

FILED FOR RECORDING  
AT THE REQUEST OF

*First American Title*

2005 MAY 10 AM 9 13

LINCOLN COUNTY RECORDER  
FEE *87.00* DEP *ca*  
LESLIE BOUCHIER

APN# 001-04-501-006 and 001-04-701-035

Recording Requested by and Return to:

Name: Hinshaw & Culbertson

Address: 3100 Piper Jaffray Tower, 222 South Ninth Street

City/State/Zip: Minneapolis, MN 55402

Modification and Supplement to Deed of Trust  
(Title on Document)

This page added to provide additional information required by  
NRS 111.312 Sections 1-2 (Additional recording fee applies).

This cover page must be typed or printed clearly in black ink only.

## MODIFICATION AND SUPPLEMENT TO DEED OF TRUST

THIS MODIFICATION AND SUPPLEMENT TO DEED OF TRUST (the "Agreement") is made this 7th day of April, 2005, by and between Paradise Canyon LLC, a Nevada limited liability company (the "Grantor"), First American Title Insurance Company of Nevada, Inc. (the "Trustee"), First National Bank, a national bank, and its successors and assigns (the "Beneficiary"), and Judith Primm f/k/a Judith Primm Clemetson ("Primm") (the "Guarantor").

### WITNESSETH:

WHEREAS, on the 3rd day of October 3, 2001, Grantor, as Trustor, did make, execute and deliver to Trustee that certain Deed of Trust, Assignment of Leases and Rent, Security Agreement and Fixture Filing (the "Deed of Trust"), recorded October 4, 2001, as Instrument No. 01229, in Book 20011004 Official Records, in the office of the County Recorder of Clark County, State of Nevada, securing a certain Promissory Note (the "Note") of Grantor, as Borrower, dated October 3, 2001, in the original principal amount of \$10,000,000.00, made payable to the order of Beneficiary, as Lender, and covering the property described on Exhibit "A", attached hereto and incorporated herein by reference (the "Original Property"); and

WHEREAS, the Note and the Deed of Trust and other documents and instruments related thereto were amended pursuant to that certain First Amendment to Loan Documents (the "First Amendment") dated July 15, 2003; and

WHEREAS, Grantor has succeeded of record to the ownership of certain land situated on the northern, western and eastern boundaries (collectively such additional real property is herein the "Additional Property") of the Original Property, and the parties have agreed that the legal description of the Original Property as identified in the Deed of Trust should be modified to add the Additional Property to the Original Property such that both the Original Property and the Additional Property shall be covered by said Deed of Trust; and

WHEREAS, the parties hereto desire to modify and supplement the Deed of Trust to contain a revised legal description which incorporates both the Original Property and the Additional Property.

NOW THEREFORE, in consideration of the mutual promises, agreements and covenants set forth herein, in the First Amendment, in the Loan Documents and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Grantor does hereby modify and supplement the Deed of Trust and does hereby grant and convey the Additional Property, together with the Original Property, which together are legally described on Exhibit "B", attached hereto and incorporated herein by reference (the "Property"), to Trustee, together with a power of sale and subject to each and all of the terms and conditions of the Deed of Trust, to secure the obligations of Grantor under the Deed of Trust, the First Amendment and the Loan Documents.

2. The parties acknowledge and agree that in all other respects not inconsistent herewith the terms of said Deed of Trust which is incorporated herein by reference shall remain in full force and effect. Said Deed of Trust as herein modified and supplemented shall constitute a single Deed of Trust.

3. Trustee is hereby authorized and directed to record this Agreement with the Clark County Recorder of Clark County, Nevada as an encumbrance upon the Property.

4. This Agreement shall inure to and bind the heirs, devisees, successors and assigns of each of the parties hereto.

5. The parties hereto agree that they will execute and deliver any and all documents, and will cause any and all other action to be taken, either before or after the date of this Agreement, which may be necessary or proper to effect or evidence the provisions of this Agreement and the transactions contemplated hereby or therein.

6. All organizational and legal proceedings relating to all instruments and agreements in connection with the transactions contemplated in this Agreement, including but not limited to opinions of counsel to Grantor and Guarantor, shall be satisfactory in scope, form and substance to Beneficiary and its counsel, and Beneficiary shall have received all information and copies of all documents, including records of company proceedings, which it may reasonably have requested in connection therewith; such documents where appropriate to be certified by proper representatives.

7. The undersigned parties hereby acknowledge their legal existence and that they are individually and collectively duly authorized to enter into and perform under this Agreement, and any and all documents and instruments contemplated hereunder which constitutes a valid and enforceable obligation of each of the undersigned.

8. Unless otherwise specifically provided herein, any notice delivered under this Agreement shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered, (b) if delivered by telecopy, on the date of transmission if transmitted on a business day before 4:00 p.m. (prevailing time of the recipient) or, if not, on the next succeeding business day, (c) if delivered by overnight courier, one business day after delivery to such courier properly addressed, or (d) if by United States mail, four

business days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

Grantor: Paradise Canyon, LLC  
401 Paradise Parkway  
Mesquite, Nevada 89027  
Attention: Cory D. Clemetson  
and Chadley J. Clemetson

With a Copy to: Kolesar & Leatham, Chtd.  
3320 West Sahara Avenue, Suite 380  
Las Vegas, Nevada 89102  
(702) 362-7800 (Tel.)  
(702) 382-9472 (Fax)  
Attention: Nile Leatham, Esq.

Guarantor: Judith Primm  
714 Champagne Road  
Incline Village, Nevada 89024

With a Copy to: Hunterton & Associates  
333 South Sixth Street  
Las Vegas, Nevada 89101  
(702) 388-0098 (Tel.)  
(702) 388-0361 (Fax)  
Attention: Terry John Care, Esq.

To Beneficiary: First National Bank  
109 North St. Paul Avenue  
Fulda, Minnesota 56131  
(507) 425-2575 (Tel.)  
(507) 425-2579 (Fax)  
Attention: Joseph E. Grandgeorge, President

With a copy to: Hinshaw & Culbertson LLP  
3100 Campbell Mithun Tower  
222 South Ninth Street  
Minneapolis, Minnesota 55402  
(612) 334-2640 (Tel.)  
(612) 334-8888 (Fax)  
Attention: David R. Mylrea, Esq.

To Trustee: First American Title Insurance Company of Nevada, Inc  
9960 West Cheyenne Avenue, Suite 240  
Las Vegas, Nevada, 89129  
(702) 242-1475 (Tel.)  
(702) 456-5779 (Fax)  
Attention: Ron Bloecker, Vice President

9. Grantor and Guarantor, and each of them individually, jointly and severally acknowledge, represent and warrant that subject to the terms hereof, all other terms and conditions of the Loan Documents, as amended by the First Amendment and this Agreement (collectively hereinafter the "Loan Documents"), remain in full force and effect, except as specifically modified hereby. Notwithstanding anything herein to the contrary, Beneficiary's forbearance with regard to the exercise of remedies under the Loan Documents shall not be construed by Grantor, Guarantor or any other party claiming by or through Grantor or Guarantor, either collectively or individually, as a release, waiver or discharge of Grantor's or Guarantor's joint and several obligations under the Loan Documents. This Agreement is, and any other documents or instruments executed and delivered in connection with this Agreement will be, legal, valid, and binding obligations of the parties hereto, enforceable against the parties hereto in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally. Capitalized terms not otherwise defined herein shall have the definitions ascribed to such terms in the First Amendment.

10. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and either Grantor, Guarantor or Beneficiary may execute this Agreement by signing any such counterpart. Grantor, Guarantor and Beneficiary agree that this Agreement may be executed by one or more of the parties hereto by facsimile signatures which shall be fully enforceable against said parties as if an original signature had been obtained.

11. The Loan Documents constitute the entirety of the agreements between the parties hereto and no representation, warranty, condition, understanding or agreement of any kind in connection with the subject matter hereof shall be binding on the parties hereto unless expressly set forth herein.

12. This Agreement modifies and supplements the Deed of Trust to add additional property to the Original Property which secures the Note, and has been issued for that purpose only. Nothing contained herein shall be construed to deem paid or forgiven the unpaid principal amount of, or unpaid accrued interest on, the Note. This Agreement is not intended to be or to create, nor shall it be construed as or constitute, a novation or an accord and satisfaction of the Note or of Grantor's or Guarantor's obligations under the Loan Documents.

13. Covenants of NRS 107.303. When not inconsistent with the above, covenant number 1, 2 (full replacement value), 3, 4 (Note Rate), 5, 6, 7 (a reasonable percentage),

8 and 9 of NRS Section 107.030 are hereby adopted and made a part of this Deed of Trust.

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

GRANTOR:

PARADISE CANYON LLC:

*[Handwritten Signature]*  
\_\_\_\_\_  
NEO, LLC, a Nevada limited liability

Company

By: Cory D. Clemetson

Its: Managing Member

STATE OF CALIFORNIA )

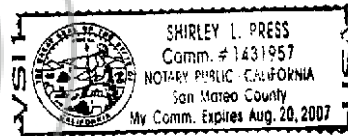
) ss.

COUNTY OF SAN MATEO )

The foregoing instrument was acknowledged before me this 7th day of April, 2005, by Cory D. Clemetson, the managing member of NEO, LLC, a Nevada limited liability company, the Manager of Paradise Canyon, LLC, a Nevada limited liability company, on behalf of the company.

*[Handwritten Signature]*

Notary Public



**SIGNATURE PAGE OF MODIFICATION AND SUPPLEMENT TO DEED OF TRUST**

SEE ATTACHED SCHEDULE 1 & 2

BOOK 201 PAGE 217

GRANTOR:

PARADISE CANYON LLC:

*Chadley J. Clemetson*

NEO, LLC, a Nevada limited liability Company

By: Chadley J. Clemetson

Its: Member

STATE OF CALIFORNIA )

) ss.

COUNTY OF SAN MATEO )

The foregoing instrument was acknowledged before me this 7th day of April, 2005, by Chadley J. Clemetson, a member of NEO, LLC, a Nevada limited liability company, the Manager of Paradise Canyon, LLC, a Nevada limited liability company, on behalf of the company.

Notary Public

*Shirley L. Press*



**SIGNATURE PAGE OF MODIFICATION AND SUPPLEMENT TO DEED OF TRUST**

TRUSTEE:

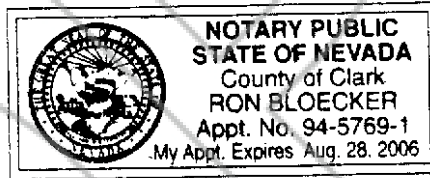
FIRST AMERICAN TITLE INSURANCE  
COMPANY OF NEVADA, INC.

By: Michelle D. Freidhoff  
Its: Authorized Agent

STATE OF NEVADA     )  
                                  ) ss.  
COUNTY OF CLARK    )

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of May,  
2005, by Michelle Freidhoff, the Authorized Agent of First American Title Insurance Company  
of Nevada, Inc., on behalf of the company.

[Signature]  
Notary Public



**SIGNATURE PAGE OF MODIFICATION AND SUPPLEMENT TO  
DEED OF TRUST**







EXHIBIT A

(Original Legal Description)

THOSE PORTIONS OF SECTIONS 3 AND 4, TOWNSHIP 13 SOUTH, RANGE 71 EAST, M.D.M. DESCRIBED AS FOLLOWS:

PARCELS ONE (1) AND FOUR (4) AS SHOWN BY MAP THEREOF IN FILE 98 OF PARCEL MAPS, PAGE 1, AS AMENDED BY CERTIFICATE OF AMENDMENT RECORDED JUNE 7, 2000 IN BOOK 20000607 AS DOCUMENT NO. 01473, IN THE OFFICE OF THE COUNTY RECORDER, CLARK COUNTY, NEVADA.

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS, EGRESS AND CROSS PARKING AS ESTABLISHED BY CROSS-PARKING EASEMENT AND UTILITIES EASEMENT AGREEMENT RECORDED OCTOBER 4, 2001 IN BOOK 20011004 AS DOCUMENT NO. 1227, IN THE OFFICE OF THE COUNTY RECORDER, CLARK COUNTY, NEVADA.

EXHIBIT B  
(Amended Legal Description)

LEGAL DESCRIPTION

Real property in the Counties of Clark and Lincoln, State of Nevada, described as follows:

Parcel I:

That portion of Sections 3 and 4, Township 13 South, Range 71 East, M.D.M., described as follows:

Lot B as shown by map thereof on file in File 109 of Parcel Maps, Page 1, in the Office of the County Recorder of Clark County, Nevada.

Parcel II:

That portion of Section 4, Township 13 South, Range 71 East, M.D.M., described as follows:

Parcel Four (4) as shown by map thereof in File 98 of Parcel Maps, Page 1, as amended by Certificate of Amendment recorded June 7, 2000 in Book 20000607 as Document No. 01473, in the Office of the County Recorder, Clark County, Nevada.

