

APN 1318-10-317-004

RECORDING REQUESTED BY

✓ Daniel Sullivan

AND WHEN RECORDED RETURN TO:

Cliff Lachman

2655 Byron Place

Los Angeles, California 90046

Douglas County - NV
Werner Christen - Recorder
Page: 1 Of 11 Fee: 24.00
BK-0306 PG- 7516 RPTT: 0.00



(SPACE ABOVE THIS LINE FOR RECORDER'S USE)

DEED OF TRUST AND ASSIGNMENT OF RENTS

THIS DEED OF TRUST AND ASSIGNMENT OF RENTS (this "Deed of Trust") is made as of March 5, 2006, by Daniel Sullivan ("Borrower"), as trustor, whose address is 2901 Waverly Drive, Los Angeles, California 90039, to Cliff Lachman, as trustee, whose address is 2655 Byron Place, Los Angeles, California 90046 ("Trustee"), for the benefit of Cliff Lachman ("Lender").

WITNESSETH

A. Pursuant to that certain Promissory Note (the "Promissory Note") between Borrower and Lender of even date herewith, Lender has agreed to make a loan (the "Loan") to Borrower in the principal amount of Fifty Thousand Dollars \$50,000.00.

B. The Loan is evidenced by that certain promissory note (the "Note") of even date herewith in the amount of the Loan, executed by Borrower to the order of Lender.

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

GRANT

Grant. Borrower hereby irrevocably grants, conveys, mortgages, transfers and assigns to Trustee, its successors and assigns, in trust, with power of sale and right of entry and possession as provided below, for the benefit of Lender, all of its present and future fee estate, including all right, title and interest of Borrower in and to the following described property, whether such property is now or hereafter in existence (the "Mortgaged Property"):

(a) all that certain real property located in the County of Douglas, State of Nevada, more particularly described in Exhibit A attached hereto (the "Property");

(b) all estate, right, title and interest of Borrower in and to any and all buildings, improvements, appurtenances and fixtures of any kind located on the Property, now existing or hereafter constructed including but not limited to all apparatus, equipment and appliances used in connection with the operation or occupancy of the Property, such as heating and air conditioning systems and facilities used to provide any utility services, refrigeration, ventilation, or other services on the Property, and all window coverings, drapes and rods, carpeting and floor coverings, it being intended and agreed that all such items will be conclusively considered to be a part of Borrower's real property estate conveyed by this Deed of Trust, whether or not attached or affixed to the Property (the "Improvements");

(c) all appurtenances, easements, rights of way and other privileges or rights relating to the Property, together with any present or future interest of Borrower in the Property or in any other land or property arising by or constructed on the Property;

(d) all leases, subleases and sub-tenancies, occupancy agreements and concessions affecting the Property, including, without limitation, all rents, royalties, income and profits arising from the Property or from any lease, subleases, sub-tenancies, occupancy agreements or concessions, including without limitation, any security deposits;

(e) all interest of Borrower in and to any condemnation awards, insurance proceeds, or any causes of action, damages or recoveries relating to the Property or Borrower's fee estate;

(f) all minerals, oil, gas and other hydrocarbon substances on the Property, as well as to any development rights, air rights, solar rights, water, water rights, and water stock relating to the Property;

(g) all goods located on the Property which are owned by Borrower and used in the operation or occupancy of the Property or in any construction on the Property but which are not effectively made real property under clause (b) above, including but not limited to all appliances, building service equipment, and building materials, supplies and equipment but excluding all furniture and furnishings;

(h) all general intangibles owned by Borrower relating to the development or use of the Property, including but not limited to all governmental permits relating to construction on the Property, all names under or by which the Property or any of the Improvements may at any time be operated or known and all rights to carry on business under any such names or any variant thereof, and all trademarks and good will in any way relating to the Property;

(i) all water stock relating to the Property;

(j) all contracts related to the repair, maintenance and operation of the Mortgaged Property, including, without limitation, all contracts related to property management, maintenance, utilities and security;

(k) any Interest Rate Agreements; and

(l) all proceeds, products and substitutions of any of the foregoing.

