any successor, assign, transferee thereof, any new or additional entities that have a direct or indirect Ownership Interest in a Portfolio Entity (and which are owned, directly or indirectly, by Grantors), shall be deemed an Intermediate Entity:

1. Fountain Valley Senior Housing II, LLC
2. Parkewood Village, LLC
3. Park Glen, LLC
4. Park Mesa, LLC
5. Picadilly Square, LLC
6. River Knolls, LLC
7. Villa Buena, LLC
8. Emerald Isle (Placentia), LP
9. Emerald Isle (Placentia), LLC
10. Placentia 422, LLC
11. Grass Valley Shopping Center, LLC
12. Dana Centre, LLC

EXHIBIT G

Form of Written Directions

(see attached)

SCHEDULE 4(e)

Prior Liens

None.

SCHEDULE 5(b)

Schedule of Ownership Interests

Portfolio Entities:	<u>EIP LP (*)</u>	<u>Gianulias</u>	<u>Cameo</u>	<u>LLC</u>	<u>IE #</u>
1. East Coast Properties		25.000%	-	-	
2. Fountain Valley Senior Housing, LP		64.000%	-	1.00%	(1)
3. LG Parkewood Village, LP		16.667%	16.333%	1.00%	(2)
4. Park Glen, LP		-	49.500%	1.00%	(3)
5. Park Mesa, LP		18.750%	18.375%	1.00%	(4)
6. Picadilly Square, LP		25.261%	24.239%	1.00%	(5)
7. Placentia 422, LP	99.500%	-	-	0.50%	(10)
8. River Knolls, LP		85.000%	14.000%	1.00%	(6)
9. Villa Buena, LP		25.261%	24.239%	1.00%	(7)
10. Coast Business Center, LP		20.733%	-	-	
11. Crown Building, LLC		-	20.000%	-	
12. Dana Center		50.000%	-	-	
13. Dana Centre, LP		49.500%	-	1.00%	(12)
14. Greenhaven Plaza		25.000%	-	-	
15. GVSC, LP		0.010%	98.990%	1.00%	(11)
16. Lahaina Cannery Mall, LLC		18.000%	-	-	
17. Lucas-Gianulias		50.000%	-	-	
18. Sunrise Village Retail Center, LP		4.330%	9.000%	-	

Intermediate Entities (IE):		<u>Gianulias</u>	<u>Cameo</u>	<u>LLC</u>	<u>IE #</u>
1. Fountain Valley Senior Housing II, LLC		-	100.000%	-	
2. Parkewood Village, LLC		-	33.333%	-	
3. Park Glen, LLC		-	50.000%	-	
4. Park Mesa, LLC		-	37.500%	-	
5. Picadilly Square, LLC		-	50.000%	-	
6. River Knolls, LLC		-	100.000%	-	
7. Villa Buena, LLC		-	50.000%	-	
8. Emerald Isle (Placentia), LP	(*)	69.3467%	-	0.5025%	(9)
9. Emerald Isle (Placentia), LLC		-	100.000%	-	
10. Placentia 422, LLC		-	100.000%	-	
11. Grass Valley Shopping Center, LLC		-	100.000%	-	
12. Dana Centre, LLC		-	100.000%	-	

SCHEDULE 5(c)

Grantor Location and Identifying Information

James C. Gianulias:

Principal place of business:

1105 Quail Street
Newport Beach, CA 92660

Mailing address:

P.O. Box 2990
Newport Beach, CA 92658-9018

Residence:

21 Atlantis Cove
Newport Coast, CA 92657

Cameo Homes, a California corporation:

Principal place of business/chief executive office:

1105 Quail Street
Newport Beach, CA 92660

Mailing address:

P.O. Box 2990
Newport Beach, CA 92658-9018

State of incorporation:

California