Parcel III:

A non-exclusive easement for access, ingress, egress and cross parking as established by Cross-Parking Easement and Utilities Easement Agreement, recorded October 4, 2001 in Book 20011004, as Document No. 01227, in the Office of the County Recorder, Clark County, Nevada.

Parcel IV:

Township 12 South, Range 71 East, described as follows:

Section 33, Lots 2, 4, 5; and  
Section 34, Lot 9, Lincoln County, Nevada.

APN: 001-04-501-006 and  
001-04-701-035

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

Dated as of October 3, 2001

in the amount of \$10,000,000.00

among PARADISE CANYON LLC  
a Nevada limited liability company (the "Grantor") and  
NEVADA TITLE COMPANY, a Nevada corporation (the "Trustee") and

FIRST NATIONAL BANK, FULDA, MINNESOTA,  
as the Lender herein named (the "Beneficiary")

**LOCATION OF PREMISES:**

Mesquite, Nevada

Recording requested by and after recording, please return to:  
Mail Tax Statements to:

Hinshaw & Culbertson  
Attn: David R. Mylrea  
3100 Piper Jaffray Tower  
222 South Ninth Street  
Minneapolis, Minnesota 55402

This instrument was prepared by the above-named attorney.

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

THIS DEED OF TRUST SECURES CREDIT IN THE MAXIMUM AMOUNT OF \$10,000,00.00, TOGETHER WITH INTEREST THEREON AND OTHER AMOUNTS HEREIN DESCRIBED. INTEREST ON THE AMOUNT SECURED HEREBY MAY FLUCTUATE FROM TIME TO TIME.

THE PARTIES TO THIS DEED OF TRUST, ASSIGNMENT OF LEASES AND RENTS, SECURITY AGREEMENT AND FIXTURE FILING, made this 3rd day of October, 2001 are Paradise Canyon LLC, a Nevada limited liability company (the "Grantor") having its office at 401 Paradise Parkway, Suite 20, Mesquite, Nevada 89027, Nevada Title Company, a Nevada corporation (the "Trustee") having its offices at 3320 West Sahara Ave., Suite #200, Las Vegas, Nevada 89102 and First National Bank, Fulda, Minnesota, as Lender (the "Beneficiary") having its offices at 109 North St. Paul Avenue, Fulda, Minnesota 56131.

**ARTICLE 1. GRANT**

1.1 GRANT. Upon the terms and conditions in this Deed of Trust, Grantor irrevocably grants, bargains, sells, conveys, assigns, mortgages and warrants to Trustee in Trust, with the Power of Sale, all of Grantor's right, title and interest, whether now owned or hereafter acquired, in all of the real property located in the County of Clark, State of Nevada described on "Exhibit A" attached hereto and made a part hereof (the "Land") including and together with, without limitation:

(a) all right, title and interest of Grantor whether now owned or hereafter acquired, in or to any real property lying within the right of way of any street, open or proposed, which adjoins any of said Land and any and all sidewalks, bridges, elevated walkways, tunnels and alleys adjacent to, connecting or used in connection with any of said Land;

(b) all right, title and interest of Grantor whether now owned or hereafter acquired, in or to, all buildings, structures and all other improvements and fixtures that are, or that may be hereafter erected or placed on, or in, the Land (collectively, the "Improvements");

(c) all right, title and interest of Grantor, whether now owned or hereafter acquired in and to all of the present and future accretions, alluvions, avulsions, bature and other littoral rights in, to, and with respect to, the Land and the Wolf Creek (collectively, the "Littoral Rights");

(d) all water rights and conditional water rights that are now, or may hereafter be, appurtenant to, used in connection with or intended for

use in connection with the Land, the Improvements, and the Littoral Rights including, without limitation: (i) ditch, well, pipeline, spring and reservoir rights, whether or not adjudicated or evidenced by any well or other permit; (ii) all rights with respect to groundwater underlying the Land; (iii) any permit to construct any water well, water from which is intended to be used in connection with the Land, and (iv) all of Grantor's right, title and interest under any decreed or pending plan of augmentation or water exchange plan (collectively, the "Water Rights", and together with the Land, the Improvements, and the Littoral Rights, are herein referenced as the "Real Estate");

(e) all right, title and interest of Grantor as lessor, sublessor, licensor, concessionaire, franchisor or similar party under all leases, subleases, licenses, concessions, franchises and other use or occupancy agreements now or hereafter relating to any of the Real Estate and all renewals, extensions, amendments, restatements and other modifications thereof (collectively, the "Occupancy Agreements");

(f) all present and future rents, issues, products, earnings, revenues, payments, profits, royalties and other proceeds and income of the Real Estate, and of any activities conducted thereon or in connection therewith, regardless of whether such proceeds or income accrue by virtue of the Occupancy Agreements, or otherwise (collectively, the "Rents");

(g) all tenements, easements, hereditaments and appurtenances now, or hereafter, belonging to or in any wise appertaining to the Real Estate and/or the Rents and the reversion and reversions, remainder and remainders thereof and all the estate, right, title, interest or other claim which Grantor now has or hereafter may acquire of, in and to the Real Estate, the Occupancy Agreements, the Rents and/or any part thereof, with the appurtenances thereto (collectively, the "Other Interests"); and

(h) the Personal Property which is referred to by Article 4 below.

The Real Estate, the Occupancy Agreements, the Rents and the Other Interests are hereinafter collectively referred to as the "Real Property".

TO HAVE AND TO HOLD the Real Property, properties, rights and privileges hereby conveyed or assigned, or intended so to be, unto Trustee, and its successors and assigns, in fee simple forever for the uses and purposes herein set forth subject only to Permitted Encumbrances (as defined in the Loan Agreement)

## ARTICLE 2. OBLIGATIONS SECURED

2.1 OBLIGATIONS SECURED. Grantor makes this Deed of Trust for the purpose of securing the following obligations (collectively, the "Obligations"):

(a) Payment when due, whether at stated maturity, by required prepayment, declaration, acceleration, demand or otherwise (including payment of amounts that would become due but for the operation of the automatic stay under Section 362 (a) of the Bankruptcy Code, 11 U.S.C. S 362(a)), of: (i) the principal sum which is, at any time, advanced and unpaid under the Loan (as defined in the Loan Agreement), not to exceed Ten Million and NO/100 Dollars (\$10,000,000.00) at any one time; (ii) interest and other charges accrued on said principal sum, or accrued on interest and other charges then outstanding under the Loan (all including, without limitation, interest and other charges that would accrue on such obligations, but for the filing of a petition in bankruptcy with respect to Grantor); and (iii) any other obligations of Grantor under the Note referred to below; all according to the terms of that certain Promissory Note dated concurrently herewith made by Grantor payable to the order of First National Bank, Fulda, Minnesota (herein referred to as either the "Lender" or the "Beneficiary"), according to the tenor and effect of said Note, and all renewals, extensions, amendments, restatements, replacements, substitutions and other modifications thereof (hereinafter collectively referred to as the "Note").

(b) Payment and performance of every obligation, covenant, promise and agreement of Grantor herein contained or incorporated herein by reference, including any sums paid or advanced by Beneficiary (which are defined below) pursuant to the terms hereof.

(c) Payment of the expenses and costs incurred or paid by Beneficiary in the preservation and enforcement of the rights and remedies of Beneficiary and the duties and liabilities of Grantor hereunder, including, but not by way of limitation, reasonable attorney's fees, court costs, witness fees, expert witness fees, collection costs, and reasonable costs and expenses paid by Beneficiary in performing for Grantor's account any obligation of said Grantor.

(d) Payment of additional sums and interest thereon which may hereafter be loaned to Grantor pursuant to the Loan Agreement when evidenced by a promissory note or Note which recite that this Deed of Trust is security therefor.

(e) Performance and payment of every obligation, warranty, representation, covenant, agreement and promise of Grantor contained in that certain Loan Agreement (the "Loan Agreement") executed



concurrently, or substantially concurrent, herewith by Grantor, and Beneficiary in its capacity as the Lender, as well as performance and payment of every, obligation, warranty, representation, covenant, agreement and promise of Grantor contained in all extensions, renewals, amendments, restatements and other modifications of the Loan Agreement.

2.2 FUTURE ADVANCES. This Deed of Trust is given for the purpose of securing, among other things, loan advances which the Beneficiary may make to or for Grantor pursuant and subject to the terms and provisions of the Loan Agreement. The parties hereto intend that, in addition to any other debt or obligation secured hereby, this Deed of Trust shall secure unpaid balances of loan advances made after this Deed of Trust is delivered to the office of the County Recorder of Clark County, Nevada, whether made pursuant to an obligation of Beneficiary or otherwise, such advances shall be secured to the same extent as if such future advances were made on the date hereof, although there may be no advance made at the time of execution hereof and although there may be no indebtedness outstanding at the time any advance is made. Such loan advances may or may not be evidenced by the Note executed pursuant to the Loan Agreement.

2.3 OBLIGATIONS. The term "Obligations" is used herein in its broadest and most comprehensive sense and shall be deemed to include, without limitation, all protective advances and all sums advanced to protect the Property or the lien of this Deed of Trust or otherwise disbursed or incurred under the terms of the Loan Documents (as defined in the Loan Agreement), all interest and charges, prepayment charges (if any), late charges and loan fees at any time accruing or assessed on any of the Obligations.

2.4 INCORPORATION. All terms of the Obligations and the documents evidencing such obligations are incorporated herein by this reference. All persons who may have or acquire an interest in the Property (which is defined by Article 4 below), or any portion thereof, shall be deemed to have notice of the terms of the Obligations, which terms include without limitation, provisions which: (i) provide that the rate of interest on one or more Obligations may vary from time to time; and (ii) permit borrowing, repayment and reborrowing.

### ARTICLE 3. ASSIGNMENT OF LEASE AND PAYMENTS

3.1 ASSIGNMENT. Grantor hereby irrevocably assigns to mortgagee all of Grantor's right, title and interest in, to and under: (a) the Occupancy Agreements and, to the extent not included within the Occupancy Agreements, all leases, subleases, licenses, concessions, franchises and other use or occupancy agreements now or hereafter relating to the Real Property and all renewals, extensions, amendments, restatements and other modifications thereof (all of which are collectively referred to herein as the "Leases"); and (b) the Rents and, to the extent not included within the Rents, all present and future rents, issues, products, earnings, revenues, payments, profits, royalties and other proceeds and income of the Real Property and of any activities conducted thereon; (all of which

are collectively referred to herein as the "Payments"). Upon any Default (as defined by Article 7 below), Beneficiary shall be entitled to receive pursuant to the foregoing assignment, and Grantor shall be obligated to deliver to Beneficiary or its designee, (including any receiver), any and all Payments collected by Grantor which remain in the possession or control of Grantor, whether or not commingled with other funds of Grantor, and whether collected by Grantor before or after the occurrence of the Default.

3.2 GRANT OF LICENSE. Beneficiary confers upon Grantor a license ("License") to collect and retain the Payments as they become due and payable, until the occurrence of a Default (as hereinafter defined). Upon a Default, the License shall be automatically revoked and Beneficiary may collect and apply the Payments pursuant to Article 7 below, without notice and without taking possession of the Real Property. Grantor hereby irrevocably authorizes and directs the lessees under the Leases to rely upon and comply with any notice or demand by Beneficiary for the payment to Beneficiary of any rental or other sums which may at any time become due under the Leases, or for the performance of any of the lessees' undertakings under the Leases, and the lessees shall have no right or duty to inquire as to whether any Default has actually occurred or is then existing hereunder. Grantor hereby relieves the lessees from any liability to Grantor by reason of relying upon and complying with any such notice or demand by Beneficiary.

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

3.4 REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants that: (a) to Grantor's knowledge, all existing Leases are in full force and effect and are enforceable in accordance with their respective terms, and no breach, default or event which would constitute a breach or default after notice or the passage of time, or both, exists under any existing Leases on the part of any party; (b) no rent or other payment under any existing Lease has been paid by any lessee for more than one (1) month in advance; and (c) none of the Grantor's interests under any of the Leases has been transferred or assigned.

3.5 COVENANTS. Grantor covenants and agrees at Grantor's sole cost and expense to: (a) perform the lessor's obligations contained in the Leases and enforce by all available remedies performance by the lessees of the obligations of the lessees contained in the Leases; and (b) execute and record (or cause to be executed and recorded) such additional assignments of any Lease or specific subordinations of any Lease to this Deed of Trust, in form and substance acceptable to Beneficiary, as Beneficiary may reasonably request. Grantor shall not, without Beneficiary's prior written consent or as otherwise permitted by any provision of the Loan Agreement: (i) execute any other assignment relating to any of the Leases; or (ii) subordinate or agree to subordinate any of the Leases to pay any other mortgage or encumbrance. Any such action in violation of this Section 3.5 shall be null and void.