Obligations Secured. This Deed of Trust secures:

(a) the payment and performance of Borrower's indebtedness and obligations under the Note;

(b) the payment and performance of all of Borrower's other obligations under the Loan Agreement and the other Loan Documents;

(c) any and all modifications, extensions and renewals of the Loan or to the Note or Loan Agreement;

(d) the payment of all sums advanced or paid out by Lender under any provision of this Deed of Trust or to protect the security of this Deed of Trust;

(e) the payment of the principal and interest on all other future loans or advances made by Lender to Borrower (or any successor in interest to the Borrower) when any document evidencing the loan or advance specifically states that it is secured by this Deed of Trust ("Future Advances"), including all extensions, renewals and modifications of any Future Advances; and

(f) the repayment of any Obligatory Advances.

COVENANTS OF BORROWER



To protect the security of this Deed of Trust, Borrower covenants for the benefit of Lender as follows:

Payment of Indebtedness . Borrower shall pay and perform all indebtedness and obligations that are secured by this Deed of Trust in accordance with any of the agreements or covenants set forth herein.

Insurance . Borrower shall maintain in force on the Mortgaged Property all policies of insurance required under the Loan Agreement.

Payment of Taxes; Claims . Borrower shall pay prior to delinquency all taxes and assessments which are or may become a lien on the Mortgaged Property or which are assessed against the Mortgaged Property or its rents, royalties, profits and income. Borrower shall pay when due all lawful claims and demands of mechanics, materialmen, laborers and others for any work performed or materials delivered for the Mortgaged Property.

Waste; Maintenance and Repair . Borrower shall not commit any waste on the Property or the Mortgaged Property or take any actions that might invalidate any insurance carried on the Property or the Mortgaged Property. Borrower will maintain the Property and the Mortgaged Property in good condition and repair. No Improvements may be removed, demolished or materially altered without the prior written consent of Lender.

Change in Use; Compliance with Laws . Without the prior written consent of Lender, Borrower shall not seek, make or consent to any change in the zoning or conditions of use of the Property or any Improvements which would impair the ability of Borrower or its tenants to conduct business on the Property as presently conducted. Borrower shall comply with and make all payments required under the provisions of any covenants, conditions or restrictions affecting the Property or the Mortgaged Property. Borrower shall comply with all existing and future requirements of all governmental authorities having jurisdiction over the Property or the Mortgaged Property.

Actions Affecting Lender's Security . Borrower shall, at its own expense, appear in and defend any action or proceeding that might affect Lender's security or the rights or powers of Lender or Trustee or that purports to affect the Property or any of the Mortgaged Property. If Borrower fails to perform any of its covenants or agreements contained in this Deed of Trust, or if any action or proceeding of any kind (including but not limited to any bankruptcy, insolvency, arrangement, reorganization or other debtor relief proceeding) is commenced which might affect Lender's or Trustee's interest in the Property or the Mortgaged Property or Lender's right to enforce its security, then Lender and/or Trustee may, at their option, make any appearances, disburse any sums and take any actions as may be necessary or desirable to protect or enforce the security of this Deed of Trust or to remedy the failure of Borrower to perform its covenants (without, however, waiving any default of Borrower). Borrower agrees to pay all costs and expenses of Lender and Trustee thus incurred (including but not limited to fees and disbursements of counsel). Any sums disbursed or advanced by Lender or Trustee pursuant to this Section 2.6 will be additional indebtedness of Borrower secured by this Deed of Trust, and will be payable by Borrower upon demand. Any such sums so disbursed or advanced by Lender pursuant to this Section 2.6 will bear interest at a rate equal to the Default Rate as set forth in the Note, and any such

sums so disbursed or advanced by Trustee will bear interest at the maximum rate permitted to be charged by Trustee under applicable law. This paragraph will not be construed to require Lender or Trustee to incur any expenses, make any appearances, or take any actions.

Escrow Payments. Upon the occurrence of an Event of Default, Borrower will pay to Lender, or its designee, on the due date of each monthly installment of principal and interest pursuant to the Note, a sum equal to the real estate taxes, assessments and insurance premiums next due on the Mortgaged Property, all as estimated by Lender, less all sums already paid with respect to the real estate taxes, assessments and insurance premiums for such period, divided by the number of months to elapse before one month prior to the date when such real estate taxes, assessments and insurance premiums shall become due and payable. Lender or its designee shall hold all payments without any obligation for the payment of interest thereon to Borrower and free of all liens or claims on the part of creditors of Borrower and as a part of the Mortgaged Property. Lender or its designee shall use such payments to pay current real estate taxes, assessments and insurance premiums, as the same accrue and are payable. Such payments shall not be, nor be deemed to be, trust funds, but may be commingled with the general funds of Lender, or its designee. If at any time and for any reason Lender determines that such payments are insufficient to pay the real estate taxes, assessments and insurance premiums in full as they become payable, Borrower will pay to Lender or its designee, within ten (10) days after demand therefor, such additional sum or sums as may be required in order for Lender or its designee to so pay such real estate taxes, assessments and insurance premiums in full. Borrower shall furnish Lender with the bills therefor within sufficient time to enable Lender or its designee to pay the real estate taxes, assessments and insurance premiums before any penalty attaches and before any policy lapses. Upon the occurrence of an Event of Default, Lender may, at its sole discretion and without regard to the adequacy of its security hereunder, apply any unused portion of such payments to the payment of the indebtedness evidenced by the Note and the other Loan Documents in such manner as it may elect. Transfer of legal title to the Mortgaged Property shall automatically transfer to the new owner any then remaining rights of Borrower in all sums held by Lender pursuant to this Section 2.7.

CASUALTY AND CONDEMNATION

All insurance proceeds on the Mortgaged Property, and all causes of action, claims, compensation, awards and recoveries for any damage, condemnation or taking of all or any part of the Mortgaged Property or for any damage or injury to it or for any loss or diminution in value of the Mortgaged Property, are hereby assigned to and shall be paid to Lender. In the event of the occurrence of any casualty affecting the Mortgaged Property, the settlement of all insurance claims and the application of insurance proceeds shall be governed by Article 8 of the Loan Agreement.

ASSIGNMENT OF RENTS

Assignment. As additional security for the payment and performance by Borrower of the indebtedness and obligations secured by this Deed of Trust, Borrower hereby absolutely, presently, unconditionally and irrevocably assigns to Lender all of the existing and future leases, and other occupancy agreements and all existing and future



rents, royalties, income and profits of the Mortgaged Property that arise from its use or occupancy.

Revocable License. Until Borrower is in default under this Deed of Trust, Borrower shall have a license to collect and receive those rents, royalties, income and profits. Upon any default by Borrower, Lender may terminate Borrower's license in its discretion at any time upon notice to Borrower and may thereafter collect the rents, royalties, income and profits itself or by an agent or receiver. No action taken by Lender to collect any rents, royalties, income or profits will make Lender a "mortgagee in possession" of the Mortgaged Property, unless Lender personally or by agent enters into actual possession of the Mortgaged Property. Possession by a court appointed receiver will not be considered possession by Lender. All rents, royalties, income and profits collected by Lender or a receiver will be applied first to pay all expenses of collection, and then to the payment of all costs of operation and management of the Mortgaged Property, and then to the payment of the indebtedness and obligations secured by this Deed of Trust in whatever order Lender directs in its absolute discretion and without regard to the adequacy of its security.

ALIENATION AND FURTHER ENCUMBRANCES

Borrower shall not voluntarily or involuntarily, by operation of law or otherwise, suffer or permit any of its interests or rights in the Mortgaged Property to be assigned, sold, pledged, encumbered, transferred, hypothecated or otherwise disposed of until the provisions of the Loan Agreement have been fully complied with and the Loan and other sums evidenced by the Note and/or secured by this Deed of Trust and the other Loan Documents have been repaid in full. No party directly or indirectly owning an interest in Borrower shall suffer or permit any of such interest to be assigned, sold, pledged, encumbered, transferred, hypothecated or otherwise disposed of until the provisions of the Loan Agreement have been fully complied with and the Loan and all other sums evidenced by the Note and/or secured by this Deed of Trust and the other Loan Documents have been repaid in full. If Borrower takes or permits any such action without the prior written consent of Lender, Lender may, at its option and without limiting any other right or remedy available to Lender at law, in equity or by agreement with Borrower, accelerate the maturity of the Borrower's obligations provided for in the Note and require the payment of the then existing outstanding principal balance and all other sums due under the Note and under this Deed of Trust. The giving of consent by Lender to the transfer or disposition of the Mortgage Property in any one or more instances shall not limit or waive the need for such consent in any other or subsequent instance.