#### ARTICLE 4. SECURITY AGREEMENT AND FIXTURE FILING

4.1 SECURITY INTEREST. Grantor hereby grants and assigns to Beneficiary a security interest, to secure payment and performance of all of the Obligations in, and to, all right, title and interest of Grantor which is now owned or hereafter acquired in or to any of the following described personal property (collectively, the "Personal Property"):

(a) All present and future chattels, furniture, furnishings equipment, fixtures, building materials, building contents and building components, all of every kind and nature, and other tangible personal property: (i) which is used in connection with, situate in or on, affixed to, or incorporated into any portion of the Real Property; (ii) which is used in connection with, situate in or on, affixed to, or incorporated into, any building, structure or other improvement that is now or that may be hereafter constructed on or under the Real Property; (iii) in which Grantor otherwise has or acquires an interest; all including, without limitation: (aa) all lumber, bricks, cement, masonry, steel, doors, windows, fasteners, nails, bolts, scaffolding, tools, construction supplies, construction tools and equipment and all other building materials, supplies and equipment of any kind or nature; (bb) all air conditioning, heating, electrical, lighting, fire fighting and fire prevention, plumbing, food and beverage preparation, laundry, security, sound, signaling, telephone, television, entertainment stage, window washing, irrigation, storage, shop, landscaping, signage and other equipment and fixtures, of whatever kind or nature, consisting of, without limitation, air conditioners, compressors, fans, duct work, thermostats, furnaces, boilers, radiators, burners, wiring, conduits, cables, generators, transformers, switching gear, lighting fixtures, sprinkler systems and other fire extinguishing equipment, fire alarms and other fire detection equipment, piping, pumps, valves, sinks, toilets, tubs, motors, carts, elevators and other lifts, ovens, refrigerators, dishwashers and dishwashing equipment, fabric washing and drying equipment, lock and key systems, surveillance and entry detection systems, speakers, intercoms

and public address systems, hardware, shelving, maintenance and repair equipment and all other similar items; (cc) all furniture, furnishings, wall coverings, floor coverings, window coverings, artwork and decorative items including, without limitation, casino, guest room, bathroom, lobby, bar, restaurant, storage, retail, meeting, convention, leisure, recreation, office, administrative and other furniture, furnishings, wall coverings, floor coverings, window coverings, artwork and decorative items; (dd) all hotel equipment and supplies, including without limitation, televisions, radios, telephones, linen, bedding; amenities, carts, recreational equipment, leisure equipment and all other equipment and supplies utilized in the occupation or renting of hotel guest rooms and public areas; (ee) all bar and restaurant equipment and supplies, including, without limitation, kitchen and bar appliances, pots, pans, plates, dishes, cups, glasses, serving utensils, cooking utensils and all other equipment and supplies used in the operation of bars and/or restaurants; (ff) all equipment and supplies including, without limitation utilized in operation of a golf course, driving range and golf professional shop; (gg) all office and administrative equipment and supplies including, without limitation, office appliances, filing cabinets, computers, peripheral computer equipment and other data processing and storage equipment, stationery and other office supply items, and other office and administrative equipment and supplies; (hh) all golf carts, indoor and outdoor recreational equipment and supplies; (ii) all tools and other maintenance and repair equipment; (jj) all landscaping equipment and supplies; and (kk) all equipment and supplies utilized in connection with any other activity engaged in by Grantor at the Real Property;

(b) All present and future supplies, inventory and merchandise which is used in connection with, or in the conduct of, the business of Grantor or in which Grantor has or acquires an interest, including, without limitation: (i) all present and future goods held for sale or lease or to be furnished under a contract of service, all raw materials, work in process and finished goods, all packing materials, supplies and containers relating to or used in connection with any of the foregoing, and all bills of lading, warehouse receipts or documents of title relating to any of the foregoing; (ii) all food stuffs, beverages, prepared food and other similar items; and (iii) all golf course amenities, cleaning supplies, office supplies, consumables and similar items;

(c) All present and future goods, which are not otherwise set forth herein, and which are used in connection with, or in the conduct of, the business of Grantor or in which Grantor has or acquires an interest;

(d) All present and future accounts, accounts receivable, rentals, deposits, rights to payment, instruments, documents, chattel paper, security agreements, guaranties, undertakings, surety bonds, insurance

policies and notes and drafts which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor has or acquires an interest, however created or arising;

(e) All present and future contracts, or agreements and all other present and future general intangibles which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor has or acquires an interest, including, without limitation: (aa) all leases and purchase contracts for equipment, furniture and/or fixtures of any kind and character relating to the Real Property, and/or the businesses conducted thereon; and (bb) all goodwill, choses in action, trade secrets, customer lists, trademarks, trade names and service marks, patents, copyrights, technology, processes, and proprietary information which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor has or acquires an interest.

(f) All present and future deposit accounts which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor has or acquires an interest including, without limitation, any demand, time, savings, passbook or like account maintained with any bank, savings and loan association, credit union or like organization, and all money, cash and cash equivalents of Grantor, whether or not deposited in any such deposit account, including, but not limited to, the Debt Service Reserve Account, as defined in the Loan Agreement;

(g) All present and future revenues, receipts, payments and income of any nature whatsoever, in which Grantor now owns or hereafter acquires an interest, regardless of whether such items are derived from or received with respect to greens fees, cart rentals, driving range fees, golf pro-shop revenues, hotel rooms, banquet facilities, convention facilities, retail premises, bars, restaurants, casinos or any other facilities on the Real Property and regardless of whether such items are derived from any other source;

(h) All present and future books and records which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor, has or acquires an interest including, without limitation, books of account and ledgers of every kind and nature, all electronically recorded data relating to the business of Grantor, all receptacles and containers for such records, and all files and correspondence;

(i) All present and future investment property, stocks, bonds, debentures, securities, subscription rights, options, warrants, puts, calls, certificates, partnership interests, joint venture interests, investments

and/or brokerage accounts which are owned, or used in connection with, or in the conduct of, the business of Grantor, or in which Grantor has or acquires an interest and all rights, preferences, privileges, dividends, distributions, redemption payments, or liquidation payments with respect thereto;

(j) All right, title and interest of Grantor in and to all leases, licenses, concessions, or similar agreements whether or not specifically herein described which now or may hereafter pertain to the Real Property and all amendments to the same, including, but not limited to the following: (aa) all payments due and to become due under such agreements, whether as rent, damages, insurance payments, condemnation awards, or otherwise; (bb) all claims, rights, powers, privileges and remedies under such agreements; and (cc) all rights of the Grantor under such leases to exercise any election or option, or to give or receive any notice, consent, waiver or approval, or to accept any surrender of the premises or any part thereof, together with full power and authority in the name of Grantor or otherwise, to demand and receive, enforce, collect, or receipt for any or all of the foregoing, to endorse or execute any checks or any instruments or orders, to file any claims or to take any action which Beneficiary may deem necessary or advisable in connection therewith;

(k) All plans, specifications, soil reports, engineering reports, land planning maps, surveys, and any other reports, exhibits or plans used or to be used in connection with the construction, planning, operation or maintenance of the Real Property, together with all amendments and modifications thereof;

(l) The Water Rights;

(m) All present and future accessions, appurtenances, components, repairs, repair parts, spare parts, replacements, substitutions, additions, issue and/or improvements to or of or with respect to any of the foregoing;

(n) All rights, remedies, powers and/or privileges of Grantor with respect to any of the foregoing; and

(o) Any and all proceeds and products of any of the foregoing, including, without limitation, all money, accounts, general intangibles, deposit accounts, documents, instruments, chattel paper, goods, insurance proceeds, and any other tangible or intangible property received upon the sale or disposition of any of the foregoing.

SUBJECT, HOWEVER, to the following:

(i) the right of Grantor to sell or otherwise dispose of Personal Property in the ordinary course of business, free and clear of the lien hereof, provided, and to the extent, that such sale or other disposition is permitted under the terms of the Loan Agreement; and

(ii) as to the fixtures and equipment covered hereby, the leases and/or purchase money security interests pursuant to which Grantor has acquired an interest in such fixtures and equipment provided, and to the extent, that such leases and/or purchase money security interests are permitted under the terms of the Loan Agreement.

The Real Property and the Personal Property described hereinabove are hereinafter collectively referred to as the "Property". The parties intend for this Deed of Trust to create a lien on and security interest in the Property, and, as provided in Article 3 hereof entitled Assignment of Leases and Payments, an absolute assignment of the Leases and Payments, all in favor of Beneficiary. To the extent any of said Property, Leases and Payments are not encumbered by a perfected lien or security interest created above, and are not absolutely assigned by the assignment set forth in Article 3 above, it is the intention of the parties that such Property, Leases and/or Payments shall constitute "proceeds, product, offspring, rents or profits" (as defined in and for the purposes of Section 552(b) of the United States Bankruptcy Code, as such section may be modified or supplemented) of the Property.

4.2 FIXTURE FILING.

As to all of the above described Personal Property which is or which hereafter becomes a "fixture under applicable law, this Deed of Trust constitutes a fixture filing under Section 9-402 of the UCC, as it may be amended or recodified from time to time. The address of Beneficiary from which information may be obtained concerning the security interest granted hereunder and the mailing address of Grantor are as follows:

**Beneficiary:** First National Bank, Fulda, Minnesota  
as the Lender herein named  
109 North St. Paul Avenue  
Fulda, Minnesota 56131  
Attention: Joseph E. Grandgeorge, President

**Grantor:** Paradise Canyon LLC  
401 Paradise Parkway, Suite 20  
Mesquite, Nevada 89027  
Attention: Dennis C. Rider

4.3 REPRESENTATIONS AND WARRANTIES. Grantor represents and warrants that (subject to Permitted Encumbrances): (a) Grantor has good title to the Personal Property; and (b) Grantor has not previously assigned or encumbered the Personal Property, and no financing statement covering any of the Personal Property has been delivered to any other person or entity.

4.4 RIGHTS OF MORTGAGEE. In addition to Beneficiary's rights as a "Secured Party" under the UCC, Beneficiary may, but shall not be obligated to, at any time without notice (except as provided below) and at the expense of Grantor: (a) give notice to any person of Beneficiary's rights hereunder and enforce such rights at law or in equity; (b) insure, protect, defend and preserve the Personal Property or any rights or interests of Beneficiary therein; and (c) inspect the Personal Property at reasonable times and upon reasonable prior notice. Notwithstanding the above, in no event shall Beneficiary be deemed to have accepted any property other than cash in satisfaction of any obligation of Grantor to Beneficiary unless Beneficiary shall make an express written election of said remedy under the UCC, or other applicable law.

4.5 RIGHTS OF MORTGAGEE ON DEFAULT. Upon the occurrence of a Default under this Deed of Trust, then in addition to all of Beneficiary's rights as a "Secured Party" under the UCC or otherwise at law:

(a) Beneficiary may (i) upon written notice, require Grantor to assemble any or all of the Personal Property and make it available to Beneficiary at the Real Property; (ii) without prior notice (except as otherwise required by applicable law), enter upon the Property or other place where any of the Personal Property may be located and take possession of, and/or collect any or all of the Personal Property, and store the same at locations acceptable to Beneficiary at Grantor's expense; and/or (iii) upon ten (10) days' prior written notice to Grantor (except with respect to Personal Property which is perishable, which threatens to decline speedily in value, or which is of a type customarily sold on a recognized market, in which case no such notice shall be required) sell, assign, or otherwise dispose of, and deliver, at any place or in any lawful manner, all or any part of the Personal Property and bid and become purchaser at any such sales; and

(b) Beneficiary may, for the account of Grantor and at Grantor's expense: (i) upon ten (10) days' prior written notice to Grantor, operate, use, consume, sell or dispose of the Personal Property as Beneficiary reasonably deems appropriate for the purpose of performing any or all of the Obligations; (ii) upon ten (10) days' prior written notice to Grantor, enter into any agreement, compromise, or settlement, including insurance claims, which Beneficiary may reasonably deem desirable or proper with respect to any of the Personal Property; (iii) endorse, collect and receive any right to payment of money owing to Grantor under or from the Personal Property; and (iv) endorse and deliver evidences of title for, and



receive, enforce and collect by legal action or otherwise, all indebtedness and obligations now or hereafter owing to Grantor in connection with or on account of any or all of the Personal Property.

4.6 POWER OF ATTORNEY. Grantor hereby irrevocably appoints Beneficiary as Grantor's attorney-in-fact (such agency being coupled with an interest), and as such attorney-in-fact Beneficiary may, without the obligation to do so, in Beneficiary's name, or in the name of Grantor, prepare, execute and file or record financing statements, continuation statements, applications for registration and like papers necessary to create, perfect or preserve any of Beneficiary's security interests and rights in or to any of the Personal Property, and, upon a Default hereunder, take any other action required of Grantor; provided, however, that Beneficiary as such attorney-in-fact shall be accountable only for such funds as are actually received by Beneficiary.

#### **ARTICLE 5. PROTECTION OF SECURITY OF DEED OF TRUST; RELEASE**

5.1 PROTECTION OF SECURITY OF DEED OF TRUST. To protect the security of this Deed of Trust, Grantor agrees that by execution of this Deed of Trust and the Note secured thereby, provisions one (1) through sixteen (16) inclusive of the Deed of Trust recorded in Book 142 as Document No. 901210 in the official records of the office of the Clark County Nevada Recorder hereby are adopted and incorporated herein and made a part hereof as though set forth herein at length; that the Grantor will observe these provisions; and that the references to property, obligations, and parties in said provisions shall be construed to refer to the Property, Obligations, and parties set forth in this Deed of Trust.

5.2 RELEASE OF DEED OF TRUST. The Beneficiaries of this Deed of Trust shall, when all of the Obligations secured by this Deed of Trust have been paid in full, deliver a request for reconveyance and cancellation of indebtedness to the Trustee. The Trustee shall reconvey, without warranty, the estate held by the Trustee in the Property.

#### **ARTICLE 6. RIGHTS AND DUTIES OF THE PARTIES**

6.1 CERTAIN REPRESENTATIONS AND WARRANTIES OF GRANTOR. Grantor represents, warrants and covenants that:

(a) This Deed of Trust creates a first priority mortgage lien and/or, to the extent applicable, a first priority security interest on the Land and all of the Property which is in addition to the Land, subject only to Permitted Encumbrances (as defined in the Loan Agreement); and

(b) Grantor has no interest in any real property, not encumbered hereby, which is utilized in any material manner in connection with the use and/or operation of the Real Property, or which is necessary and required for the use and operation of said Real Property.

6.2 PAYMENT OF OBLIGATIONS. Grantor shall pay when due, or cause to be paid when due: (i) the principal of, and interest on, the indebtedness evidenced by the Note; (ii) all charges, fees and other sums as provided in the Loan Documents (as defined in the Loan Agreement) including, without limitation, all reasonable costs, fees and expenses of this Deed of Trust incurred by Beneficiary in connection with any Default; (iii) the principal of, and interest on, any future advances secured by this Deed of Trust; and (iv) the principal of, and interest on, any other indebtedness secured by this Deed of Trust.

6.3 COMPLIANCE WITH LAWS. Grantor shall comply in all material respects with all applicable material existing and future laws, rules, regulations, orders, ordinances and requirements of all applicable governmental authorities, and with all recorded covenants and restrictions affecting the Real Property.

6.4 MAINTENANCE OF PROPERTY. Except to the extent that any of the following would be prohibited under, or would constitute a violation of, the terms and conditions of the Loan Agreement, Grantor agrees: (a) to properly care for and keep said Property in good condition and repair; (b) not to remove, demolish or substantially alter the Property, except upon the prior written consent of Beneficiary; (c) to complete promptly and in a good and workmanlike manner any building or other improvement which may be constructed on the Real Property, and to pay when due all claims for labor performed and materials furnished therefor (subject to Grantor's right to contest the validity or amount of mechanic's and/or materialman's liens in accordance with the Loan Agreement); (d) not to commit or permit any waste or deterioration of the Property (ordinary wear and tear, casualty and condemnation excepted) ; (e) not to commit, suffer or permit any act to be done, or condition to exist, in or upon said Property in material violation of any law, covenant, condition or restriction now, or hereafter, affecting said Property (including any which require alteration or improvement thereof) ; (f) to keep and maintain all grounds, sidewalks, roads, parking and landscaped areas situate on the Property in good and neat order and repair; (g) not to drill or extract or enter into any lease for the drilling for or extraction of oil, gas or other hydrocarbon substances or any mineral, of any kind or character on or from the Property or any part thereof; (h) not to apply for, willingly suffer or permit any subdivision, change in zoning, change in land use regulation, or inclusion within a general improvement district or similar assessment mechanism, with regard to any portion of the Real Property without the prior written consent of Beneficiary; and (i) except as otherwise permitted in the Loan Agreement, to do all other acts, in a timely and proper manner, which, from the character or use of the Property, may be reasonably necessary to maintain and preserve its value, the specific enumerations herein not excluding the general.

6.5 INSURANCE. During the continuance of this Deed of Trust, Grantor shall obtain, or cause to be obtained, and shall maintain or cause to be maintained, at all times throughout the term of the Loan, at its own cost and expense, and shall deposit with Beneficiary, Certificates of Insurance, each in a form and substance, and at such times, as is required under Section 6 of the Loan Agreement. All monies received from "All Risk"

insurance policies (including flood and earthquake policies) covering any of the Property shall be: (i) paid directly to Beneficiary and retained by Beneficiary or released to Grantor by Beneficiary; or (ii) paid directly to Grantor; all in accordance with Section 6.02 of the Loan Agreement. Nothing in this Deed of Trust shall be deemed to excuse Grantor from restoring, repairing and maintaining the Property, as herein provided, regardless of whether or not insurance proceeds are available for restoration, whether or not any such proceeds are sufficient in amount, or whether or not the Property can be restored to the same condition and character as existed prior to such damage or destruction.

6.6 TAXES AND ASSESSMENTS. Grantor shall pay all taxes, assessments and other governmental charges or levies affecting said Property, or any part thereof, in the manner required by the Loan Agreement except such taxes, assessments and other governmental levies as are being contested in good faith in the manner provided in the Loan Agreement.

6.7 LIEN CLAIMS. If any mechanic's lien or materialman's lien shall be recorded, filed or suffered to exist against the Property or any interest therein by reason of any work, labor, services or materials supplied, furnished or claimed to have been supplied and furnished in connection with any work of improvement upon the Property, said lien or claim shall be paid, released or otherwise discharged of record to the extent required by, and in accordance with the Loan Agreement.

6.8 EASEMENTS. If an easement or other incorporeal right (collectively, an "Easement") constitutes any portion of the Real Property, Grantor shall not amend, change, terminate or modify such Easement, or any right thereto or interest therein, without the prior written consent of Beneficiary, which consent may be withheld in Beneficiary's sole discretion, and any such amendment, change, termination or modification without such prior written consent shall be deemed void and of no force or effect. Grantor agrees to perform all obligations and agreements with respect to said Easement and shall not take any action or omit to take any action which would effect or permit the termination thereof. Upon receipt of notice, or otherwise becoming aware, of any default or purported default under any Easement, by any party thereto, Grantor shall promptly notify Beneficiary in writing of such default or purported default and shall deliver to Beneficiary copies of all notices, demands, complaints or other communications received or given by Grantor with respect to any such default or purported default.

6.9 PERFORMANCE BY BENEFICIARY. Should Grantor fail to make any payment or perform any act which it is obligated to make or perform hereunder or under the Loan Agreement, then Beneficiary, at its election, upon giving reasonable notice to Grantor, and without releasing Grantor from any obligation hereunder, may make such payment or perform such act and incur any liability, or expend whatever amounts, in its discretion, it may deem necessary therefor. All sums incurred or expended by Beneficiary, under the terms hereof, shall become due and payable by Grantor to Beneficiary, on the next interest or installment payment date under the Note secured

hereby and shall bear interest until paid at an annual percentage rate equal to the Default Rate expressed in the Note. In no event shall such payment or performance of any such act by Beneficiary be construed as a waiver of the default occasioned by Grantor's failure to make such payment(s) or perform such act(s).

6.10 ACTIONS AFFECTING PROPERTY. Grantor promises and agrees that if, during the existence of this Deed of Trust, there shall be commenced or pending any suit or action affecting said Property, or any part thereof, or the title thereto, or if any adverse claim for or against said Property, or any part thereof, be made or asserted, it will appear in and defend any such matter purporting to affect the security of this Deed of Trust and will pay all costs and damages arising because of such action.

6.11 EMINENT DOMAIN. Any award of damages in connection with any condemnation or similar actions in regard to said Property, or any part thereof, shall be: (i) paid directly to Beneficiary and shall be retained by Beneficiary or released to Grantor by Beneficiary; or (ii) paid directly to Grantor; all in accordance with the Loan Agreement.

6.12 SUBROGATION. To the extent that any sums advanced by Beneficiary are used to pay any outstanding lien, charge or prior encumbrance against the Property, such sums shall be deemed to have been advanced by Beneficiary at the request of Grantor and Beneficiary shall be subrogated to any and all rights and liens held by any owner or holder of such outstanding liens, charges and prior encumbrances, regardless of whether said liens, charges or encumbrances are released.

6.13 DUE ON SALE. If Grantor shall be voluntarily, or involuntarily, divested of title or possession of any Property, by merger or otherwise, or shall lease, sell, convey, further encumber or in any other manner voluntarily or involuntarily alienate any of its interest in any of the Property, or shall enter into an agreement to do any of the foregoing, other than as permitted herein, or in the Loan Agreement, any indebtedness or obligation secured hereby, irrespective of the maturity date expressed in the Note evidencing the same, shall at the option of Beneficiary, and upon the giving of any notice which may be required under the Loan Agreement, immediately become due and payable.

6.14 PARTIAL OR LATE PAYMENT. By accepting payment of any sum secured hereby after its due date, Beneficiary does not waive its right either to require prompt payment, when due, of all other sums so secured or to declare Default, as herein provided, for failure to so pay.

6.15 RIGHT OF BENEFICIARY TO APPEAR. If, during the existence of this Deed of Trust, there be commenced or pending any suit or action affecting the Property, or any part thereof, or the title thereto, or if any adverse claim for or against the Property, or any part thereof, be made or asserted, Beneficiary (unless such suit, action or claim is being contested in good faith by Grantor and Grantor shall have established and maintained adequate reserves in accordance with generally accepted accounting principles for the full payment and satisfaction of such suit or action if determined

adversely to Grantor), may appear or intervene in the suit or action and retain counsel therein and defend same, or otherwise take such action therein as they may be advised, and may settle or compromise same or the adverse claim; and in that behalf and for any of the purposes may pay and expend such sums of money as the Beneficiary may deem to be necessary and Grantor shall reimburse Beneficiary for such sums expended, together with accrued interest thereon, at the Default Rate which is defined in the Note.

6.16 RELEASES, EXTENSIONS, MODIFICATIONS AND ADDITIONAL SECURITY. Without notice to or the consent, approval or agreement of any persons or entities having any interest at any time in the Property or in any manner obligated under the Obligations ("Interested Parties"), Beneficiary may, from time to time, release any person or entity from liability for the payment or performance of any Obligation, take any action or make any agreement extending the maturity or otherwise altering the terms or increasing the amount of any Obligation, or accept additional security or release all or a portion of the Property and other security for the Obligations. None of the foregoing actions shall release or reduce the personal liability of any of said Interested Parties, or release or impair the priority of the lien of this Deed of Trust upon the Property.

6.17 RIGHT OF INSPECTION. Beneficiary, its agents and employees, may enter the Real Property at any reasonable time, upon reasonable advance notice, for the purpose of inspecting the Real Property and ascertaining Grantor's compliance with the terms hereof.

## ARTICLE 7. DEFAULT PROVISIONS

7.1 DEFAULT. For all purposes hereof, the term "Default" shall mean the existence of any Event of Default as defined by Section 7 of the Loan Agreement.