EVENTS OF DEFAULT

Borrower will be in default under this Deed of Trust if any "Event of Default" occurs under the Loan Agreement.

REMEDIES

Remedies. Upon the occurrence of any default hereunder, Lender may, at its option, and without notice to or demand upon Borrower:



(a) declare any or all indebtedness secured by this Deed of Trust to be due and payable immediately;

(b) enter onto the Mortgaged Property, in person or by agent or by court-appointed receiver, and take any and all steps which may be desirable in Lender's judgment to complete any unfinished construction and to manage and operate the Mortgaged Property and to collect any and all rents, issues and profits of the Property, and Lender may apply any rents, royalties, income or profits collected against the indebtedness secured by this Deed of Trust without in any way curing or waiving any default of the Borrower;

(c) bring a court action to foreclose this Deed of Trust or to enforce its provisions or any of the indebtedness or obligations secured by this Deed of Trust;

(d) cause any or all of the Mortgaged Property to be sold under the power of sale granted by this Deed of Trust in any manner permitted by applicable law;

(e) in the event that any portion of the Mortgaged Property is determined to be "environmentally impaired" (as "environmentally impaired" is defined in Code Civil Proc. § 726.5(e)(3)) or to be an "affected parcel" (as "affected parcel" is defined in Code Civil Proc. § 726.5(e)(1)), then, without otherwise limiting or in any way affecting Lender's or Trustee's rights and remedies under this Deed of Trust, Lender may elect to exercise its right under Code Civil Proc. § 726.5(a) to: (1) waive its lien on such environmentally impaired or affected portion of the Mortgaged Property; and (2) exercise: (i) the rights and remedies of an unsecured creditor, including reduction of its claim against Borrower to judgment; and (ii) any other rights and remedies permitted by law. For purposes of determining Lender's right to proceed as an unsecured creditor under Code Civil Proc. § 726.5(a), Borrower shall be deemed to have willfully permitted or acquiesced in a release or threatened release of hazardous materials, within the meaning of Code Civil Proc. § 726.5(d)(1), if the release or threatened release of hazardous materials was knowingly or negligently caused or contributed to by any lessee, occupant or user of any portion of the Mortgaged Property and Borrower knew or should have known of the activity by such lessee, occupant or user which caused or contributed to the release or threatened release. All costs and expenses, including, but not limited to, attorneys' fees, incurred by Lender in connection with any action commenced under this subparagraph including any action required by Code Civil Proc. § 726.5(b) to determine the degree to which the Mortgaged Property is environmentally impaired, plus interest thereon at the maximum rate allowed by law until paid, shall be added to the obligations secured by this Deed of Trust and shall be due and payable to Lender upon its demand made at any time following the conclusion of such action;

(f) enforce, waive, amend, modify, or terminate any or all Interest Rate Agreements then in effect, and receive and apply any funds payable to Borrower under any Interest Rate Agreement to Borrower's obligations under this Deed of Trust, and in furtherance of the power and authority granted to Lender by Borrower under this clause, Borrower hereby appoints Lender and Lender's designees as Borrower's attorney-in-fact, with power to take the actions set forth above with respect to Interest Rate Agreements. This power, being coupled with an interest, is irrevocable until this Deed of Trust has been reconveyed and the obligations have been fully satisfied; and/or

(g) exercise any other right or remedy available under law or in equity.