7.2 RIGHTS AND REMEDIES. At any time after Default, Beneficiary shall have all the following rights and remedies (in addition to (and without limiting) any rights and remedies that are available hereunder, or under applicable law):

(a) With or without notice, to declare all Obligations immediately due and payable;

(b) With or without notice, and without releasing Grantor from any Obligation, and without becoming a mortgagee in possession, to cure any breach or Default of Grantor and, in connection therewith, to enter upon the Real Property and do such acts and things as Beneficiary or Trustee deems necessary or desirable to protect the security hereof, including, without limitation: (i) to appear in and defend any action or proceeding purporting to affect the security of this Deed of Trust or the rights or powers of Beneficiary; (ii) to pay, purchase, contest or compromise any encumbrance, charge, lien or claim of lien which, in the sole judgment of Beneficiary or Trustee, is or may be senior in priority to this Deed of Trust, the judgment of Beneficiary or Trustee being

conclusive as between the parties hereto; (iii) to obtain insurance; (iv) to pay any premiums or charges with respect to insurance required to be carried under the Loan Documents; and (v) to employ counsel, accountants, contractors and other appropriate persons;

(c) To commence and maintain an action or actions in any court of competent jurisdiction to foreclose this Deed of Trust or to obtain specific enforcement of the covenants of Grantor hereunder, and Grantor agrees that such covenants shall be specifically enforceable by injunction or any other appropriate equitable remedy and that for the purposes of any suit brought under this subparagraph, Grantor waives the defense of laches and any applicable statute of limitations;

(d) To apply to a court of competent jurisdiction for and obtain appointment of a receiver of the Real Property as a matter of strict right and without regard to the adequacy of the security for the repayment of the Obligations, the existence of a declaration that the Obligations are immediately due and payable, or the filing of a notice of default, and Grantor hereby consents to such appointment;

(e) To enter upon, possess, manage and operate the Real Property or any part thereof, to take and possess all documents, books, records, papers and accounts of Grantor or the then owner of the Real Property, to make, terminate, enforce or modify Leases of the Real Property upon such terms and conditions as Beneficiary deems proper, to make repairs, alterations and improvements to the Real Property as necessary, in Beneficiary's sole judgment, all to protect or enhance the security hereof;

(f) To execute a written notice of such Default and of its election to cause the Real Property to be sold to satisfy the Obligations. As a condition precedent to any such sale, Beneficiary shall give, post and record such notices as Nevada law then requires. When the minimum period of time required after such notices has elapsed, Beneficiary and/or Trustee, without notice to or demand upon Grantor except as required by law, shall sell the Real Property at the time and place of sale fixed by it in the notice of sale, at one or several sales, either as a whole or in separate parcels and in such manner and order, all as Beneficiary in its sole discretion may determine, at public auction to the highest bidder for cash, in lawful money of the United States, payable at time of sale. Neither Grantor nor any other person or entity other than Beneficiary or Trustee shall have the right to direct the order in which the Real Property is sold. Subject to requirements and limits imposed by law, Beneficiary may from time to time postpone sale of all or any portion of the Real Property by public announcement at such time and place of sale. Beneficiary and/or Trustee shall deliver to the purchaser at such sale a deed conveying the

Real Property or portion thereof so sold, but without any covenant or warranty, express or implied. The recitals in the deed of any matters or facts shall be conclusive proof of the truthfulness thereof. Any person, including Beneficiary or Grantor may purchase at the sale;

(g) To resort to and realize upon the security hereunder and any other security now or later held by Beneficiary and/or Trustee concurrently or successively and in one or several consolidated or independent judicial actions or lawfully taken non-judicial proceedings, or both, and to apply the proceeds received upon the Obligations all in such order and manner as Beneficiary determines in its sole discretion;

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

(i) The rights and remedies of Beneficiary and/or Trustee upon the occurrence of one or more Defaults (whether such rights and remedies are conferred by statute, by rule of law, by this Deed of Trust, by any Loan Document, as defined in the Loan Agreement, or otherwise) may be exercised by Beneficiary and/or Trustee, in the sole discretion of Beneficiary, either alternatively, concurrently, or consecutively in any order. The exercise by Beneficiary and/or Trustee of any one or more of such rights and remedies shall not be construed to be an election of remedies nor a waiver of any other rights and remedies Beneficiary might have unless, and limited to the extent that, Beneficiary shall so elect or so waive by an instrument in writing delivered to Grantor. Without limiting the generality of the foregoing, to the extent that this Deed of Trust covers both Real Property and Personal Property, Beneficiary and/or Trustee may, in the sole discretion of Beneficiary, either alternatively, concurrently, or consecutively in any order:

(i) proceed as to both the Real Property and Personal Property in accordance with Beneficiary's and Trustee's rights and remedies in respect of the Real Property; or

(ii) proceed as to the Real Property in accordance with Beneficiary's and Trustee's rights and remedies in respect of the Real Property and proceed as to the Personal Property in accordance with Beneficiary's and Trustee's rights and remedies in respect of the Personal Property.

If Beneficiary should elect to proceed as to both the Real Property and Personal Property collateral in accordance with Beneficiary's and/or Trustee's rights and remedies in respect to the Real Property:

(i) all, or any portion of, the Real Property and all, or any portion of, the Personal Property may be sold, in the manner and at the time(s) and place(s) provided in this Deed of Trust, in one lot, or in separate lots consisting of any combination or combinations of Real Property and Personal Property, as the Beneficiary may elect, in the sole discretion of Beneficiary.

(ii) Grantor acknowledges and agrees that a disposition of the Personal Property collateral in accordance with Beneficiary's rights and remedies in respect of Real Property, as hereinabove provided, is a commercially reasonable disposition of said collateral.



If Beneficiary should elect to proceed as to the Personal Property collateral in accordance with Beneficiary's rights and remedies with respect to personal property, Beneficiary shall have all the rights and remedies conferred on a secured party by the UCC.

7.3 APPLICATION OF PROCEEDS. All sums received by Beneficiary or Trustee, shall be applied in payment of the Obligations in the order set forth by the Loan Agreement; provided, however, Beneficiary and/or Trustee shall have no liability for funds not actually received by Beneficiary.

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

7.5 PAYMENT OF COSTS, EXPENSES AND ATTORNEY'S AND PARALEGALS' FEES. Grantor agrees to pay to Beneficiary and Trustee immediately and upon demand all reasonable costs and expenses incurred by Beneficiary and expenses incurred by the Trustee in connection with the exercise of the rights and remedies provided for herein and/or in any of the other Loan Documents (including, without limitation, court costs, appraisal fees and reasonable attorneys' and paralegals' fees, whether incurred in litigation or not, and all whether internal costs, external costs or both) with interest from the date such amounts are demanded hereunder until said sums have been paid, at the Default Rate set forth by the Loan Agreement.

7.6 POWER TO FILE NOTICES AND CURE DEFAULTS. Grantor hereby irrevocably appoints Beneficiary and/or Trustee, and their successors and assigns, as its attorney-in-fact, which agency is coupled with an interest, (a) to execute and/or record any notices of completion, cessation of labor, or any other notices that Beneficiary deems appropriate to protect Beneficiary's interest, (b) upon the issuance of a deed pursuant to the foreclosure of this Deed of Trust or power of sale granted herein, or the delivery of a deed in lieu of foreclosure, to execute all instruments of assignment or further assurance with respect to the Leases and Payments in favor of the grantee of any such deed, as may be necessary or desirable for such purpose, (c) to prepare, execute and file or record financing statements, continuation statements, applications for registration and like papers necessary to create, perfect or preserve Beneficiary's security interests and rights in or to any of the Personal Property and any other property or interests securing the payment and the performance of the Obligations, and (d) upon the occurrence of an event, act or omission which, with notice or passage of time or both, would constitute a Default, Beneficiary or Trustee may perform any obligation of Grantor hereunder;

provided however, that: (i) Beneficiary as such attorney-in-fact shall only be accountable for such funds as are actually received by Beneficiary; and (ii) Beneficiary and Trustee shall not be liable to Grantor or any other person or entity for any failure to act under this Section.

## ARTICLE 8. MISCELLANEOUS PROVISIONS

8.1 ADDITIONAL PROVISIONS. The Loan Documents contain or incorporate by reference the entire agreement of the parties with respect to matters contemplated herein and supersede all prior negotiations. The Loan Documents grant further rights to Beneficiary and contain further agreements and affirmative and negative covenants by Grantor which apply to this Deed of Trust and to the Property and such further rights and agreements are incorporated herein by this reference.

8.2 MERGER. No merger shall occur as a result of Beneficiary's acquiring any other estate in, or any other lien on, the Property unless Beneficiary consents to a merger in writing.

8.3 WAIVER OF MARSHALING RIGHTS. Grantor, for itself and for all parties claiming through or under Grantor, and for all parties who may acquire a lien on or interest in the Property, hereby waives all rights to have the Property and/or any other property which is now or later may be security for any Obligation ("Other Property") marshaled upon any foreclosure of this Deed of Trust or on a foreclosure of any Other Property. Beneficiary shall have the right to sell, and any court in which foreclosure proceedings may be brought shall have the right to order a sale of, the Real Property and any or all of the Personal Property or Other Property as a whole or in separate parcels, in any order that Beneficiary may designate.

8.4 WAIVER OF RIGHTS OF REDEMPTION AND REINSTATEMENT. Grantor, for itself and for all parties claiming through or under Grantor, and for all parties who may acquire a lien on or interest in the Property, hereby waives any and all rights of redemption and reinstatement under law and under any order or decree of foreclosure of this Deed of Trust, and all such rights of redemption and reinstatement of Grantor and of all other persons, are and shall be deemed to be hereby waived to the full extent permitted by the provisions of the applicable law.

8.5 EXERCISE OF REMEDIES. Notwithstanding any of the terms or provisions contained in this Deed of Trust (or in any of the other Loan Documents), if at any time after the occurrence of a Default under any of the Loan Documents (but prior to the time (if any) that said Default has been cured to the satisfaction of Beneficiary), Beneficiary or Trustee has commenced to exercise one or more of its remedies provided for herein (or provided in any of the other Loan Documents or available at law or in equity), Beneficiary will not be precluded from continuing to exercise all of its rights and remedies upon said Default (notwithstanding the fact that Grantor may have cured, attempted to cure or be in the process of curing said Default). It is the intention of the

parties hereto that (to the extent permitted by law) once Beneficiary or Trustee has commenced to exercise one or more of its rights or remedies (upon a Default), said Default cannot be cured, unless Beneficiary expressly agrees in writing to accept said cure and to cease the exercise of said rights and remedies.

8.6 RULES OF CONSTRUCTION. The term: (i) "Real Property" means all and any part of the Real Property and any interest in the Real Property; (ii) "Personal Property" means all and any part of the Personal Property and any interest in the Personal Property; and (iii) "Property" means all and any part of the Property and any interest in the Property.

8.7 SUCCESSORS IN INTEREST. The terms, covenants, and conditions herein contained shall be binding upon and inure to the benefit of the successors and assigns of the parties hereto; provided, however, that this section does not waive or modify any restrictions on transfer contained herein or in any of the other Loan Documents.

8.8 GOVERNING LAW. This Deed of Trust shall, in all respects, be governed by and construed in accordance with the internal laws of the State of Nevada and applicable federal law. All references herein to the "UCC" shall be to the Uniform Commercial Code as enacted in the State of Nevada.

8.9 NOTICES. All notices, reports, demands, requests and other communications authorized or required under this Deed of Trust to be given to Grantor or Beneficiary, shall be given in the manner and to the addresses specified in the Loan Agreement for the giving of notices. Grantor shall forward to Beneficiary, without delay, any notices, letters or other communications delivered to the Real Property or to Grantor naming Beneficiary, "Lender" or any similar designation as addressee, or which could reasonably be deemed to affect the ability of Grantor to perform its obligations to Beneficiary under the Note, the Loan Agreement or any other Loan Documents.

8.10 MAXIMUM INDEBTEDNESS; FUTURE ADVANCES. This Deed of Trust shall secure not only existing indebtedness but also such future advances, whether such advances are obligatory or to be made at the option of Beneficiary, or otherwise, to the same extent as if such future advances were made on the date of the execution of this Deed of Trust.

8.11 SEVERABILITY. If any provision or obligation under this Deed of Trust shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Deed of Trust and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal or unenforceable provision had never been a part of the Deed of Trust.

8.12 TIME. Time is of the essence of each and every term of this Deed of Trust.

8.13 LIMITATION OF TRUSTEE'S FEES. Notwithstanding any statutory provision to the contrary, Trustee agrees that it shall not charge more than One Thousand Dollars (\$1,000) in the aggregate for any trustee's fee or fees resulting from a trustee's sale held pursuant to this Deed of Trust.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS AGREEMENT SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. NO OTHER TERMS OR ORAL PROMISES NOT CONTAINED IN THIS WRITTEN CONTRACT CAN BE LEGALLY ENFORCED. YOU MAY CHANGE THE TERMS OF THIS AGREEMENT ONLY BY ANOTHER WRITTEN AGREEMENT.

COOPER

IN WITNESS WHEREOF, Grantor has executed this Deed of Trust as of the day and year set forth above.

**GRANTOR**

**PARADISE CANYON LLC,**  
a Nevada limited liability company

By: **CORCHA, LLC,** a Nevada limited liability company, as Member and Manager

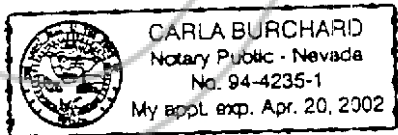
By: Douglas C Clemetson  
Name: Douglas C. Clemetson  
Its: Managing Member

By: **MESQUITE PROPERTIES,** a Nevada corporation, as Member and Manager

By: Dennis C Rider  
Name: Dennis C. Rider  
Its: President

STATE OF NEVADA        )  
  ) ss.  
COUNTY OF CLARK     )

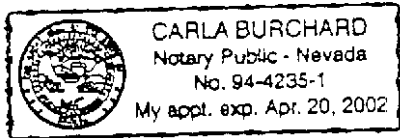
On this 3 day of October 2001, before me, a Notary Public in and for said county, personally appeared Douglas C. Clemetson, to me personally known, who being by me duly (sworn or affirmed), did say that he is the Managing Member of Corcha, LLC, a Nevada limited liability company, a Member and Manager of Paradise Canyon LLC, a Nevada limited liability company, that said instrument was signed on behalf of Paradise Canyon, LLC by authority of its Members and Managers and that the said Members and Managers acknowledged the execution of said instrument to be the voluntary act and deed of said limited liability company by it voluntarily executed.



Carla Burchard  
Notary Public

STATE OF NEVADA        )  
                                  ) ss.  
COUNTY OF CLARK        )

On this 3 day of October, 2001, before me, a Notary Public in and for said county, personally appeared Dennis C. Rider, President of Mesquite Properties, a Nevada corporation, to me personally known, who being by me duly (sworn or affirmed), did say that Mesquite Properties is a Member and Manager of Paradise Canyon LLC, a Nevada limited liability company, that said instrument was signed on behalf of the said limited liability company by authority of its Members and Managers and that the said Members and Managers acknowledged the execution of said instrument to be the voluntary act and deed of said limited liability company by it voluntarily executed.



Carla Burchard  
Notary Public

EXHIBIT A

LEGAL DESCRIPTION

THOSE PORTIONS OF SECTIONS 3 AND 4, TOWNSHIP 13 SOUTH,  
RANGE 71 EAST, M.D.M., DESCRIBED AS FOLLOWS:

PARCELS ONE (1) AND FOUR (4) AS SHOWN BY MAP THEREOF IN FILE  
98 OF PARCEL MAPS, PAGE 1, AS AMENDED BY CERTIFICATE OF  
AMENDMENT RECORDED JUNE 7, 2000 IN BOOK 20000607 AS  
DOCUMENT NO. 01473, IN THE OFFICE OF THE COUNTY RECORDER,  
CLARK COUNTY, NEVADA.

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR ACCESS,  
INGRESS, EGRESS AND CROSS PARKING AS ESTABLISHED BY CROSS-  
PARKING EASEMENT AND UTILITIES EASEMENT AGREEMENT  
RECORDED October 4, 2001 IN BOOK 2001004 AS DOCUMENT NO.  
1221 ~~1221~~, IN THE OFFICE OF THE COUNTY RECORDER, CLARK  
COUNTY, NEVADA.

CLARK COUNTY, NEVADA  
JUDITH A. VANDEVER, RECORDER  
RECORDED AT REQUEST OF:  
NEVADA TITLE COMPANY

10-04-2001 14:03 KGP 27  
BOOK: 20011004 INST: 01229

FEE: 40.00 RPT: .00

TRUST DEED

CONFORMED COPY HAS NOT BEEN COMPARED TO THE ORIGINAL

BOOK 201 PAGE 250

SCHEDULE 2

FIRST AMENDMENT TO LOAN DOCUMENTS

**THIS FIRST AMENDMENT TO LOAN DOCUMENTS**, (the "First Amendment") is made on this 15th day of July, 2003 by and between Paradise Canyon, LLC, a Nevada limited liability company (the "Borrower"), First National Bank, a national bank, or its assigns, (the "Lender"), and Douglas C. Clemetson and Judith Primm Clemetson, each individually and as guarantors. The parties hereby agree as follows:

**WHEREAS**, Borrower executed that certain Loan Agreement dated October 3, 2001, in favor of Lender (the "**Loan Agreement**"), which Loan Agreement established the terms and conditions upon which Lender was willing to make a loan (the "Loan") to Borrower in the principal amount of \$10,000,000.00. Borrower, as maker, executed and delivered that certain \$10,000,000.00 Promissory Note (the "Note") dated October 3, 2001, made payable to the order of Lender. The Loan is secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing dated October 3, 2001 (the "Deed of Trust"), that certain Collateral Assignment of Effluent Reuse Agreement dated October 3, 2001 (the "ERA Assignment"), that certain Collateral Assignment of Lease of Irrigation Shares dated October 3, 2001 (the "Lease Assignment"), and that certain Trademark Security Agreement dated October 3, 2001 (the "Trademark Security Agreement"); and

**WHEREAS**, The obligations of Borrower under the Loan Documents are unconditionally and irrevocably guaranteed by the joint and several personal guarantee of Douglas C. Clemetson ("Douglas Clemetson") and Judith Primm Clemetson ("Judith Primm Clemetson") pursuant to that certain Guaranty dated October 3, 2001 (the "Clemetson Guaranty") and the personal guaranty of Dennis Rider dated October 3, 2001 (the "Rider Guaranty"). The Clemetson Guaranty and the Rider Guaranty are occasionally hereinafter collectively the "Guarantees". Douglas Clemetson and Judith Primm Clemetson are hereinafter collectively the "Clemetson Guarantors"). The Loan Agreement, Note, Deed of Trust, ERA Assignment, Lease Assignment, Trademark Security Agreement, Clemetson Guarantees (but excluding the Rider Guaranty) and all other documents and instruments executed and delivered in connection with the same are hereinafter collectively the "Loan Documents"; and

**WHEREAS**, The Loan Documents relate to the original financing for the development and construction and equipping of the Wolf Creek at Paradise Canyon golf course (the "Facility") located on the real property more specifically described in Exhibit "A", attached hereto and incorporated herein by reference (the "Property"); and

**WHEREAS**, Borrower is a debtor-in-possession in the proceeding entitled: In Re: Paradise Canyon, LLC, BK-S-02-17818-LBR (the "Proceeding"). Pursuant to that certain Order of the United States Bankruptcy Court (the "Bankruptcy Court") dated May, 12, 2003 (the "Order"), Borrower, as debtor-in-possession, has reorganized its affairs pursuant to a confirmed Plan of Reorganization (the "Confirmed Plan"). Under the terms of the Confirmed Plan, Borrower and the Clemetson Guarantors desire: (i) to



amend the Loan Documents to, among other things, reinstate the original \$10,000,000.00 principal amount of the Loan under the Loan Documents; (ii) to reimburse Lender for all expenses incurred in connection with the preservation of the Collateral and underwriting and documentation of this Amendment to Loan Agreement, and the Proceeding, including all attorneys fees and expenses incurred by Lender in connection with the foregoing; (iii) to amend the Loan repayment terms under the Note as provided herein; (iv) to add additional collateral to secure the obligations of Borrower; and (v) to ratify and reaffirm the obligations of the Clemetson Guarantors under the Clemetson Guaranty, and Lender is willing to so amend the Loan Documents as more specifically set forth herein; and

**WHEREAS**, the parties hereto agree that the capitalized terms used herein without definition, unless the context otherwise requires, shall have the defined meanings set forth in the Loan Documents.

**NOW, THEREFORE**, in consideration of the mutual promises, agreements and covenants set forth herein, and for other good and valuable consideration, including, but not limited to the reinstatement of the original principal balance due under the Note, the revision of the repayment terms, the addition of additional collateral to secure the obligations of Borrower under the Loan Documents and under this Amendment, and the reaffirmation and ratification of the obligations of Guarantors under the Guaranty, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

**1. CLEMETSON GUARANTORS' ACKNOWLEDGEMENT AND CONSENT.**

**a.** For good and valuable consideration, including Lender's willingness to enter into this Amendment. Guarantors hereby acknowledge and consent to the Confirmed Plan and to this Amendment, and hereby ratify and reaffirm their obligations, liabilities and indebtedness due and owing to Lender under the terms of the Clemetson Guaranty, and acknowledge and agree that the execution of the and the transactions contemplated hereby and thereby in no fashion impact upon the effectiveness of the Clemetson Guaranty. The Clemetson Guarantors hereby represent and warrant that they are fully aware of the terms and provisions of this Amendment and of the Loan Documents and acknowledge that Lender is relying upon such representations as an inducement to entering into this Amendment.

**b.** Each of the Clemetson Guarantors and the Borrower shall at any time, and from time to time, execute and deliver to Lender or any assignee of Lender estoppel certificates confirming the obligations of the Clemetson Guarantors and the Borrower, which estoppel certificates shall be in form and content acceptable to Lender in its sole discretion, with respect to the Loan Documents, including by way of illustration and not by way of limitation, the obligations of the Clemetson Guarantors under the Clemetson Guaranty, within ten (10) days of Lender's written request.

c. The Clemetson Guarantors acknowledge that the Rider Guaranty has not been ratified and reaffirmed under the Confirmed Plan, under this Amendment or otherwise, and that the failure or refusal of Rider to so ratify and reaffirm his obligations under the Rider Guaranty shall not affect the continuing, unconditional, irrevocable, joint and several obligations of the Clemetson Guarantors under the Clemetson Guaranty, as the same is hereby ratified and reaffirmed. Notwithstanding anything herein to the contrary, nothing herein shall be construed as a release or relinquishment by Lender of any claim Lender may have or may claim to have against Rider under the Rider Guaranty.

d. The Clemetson Guarantors hereby acknowledge that under the Confirmed Plan, they own directly, or indirectly through their children Chadley J. Clemetson and Cory D. Clemetson, substantially all of the outstanding ownership equity of the Borrower and that they and their children will benefit directly as a result of this Amendment. The Clemetson Guarantors acknowledge that Lender would not agree to this Amendment but for the Clemetson Guarantors' willingness to ratify and reaffirm their obligations under the Clemetson Guaranty pursuant to the Confirmed Plan and this Amendment and that the consideration for their joint and several ratification and reaffirmation of the Clemetson Guaranty is actual and adequate.

## **2. RATIFICATION OF INDEBTEDNESS UNDER LOAN DOCUMENTS.**

a. Borrower, the Clemetson Guarantors and Lender acknowledge and agree that as of the date of execution of this Amendment (the "Closing Date") the outstanding principal amount of the Note shall be Ten Million Dollars (\$10,000,000.00), which sum represents principal under the Note and additional sums incurred by Lender prior to and after the commencement of the Proceeding which Borrower, the Clemetson Guarantors and Lender have agreed shall be included in the principal balance of the Note as amended hereby (the "Note Principal Balance").

b. On the Closing Date, Borrower shall pay to Lender the sum of \$401,067.60, which sum includes accrued and unpaid interest, reimbursement of Lender's attorneys fees incurred prior to, during commencement of and after the Proceeding, appraisal fees, underwriting, documentation and placement agent fees, and other fees and expenses incurred by Lender in connection with the preservation of collateral, which sum shall be paid in good U.S. funds via wire transfer, cashiers check or certified funds.

c. The Note Principal Balance and the obligations of Borrower and the Clemetson Guarantors under this Amendment and the Loan Documents are hereby ratified and re-affirmed by Borrower and the Clemetson Guarantors and are not subject to reduction, set-off, abatement or defense by Borrower or the Clemetson Guarantors, or any of them.

d. Lender shall not be required to make any additional advances to Borrower under this Amendment or the Loan Documents.

3. **ADDITIONAL MODIFICATIONS TO LOAN DOCUMENTS.** The Borrower, the Clemetson Guarantors and Lender agree that the Loan Documents shall be amended, effective with the Closing Date, as follows:

a. **REPAYMENT TERMS.**

(i) **Payments.** The Note Principal Balance and accrued interest thereon at the Interest Rate, as set forth below, shall be paid in 38 monthly installments of principal and accrued interest, amortized over the Assumed Amortization Period, commencing on the first day of September, 2003 and continuing on the first day of each month thereafter until October 1, 2006 (the "Maturity Date"), at which time the entire unpaid Note Principal Balance and all unpaid accrued interest thereon, and all other charges payable pursuant to the terms of the Loan Documents shall be due and payable; and provided further that the Note Principal Balance shall be payable on such earlier date as to which payment shall have been accelerated by virtue of the occurrence of an Event of Default, as defined in the Loan Agreement. An amortization schedule reflecting the payments of principal and interest due for the period September 1, 2003 through and including the Maturity Date assuming the Interest Rate remains at 8.0% per annum is attached hereto as Schedule 1.

(ii) **Interest Rate.** As long as there is no Event of Default, interest on the Note Principal Balance shall accrue at the rate of eight percent (8%) per annum for the period commencing on July 15, 2003 and continuing thereafter through and including June 30, 2004. From and after July 1, 2004, or at any time prior to July 1, 2004, if there is an uncured Event of Default under the Loan Documents, or an event occurs which with the giving of notice or the passage of time would become an Event of Default under any Loan Document, interest shall accrue on the then outstanding balance of principal and accrued and unpaid interest thereon, and any additional amounts due under the Loan Documents, at the interest rate set forth in the Note, provided, however, the Interest Rate shall never be less than 7.0%.

(iii) **Amortization.** The Assumed Amortization Period under the Note shall mean a period commencing July 15, 2003 and ending on and including October 1, 2026.

(iv) **Prepayment.** The Note Principal Balance may be prepaid in whole or in minimum increments of \$500,000.00 at any time upon 30 days written notice, provided however, that in the event of a prepayment during the period commencing on the Closing Date and ending July 15, 2005, Borrower shall pay a prepayment premium equal to one percent (1%) of the then outstanding balance of principal and accrued interest outstanding as of the date of such prepayment without premium or penalty.