Power of Sale. For any sale under the power of sale granted by this Deed of Trust, Lender or Trustee must record and give all notices required by law and then, upon the expiration of such time as is required by law, Trustee may sell the Mortgaged Property upon any terms and conditions specified by Lender and permitted by applicable law. Trustee may postpone any sale by public announcement at the time and place noticed for the sale. If the Mortgaged Property consists of several lots, parcels or items of property, Lender may, in its sole discretion: (a) designate the order in which such lots, parcels or items shall be offered for sale or sold; or (b) elect to sell such lots, parcels or items through a single sale, or through two or more successive sales or in any other manner Lender deems in its best interest. Any person, including Borrower, Trustee or Lender, may purchase at any sale hereunder, and Lender shall have the right to purchase at any sale hereunder by crediting upon the bid price the amount of all or any part of the indebtedness hereby secured. Should Lender desire that more than one sale or other disposition of the Mortgaged Property be conducted, Lender may, at its option, cause the same to be conducted simultaneously, or successively, on the same day, or at such different days or times and in such order as Lender may deem to be in its best interests, and no such sale shall terminate or otherwise affect the lien of this Deed of Trust on any part of the Mortgaged Property not sold until all indebtedness secured hereby has been fully paid. In the event Lender elects to dispose of the Mortgaged Property through more than one sale, Borrower agrees to pay the costs and expenses of each such sale and of any judicial proceedings wherein the same may be made, including reasonable compensation to Trustee and Lender, their agents and counsel, and to pay all expenses, liabilities and advances made or incurred by Trustee with regard to such sale or sales, together with interest on all such advances made by Trustee at the maximum rate permitted by law to be charged by Trustee. Upon any sale hereunder, Trustee shall execute and deliver to the purchaser or purchasers a deed or deeds conveying the property so sold, but without any covenant or warranty whatsoever, express or implied, whereupon such purchaser or purchasers shall be let into immediate possession; and the recitals in any such deed or deeds of fact, such as default, the giving of notice of default and notice of sale, and other facts affecting the regularity or validity of such sale or disposition, shall be conclusive proof of the truth of such facts and any such deed or deeds shall be conclusive against all persons as to such facts recited therein.

Application of Proceeds. The proceeds of any sale under this Deed of Trust will be applied in the following manner:

FIRST: Payment of the costs and expenses of the sale, including but not limited to Trustee's fees, legal fees and disbursements, title charges and transfer taxes, and payment of all expenses, liabilities and advances of Trustee, together with interest on all advances made by Trustee at the maximum rate permitted to be charged by Trustee under applicable law.

SECOND: Payment of all sums expended by Lender under the terms of this Deed of Trust and not yet repaid, together with interest on such sums at the higher of ten percent (10%) per annum or the rate set forth in the Note, payable after maturity thereof.

THIRD: Payment of the indebtedness and obligations of Borrower secured by this Deed of Trust in any order that Lender chooses.

FOURTH: The remainder, if any, to the person or persons legally entitled to it.



Waivers by Borrower . Borrower waives all rights to direct the order in which any of the Mortgaged Property will be sold in the event of any sale under this Deed of Trust, and also any right to have any of the Mortgaged Property marshaled upon any sale.

No Waiver by Lender . All remedies contained in this Deed of Trust are cumulative, and Lender also has all other remedies provided by law or in any other agreement between Borrower and Lender. No delay or failure by Lender to exercise any right or remedy under this Deed of Trust will be construed to be a waiver of that right or remedy of any default by Borrower. Lender may exercise any one or more of its rights and remedies at its option without regard to the adequacy of its security.

Enforcement Costs . Borrower will pay all of Lender's and Trustee's expenses incurred in any efforts to enforce any terms of this Deed of Trust, whether or not any lawsuit is filed, including but not limited to legal fees and disbursements, foreclosure costs and title charges.

MISCELLANEOUS

Invalidity. The invalidity or unenforceability of any one or more provisions of this Deed of Trust will in no way affect any other provisions of this Deed of Trust.

Statement of Status. Borrower agrees to pay Lender a reasonable charge, not to exceed the maximum allowed by law, for giving any statement of the status of the obligations secured by this Deed of Trust.