(v) Permitted Encumbrances. The Loan Documents are hereby amended to include the Subordinate Deed of Trust and the Subordinate DIP Deed of Trust, all of which shall be subordinate and junior in all respects to the Deed of Trust, as Permitted Encumbrances of the Borrower.

b. **DEED OF TRUST.** The Note Principal Balance and all other obligations of Borrower under the Note and Loan Documents are secured by the Deed of Trust on the Property and a first priority security interest in all furniture, fixtures and equipment owned by Borrower, wherever located, whether now owned or hereafter acquired, and all proceeds and products of any of the foregoing. Borrower hereby authorizes Lender to create and cause to be filed any Uniform Commercial Code Financing Statements and related amendments or acknowledgment agreements deemed reasonably necessary by Lender from time to time to carry out the intentions of the parties as provided herein and in the Loan Documents.

c. **UNSECURED CREDITORS.** Under the Plan, Borrower's obligations to the holders of approved Class 8 and Class 9 Unsecured Creditors (the "Unsecured Creditors") in the Proceeding may be secured by a deed of trust (the "Subordinate Deed of Trust") against the Property, which shall be junior and subordinate to the Deed of Trust in all respects. As a condition precedent to this Amendment, an authorized representative of the Official Committee of Unsecured Creditors shall execute and deliver to Lender a Subordination and Standstill Agreement in the form of Exhibit "B" attached hereto (the "OCUC Subordination Agreement") on or prior to the Closing Date.

d. **SUBORDINATION OF DEBTOR IN POSSESSION FINANCING.**

Douglas C. Clemetson, as the holder of all right, title and interest in, to and under all Court approved debtor-in-possession financing provided to Borrower during the pendency of the Proceeding in the total amount of \$1,250,000.00 (the "DIP Financing") shall execute and deliver to Lender a Subordination and Standstill Agreement in the form of Exhibit "C" attached hereto (the "DIP Subordination Agreement"). Douglas C. Clemetson, Borrower and the Clemetson Guarantors affirmatively represent and warrant that Douglas C. Clemetson is the holder of all right, title and interest in, to and under the DIP Financing, has not sold, transferred or assigned any interest in the DIP Financing to any third party, and is authorized to execute and deliver the DIP Subordination Agreement to Lender.

e. **DEBT SERVICE RESERVE ACCOUNT.** On the Closing Date and on each Monthly Payment Date from after the Closing Date during the Term of the Loan, in addition to the payment of principal and accrued interest then due and payable under the Note, Borrower shall deposit with Lender

an additional sum equal to \$25,000.00, for deposit with Lender in a blocked account designated as the Debt Service Reserve Account. Borrower shall make such monthly deposits until Borrower shall have deposited in the Debt Service Reserve Account twelve (12) consecutive monthly installments in the total amount equal to \$300,000.00 (the "Reserve"). The Reserve may be applied by Lender at Lender's discretion to the payment of principal, accrued interest and any and all other amounts which may be due or which may become due and payable under the Loan Documents, including, but not limited to, interest at the default rate accruing from month to month on all sums due under the Loan Documents during an Event of Default, and to payment of attorneys fees and expenses, and any other expenses incurred by Lender from time to time in connection with any such default, whether such expenses are incurred prior to, during or after any proceeding for relief under any provision of the United States Bankruptcy Code or any state law equivalent thereof.

Interest shall accrue on the Reserve at Lender's variable "money market account" rates, provided however, that no interest shall be payable on the Reserve prior to its disbursement as set forth herein. If the Reserve shall be entirely disbursed, but the Loan shall not have been fully paid and provided for, Borrower shall, within 2 business days of written notice from Lender, deposit with Lender an additional amount sufficient to fully replenish the Reserve in the amount of the resulting deficiency as determined by Lender, but in any event such Reserve shall not exceed \$300,000.00, together with accrued interest thereon. Lender shall have no obligation to disburse the Reserve or any portion thereof (i) if an Event of Default has occurred and is continuing hereunder, or (ii) to disburse the Reserve for any other purpose or to any other person, provided if an Event of Default has occurred, Lender may disburse the Reserve in its discretion to the payment of the Loan or to any other cost or expense as it may decide. Borrower hereby grants to Lender a first priority security interest in the Reserve. Any Reserve remaining undisbursed on the Maturity Date shall be credited to the outstanding Principal Balance, any unpaid accrued interest due under the Note, and any other costs or expenses incurred by Lender in connection with the Loan.

- f. **UNDERTAKING RELATIVE TO ENCROACHMENTS.** On or before September 1, 2003, Borrower shall provide Lender with a currently certified Survey as to the Property. The survey shall be prepared in accordance with standards applicable to registered and licensed land surveyors making surveys in Nevada and in accordance with the provisions of this Section 3 f.

The survey shall show and shall contain the surveyor's certification that it shows:

- (i) the courses and distances of all boundary lines (including appurtenant easements);
- (ii) the location of all improvements, including utility lines and connections, situated on or above the Property and on or above any easements or rights of way affecting the Property;
- (iii) all encroachments of adjoining properties or improvements onto the Property;
- (iv) all encroachments of improvements on the Property onto any adjoining property, ("the Encroachment Land");
- (v) the location of all easements (and setting forth recording information as to all recorded easements) and other rights burdening the Property and all encroachments of improvements onto the areas of such easements;
- (vi) the location of all roadways, rights of way and the like affecting the Property;
- (vii) all access ways from the Property to public roads; and
- (viii) such other facts and conditions affecting the Property as are appropriate, or as may have been reasonably requested by the Lender.

On or before September 30, 2003, Borrower shall execute and deliver to Lender an amendment to the Deed of Trust, or other appropriate instrument, in form and content acceptable to Lender in its sole discretion, by the terms of which the Encroachment Land situated on the northern boundary of the Property, as identified on the Survey, shall become additional security for the Note and other obligations of the Borrower to the Lender as provided in the Loan Documents.

Borrower shall use its "best efforts" to acquire marketable title to the Encroachment Land situated on the western boundary of the Property, as identified in the Survey, in the form of either fee title or a permanent perpetual easement.

Immediately on the acquisition of the fee or the permanent perpetual easement over the Encroachment Land on the western boundary of the Property, Borrower shall provide Lender with an amendment to the Deed of Trust, or other appropriate instrument, in form and content acceptable to Lender in its sole discretion, by the terms of which the Encroachment Land shall become additional security for the Note and other obligations of the Borrower to the Lender as provided in the Loan Documents.

Simultaneously with the addition of all or any portion of the Encroachment Land as additional collateral under the Deed of Trust, Borrower shall

provide an endorsement to the Lender's current title insurance policy issued by First American Land Title Insurance Company adding acquired Encroachment Land to the Lender's title insurance coverage.

- g. **MATERIAL EFFECT.** Borrower or the Clemetson Guarantors will transmit to Lender, immediately upon receipt thereof, any communication which could materially affect Lender's security for the Loan or have a material adverse effect on the Property, the financial condition of Borrower or the Clemetson Guarantors and will promptly respond fully to any inquiry of Lender made with respect thereto.
- h. **PROVIDE LEASE INFORMATION.** Borrower shall on request by Lender furnish to Lender, a fully executed copy of each lease (a "Lease" and collectively the "Leases") entered into by Borrower, together with all exhibits and attachments thereto and all amendments and modifications thereof, for equipment or other real or personal property used by Borrower in connection with the Property. Borrower shall provide on request to Lender a status report on the Property, showing the names of all lessors, the equipment or property being leased, the major terms of all Leases, current status of each Lease and the rents payable thereunder, and all letters of intent or agreements to lease.
- i. **ESCROWS.** Borrower shall deposit with Lender on the first day of each and every month hereafter as a deposit to pay the costs of taxes, assessments and insurance premiums next due ("Charges"):

(i) initially a sum equal to the amount to be deposited pursuant to subsection (ii) below and an additional initial sum equal the estimated Charges for the next payment due; and

(ii) thereafter an amount equal to one-twelfth (1/12th) of the estimated annual Charges due on the Property. For purposes of this provision, Borrower and Lender agree that the initial monthly deposits shall be in the amount of \$20,000.00, and that such amount may change from time to time as determined by Lender in the usual and ordinary course of business.

Lender will, upon the presentation to the Lender by the Borrower of the bills therefor, pay the Charges from such deposits or will upon presentation of receipted bills therefor, reimburse the Borrower for such payments made by the Borrower. In the event the deposits on hand shall not be sufficient to pay all of the estimated Charges when the same shall become due from time to time, or the prior deposits shall be less than the currently estimated monthly amounts, then the Borrower shall pay to the Lender on demand any amount necessary to make up the deficiency. The excess of any such deposits shall be credited to subsequent payments to be made for such items. If a default or an event of default shall occur under the terms of this Amendment, the Lender may, at its option, without being

required to do so, apply any deposits on hand to the Obligations, in such order and manner as the Lender may elect. When the Obligations have been fully paid, any remaining deposits shall be returned to the Borrower as its interest may appear. All deposits are hereby pledged as additional security for the Obligations, shall be held for the purposes for which made as herein provided, may be held by Lender and may be commingled with other funds of the Lender, shall be held without any allowance of interest thereon and shall not be subject to the decision or, control of the Borrower. Lender shall not be liable for any act or omission made or taken in good faith. In making any payments, Lender may rely on any statement, bill or estimate procured from or issued by the payee without inquiry into the validity or accuracy of the same. If the taxes shown in the tax statement shall be levied on property more extensive than the Property, then the amounts escrowed shall be based on the entire tax bill and Borrower shall have no right to require an apportionment and Lender may pay the entire tax bill notwithstanding that such taxes pertain in part to other property and the Lender shall be under no duty to seek a tax division or apportionment of the tax bill.

j. **WATER SHARES LEASE.** On or prior to the Closing date, Borrower shall tender all payments due under that certain Lease of Irrigation Shares between the Virgin Valley Water District, a political subdivision of the State of Nevada (the "Water District"), as lessor, and Horizon Golf, as lessee, dated May 30, 2000 (the "Water Shares Lease"). The Water Shares Lease has been collaterally assigned to Lender pursuant to the Lease Assignment to secure the Obligations of Borrower under the Loan Documents. If there is no Event of Default or event which with the passage of time or the giving of notice would become an Event of Default under the Loan Documents, Borrower may enter into a new lease of water shares with the Water District for not less than 150 water shares (the "New Water Shares Lease") on terms not less favorable to Borrower than the terms of the existing Water Shares Lease, and substitute such New Water Shares Lease as collateral for the Water Shares Lease, provided however, Borrower shall pay all costs and expenses of Lender in connection with any such collateral substitution, including, but not limited to Lender's attorneys fees incurred in connection with preparing an amendment to the Loan Documents for these purposes, and provided further that Lender shall have the absolute right to accept or reject any such proposed collateral substitution in its sole discretion.

4. **RELEASE.** Except for the continuing obligations of the parties as set forth in the Loan Documents and this Amendment, (including, for illustration purposes, but not limited to, the Clemetson Guaranty), as the same are ratified and reaffirmed hereby, Borrower and the Clemetson Guarantors hereby release Lender from any and all claims and liabilities each party may have against Lender, including any of Lender's predecessors in interest, successors, assigns, agents, representatives, advisors (including Northland Advisors, Inc., a Minnesota corporation, its officers, directors



and employees), attorneys, consultants and accountants, that arose either on or prior to the date of execution of this Amendment, whether or not such claims are contingent, liquidated or unliquidated, known or unknown, asserted or unasserted.

5. **INDEMNIFICATION.** Borrower and the Clemetson Guarantors acknowledge and agree to defend, indemnify and hold Lender, including any of Lender's predecessors in interest, successors, assigns, agents, representatives, advisors (including Northland Advisors, Inc., a Minnesota corporation, its officers, directors and employees), attorneys and accountants, harmless from and against any and all claims, damages, judgments, penalties, costs and expenses (including attorney fees and court costs now or hereafter arising from the aforesaid enforcement of this clause) arising directly or indirectly from the activities of Borrower, its current and former officers, members, employees, agents and assigns, the Clemetson Guarantors or their predecessors in interest, heirs, successors or assigns, or third parties with whom any of the foregoing have a contractual relationship, or arising directly or indirectly from the violation of any laws or regulations, whether such claims are asserted by any governmental agency or any other such person. This indemnity shall survive termination of this Amendment.
6. **REQUIRED DOCUMENTS.** The parties hereto agree that they will execute and deliver any and all documents, and will cause any and all other action to be taken, either before or after the date of this Amendment, which may be necessary or proper to effect or evidence the provisions of this Amendment and the transactions contemplated hereby or therein.
7. **REQUIRED PROCEEDINGS.** All organizational and legal proceedings relating to all instruments and agreements in connection with the transactions contemplated in this Amendment, including but not limited to opinions of counsel to Borrower and the Clemetson Guarantors, shall be satisfactory in scope, form and substance to Lender and its counsel, and Lender shall have received all information and copies of all documents, including records of company proceedings, which it may reasonably have requested in connection therewith; such documents where appropriate to be certified by proper representatives.
8. **LEGAL EXISTENCE AND AUTHORIZATION.** The undersigned parties hereby acknowledge their legal existence and that they are individually and collectively duly authorized to make and perform this Amendment, and any and all documents and instruments contemplated hereunder which constitutes a valid and enforceable obligation of each of the undersigned.
9. **NOTICES.** Unless otherwise specifically provided herein, any notice delivered under this Amendment shall be in writing addressed to the respective party as set forth below and may be personally served, telecopied or sent by overnight courier service or certified or registered United States mail and shall be deemed to have been given (a) if delivered in person, when delivered, (b) if delivered by telecopy, on the date of transmission if transmitted on a business day before 4:00 p.m. (prevailing time of the recipient) or, if not, on the next succeeding business day, (c) if delivered

by overnight courier, one business day after delivery to such courier properly addressed, or (d) if by United States mail, four business days after deposit in the United States mail, postage prepaid and properly addressed.