Actions by Lender. Without affecting Borrower's liability for the payment of any of the indebtedness secured by this Deed of Trust, Lender may from time to time and without notice to Borrower: (a) release any person liable for the payment of that indebtedness; (b) accept additional real or personal property of any kind as security, or alter, substitute or release any property securing that indebtedness; or (c) cause Trustee to consent to the making of any map or plot of the Mortgaged Property, or to reconvey any part of the Mortgaged Property, or to join in granting any easement or creating any restriction on the Mortgaged Property, or to join in any subordination or other agreement affecting this Deed of Trust.

Entry by Lender. Lender may at any reasonable time and subject to the rights of any tenant in possession of any portion of the Mortgaged Property, enter upon and inspect the Mortgaged Property in person or by agent.

Reconveyance. Upon the payment in full of all sums secured by this Deed of Trust, Lender agrees to request Trustee to reconvey the Mortgaged Property, and upon payment of its fees and all other sums owing to it under this Deed of Trust, Trustee will reconvey the Mortgaged Property without warranty to the person or persons legally entitled to it. Such person or persons must pay all costs of recordation. The recitals in the reconveyance of any facts will be conclusive on all persons. The grantee in the reconveyance may be described as "the person or persons legally entitled thereto."

Statute of Limitations. Borrower waives all present and future statutes of limitations as a defense to any action to enforce the provisions of this Deed of Trust or to collect any indebtedness secured by this Deed of Trust to the fullest extent permitted by law.

Definitions; Captions. Capitalized terms used, but not otherwise defined, herein shall have the respective meanings set forth in the Loan Agreement. The terms "Borrower" includes both the original Borrower and any subsequent owner or owners of any of the Mortgaged Property and/or any successor in interest of Borrower under the Loan, and the term "Lender" includes the original Lender and also any future owner or



holder, including pledges and participants, of the Note or any interest therein. Whenever the context requires, the singular includes the plural and vice versa and each gender includes each other gender. The headings of the articles and sections of this Deed of Trust are for convenience only and do not limit its provisions.

No Waiver. Lender's consent to any act or omission by Borrower will not be a consent to any other or subsequent act or omission or a waiver of the need for such consent in any future or other instance.

Successors and Assigns. The terms of this Deed of Trust will bind and benefit the heirs, legal representatives, successors and assigns of Borrower and Lender and the successors-in-interest of Trustee. If Borrower consists of more than one person or entity, each will be jointly and severally liable to perform the obligations of Borrower.

Governing Law. This Deed of Trust shall be governed by, and construed in accordance with, the laws of the State of California.

The Trustee. Lender may remove Trustee or any successor Trustee at any time or times and appoint a successor Trustee by recording a written substitution in the county where the real property covered by this Deed of Trust is located, or in any other manner permitted by law. Upon that appointment, all of the powers, rights and authority of Trustee will immediately become vested in its successor.


REQUESTS FOR NOTICES

Borrower requests that a copy of any notice of default and notice of sale required by law be mailed to it at its address below.

Daniel Sullivan
2901 Waverly Drive
Los Angeles, California 90039

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust the day and year first hereinabove written.

BORROWER:

By: 
Daniel Sullivan

STATE OF CALIFORNIA



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Los Angeles } ss.

On 3.15.06, before me, M. Solgonick, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Daniel Sullivan
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence



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

WITNESS my hand and official seal.
[Signature]

Place Notary Seal Above

Signature of Notary Public

OPTIONAL

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

Description of Attached Document

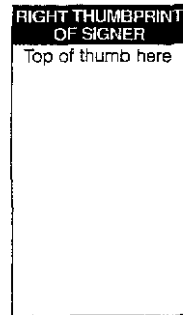
Title or Type of Document: Deed of Trust

Document Date: 3.15.06 Number of Pages: 9

Signer(s) Other Than Named Above: None

Capacity(ies) Claimed by Signer

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



Signer Is Representing: _____



EXHIBIT A

Real Property Description

Lot 1 Block E as shown on the Amended Map of Zephyr Cove Properties, Inc. in section 10, township 13 North, Range 18 East, M. D. B. & M., filed in the Office of County Recorder of Douglas County, Nevada on August 5, 1929.