Notices shall be addressed as follows:

Borrower: Paradise Canyon LLC  
401 Paradise Parkway  
Mesquite, Nevada 89027  
Attention: Cory D. Clemetson  
and Chadley J. Clemetson, Managers

Guarantors: Douglas C. Clemetson  
Judith Primm Clemetson  
714 Champagne Road  
Incline Village, Nevada 89024

With a Copy to: Graves & Leavitt  
601 South Sixth Street  
Las Vegas, Nevada 89101  
Attention: Terry V. Leavitt, Esq.

To Lender: First National Bank  
109 North St. Paul Avenue  
Fulda, Minnesota 56131  
Attention: Joseph E. Grandgeorge, President

With a copy to: Hinshaw & Culbertson  
222 South Ninth Street, Suite 3100  
Minneapolis, Minnesota 55402  
Attention: David R. Mylrea, Esq.

10. **REAFFIRMATION.** Borrower and the Clemetson Guarantors and each of them individually, jointly and severally acknowledge, represent and warrant that subject to the terms hereof, all other terms and conditions of the Loan Documents remain in full force and effect, except as modified hereby, and there are no other loan defaults by either Lender, Borrower or the Clemetson Guarantors under the Loan Documents. Notwithstanding anything herein to the contrary, Lender's forbearance with regard to the exercise of remedies under the Loan Documents in connection with the Encroachment Land described in Section 3 f above shall not be construed by Borrower, the Clemetson Guarantors or any other party claiming by or through Borrower or the Clemetson Guarantors, as a release, waiver or discharge of Borrower's and the Clemetson Guarantors' joint and several obligations under the Loan Documents in the same manner as if Lender's forbearance with respect to the Encroachment Land had not been granted. In the Event of Default, or in the event of

any occurrence which with the passage of time and the giving of notice would become an Event of Default, or at any time that Lender has reason to believe, in its sole unbridled discretion that all or any portion of the Collateral is in jeopardy for any reason, Lender reserves its right to demand full, complete and immediate performance of all of Borrower's and the Clemetson Guarantors' obligations with regard to the Encroachment Land. This Amendment is, and any other loan documents when delivered under this Amendment will be, legal, valid, and binding obligations of the parties hereto, enforceable against the parties hereto in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

11. **COUNTERPARTS AND FACSIMILE SIGNATURES.** This Amendment may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and either Borrower, the Clemetson Guarantors or Lender may execute this Amendment by signing any such counterpart. Borrower, the Clemetson Guarantors and Lender agree that this Amendment may be executed by one or more of the parties hereto by facsimile signatures which shall be fully enforceable against said parties as if an original signature had been obtained.
12. **ENTIRE AGREEMENT.** This Amendment, the Loan Documents, the Clemetson Guaranty and the DIP Subordination Agreement constitute the entire agreement between the parties hereto and no representation, warranty, condition, understanding or agreement of any kind in connection with the subject matter hereof shall be binding on the parties hereto unless expressly set forth herein.

**BORROWER AND THE CLEMETSON GUARANTORS EACH ACKNOWLEDGE THAT LENDER IS UNDER NO OBLIGATION TO RENEW, EXTEND OR MODIFY THE LOAN DOCUMENTS OR PROVIDE OTHER FINANCING.**

IN WITNESS WHEREOF, the parties hereto have hereupon set their hands as of the day and year first above written.

**PARADISE CANYON LLC,**  
a Nevada limited liability company

By: Chad Clemetson  
Chadley J. Clemetson  
Its: Manager

By: Cory D. Clemetson  
Cory D. Clemetson  
Its: Manager

**FIRST NATIONAL BANK,**  
a national bank

By: Joseph E. Grandgeorge  
Joseph E. Grandgeorge  
Its: President

Douglas C. Clemetson  
Douglas C. Clemetson,  
as Guarantor

Judith Primm Clemetson,  
as Guarantor

IN WITNESS WHEREOF, the parties hereto have hereupon set their hands as of the day and year first above written.

PARADISE CANYON LLC,  
a Nevada limited liability company

By: \_\_\_\_\_  
Chadley J. Clemetson  
Its: Manager

By: \_\_\_\_\_  
Cory D. Clemetson  
Its: Manager

FIRST NATIONAL BANK,  
a national bank

By: \_\_\_\_\_  
Joseph E. Grandgeorge  
Its: President

\_\_\_\_\_  
Douglas C. Clemetson,  
as Guarantor

*Judith Primm Clemetson*  
\_\_\_\_\_  
Judith Primm Clemetson,  
as Guarantor

EXHIBIT A

(Legal Description)

THOSE PORTIONS OF SECTIONS 3 AND 4, TOWNSHIP 13 SOUTH, RANGE 71 EAST,  
M.D.M. DESCRIBED AS FOLLOWS:

PARCELS ONE (1) AND FOUR (4) AS SHOWN BY MAP THEREOF IN FILE 98 OF  
PARCEL MAPS, PAGE 1, AS AMENDED BY CERTIFICATE OF AMENDMENT  
RECORDED JUNE 7, 2000 IN BOOK 20000607 AS DOCUMENT NO. 01473, IN THE  
OFFICE OF THE COUNTY RECORDER, CLARK COUNTY, NEVADA.

TOGETHER WITH A NON-EXCLUSIVE EASEMENT FOR ACCESS, INGRESS, EGRESS  
AND CROSS PARKING AS ESTABLISHED BY CROSS-PARKING EASEMENT AND  
UTILITIES EASEMENT AGREEMENT RECORDED OCTOBER 4, 2001 IN BOOK  
20011004 AS DOCUMENT NO. 1227, IN THE OFFICE OF THE COUNTY RECORDER,  
CLARK COUNTY, NEVADA.

## EXHIBIT B

### SUBORDINATION AND STANDSTILL AGREEMENT

THIS SUBORDINATION AND STANDSTILL AGREEMENT (this "Agreement") made as of the 15th day of July, 2003, by and between the Official Committee of Unsecured Creditors, or its assignee (the "Committee") for and on behalf of those persons and/or entities who are members of the constituency whose interests are represented by the Committee in the proceeding entitled In Re: Paradise Canyon, LLC BK-S-02-17818-LBR (such constituency is hereinafter collectively the "Subordinate Creditors") and First National Bank, a national bank with its principal office located in Fulda, Minnesota (the "Senior Lender").

#### RECITALS

A. Senior Lender is the owner and holder of that certain Promissory Note, dated as of October 3, 2001, of Paradise Canyon LLC, a Nevada limited liability company (the "Borrower") made payable to the order of Senior Lender in the original principal amount of \$10,000,000.00 (the "Note") and any extensions, amendments or substitutions thereof being herein collectively referred to as the "Senior Note". The Senior Note and the loan evidenced thereby (the "Senior Loan") are the subject of that certain Loan Agreement, dated as of the same date of the Note, between Senior Lender and Borrower (the "Senior Loan Agreement"). Pursuant to the Order Confirming Amended Plan of Reorganization dated May 23, 2003, approving Douglas C. Clemetson's First Amended Plan of Reorganization (the "Confirmed Plan"), Borrower and Senior Lender have agreed that the Senior Note, Senior Loan Agreement and all other documents and instruments executed and delivered in connection with the same shall be amended pursuant to the terms and conditions set forth in that certain First Amendment to Loan Documents dated July 15, 2003 between Borrower and Senior Lender (the "Amendment"). The Loan and any extensions, amendments or substitutions thereof being herein referred to as the "Senior Loan."

B. The obligations of Borrower under the Senior Loan Documents are secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated October 3, 2001, from Borrower, as Grantor, to First American Title Company of Nevada, a Nevada corporation, as Trustee, for the benefit of Senior Lender, as beneficiary (said Deed of Trust and any extensions, amendments, substitutions or consolidations thereof being referred to as the "Senior Deed of Trust"), encumbering the land located in Clark County, Nevada, legally described in Exhibit A attached hereto (the "Property"), as well as other property, including, but not limited to, all furniture, fixtures and equipment, whether now owned or hereafter acquired by Borrower. The Senior Deed of Trust was recorded in the office of the Clark County Recorder on October 4, 2001 in Book 20011004 as Instrument Number: 01229. The Senior Loan Agreement, Senior Note, Senior Deed of Trust, Amendment and any extensions, amendments or substitutions thereof are hereinafter collectively referred to as the "Senior Loan Documents").

C. Pursuant to the Confirmed Plan, the Committee, as the official representative of all persons and/or entities holding Class 8 and Class 9 Allowed Unsecured Claims, as such terms are defined in the Confirmed Plan, is authorized to accept payments from Borrower under the

Confirmed Plan of an aggregate sum to be determined following the date of confirmation, which payments represent the full and complete payment of all such claims, with such payments to be made over a period of no longer than sixty (60) months, without interest (the "Unsecured Creditors' Claims").

D. The Unsecured Creditors' Claims shall be secured by a Second Priority Deed of Trust (the "Subordinated Deed of Trust") from Borrower, as grantor, in favor of \_\_\_\_\_, as trustee, for the benefit of the Subordinate Creditors, as Beneficiary (the "Subordinate Deed of Trust"), encumbering Property. As a condition to entering into the Amendment, Senior Lender has required that this Subordination Agreement be executed and delivered by the Committee on behalf of the Subordinate Creditors, whose authority for executing the referenced documents arises from Borrower's Confirmed Plan, and consented to by Borrower and the United States Bankruptcy Court pursuant to the Confirmed Plan.

**NOW, THEREFORE,** in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. The Unsecured Creditors' Claims, the Subordinate Deed of Trust and any other document evidencing, securing or guaranteeing or otherwise executed in connection with the Unsecured Creditors' Claims (collectively, together with any extensions, refinancings, modifications, substitutions or consolidations thereof, being hereinafter collectively referred to as the "Subordinate Unsecured Creditors' Claim Documents") and all advances made thereunder, are hereby, and shall continue to be, subject and subordinate to the lien of the Senior Loan, the Senior Loan Agreement, the Senior Note, the Senior Deed of Trust, the Amendment, and any other document evidencing, securing or guaranteeing the Senior Loan or otherwise executed in connection with the Senior Loan (collectively, together with any amendments, extensions, refinancings, modifications, substitutions or consolidations thereof, being hereinafter collectively referred to as the "Senior Loan Documents") and all advances made thereunder without regard to the application of such advances, together with all interest, prepayment premiums and all other sums due under the Senior Loan Documents.

2. In addition, without limiting the foregoing, the Committee, on behalf of the Subordinate Creditors agrees that all rights of Subordinate Creditors under the Subordinate Unsecured Creditors' Claim Documents in and to the Property and the proceeds thereof (including assignments of leases and rents, issues and profits and the rights with respect to insurance proceeds and condemnation awards) shall be expressly subject and subordinate:

(a) to the rights of Senior Lender in and to the Property and the proceeds thereof (including assignments of leases and rents, issues and profits and rights with respect to insurance proceeds and condemnation awards) on the terms set forth in the Senior Deed of Trust and the other Senior Loan Documents; and

(b) to any and all advances made and other expenses incurred under, and as permitted in, the Senior Deed of Trust and the other Senior Loan Documents.



3. The Committee, on behalf of the Subordinate Creditors, hereby agrees that, except as provided in Section 4 below, so long as any sum shall remain outstanding under the Senior Loan Documents:

(a) Committee shall simultaneously send to Senior Lender due notice of all defaults for which Subordinate Creditors intend to pursue remedies under the Subordinate Unsecured Creditors' Claim Documents, as well as copies of all notices required to be delivered to Borrower under the Subordinate Unsecured Creditors' Claim Documents. Notice under the Subordinate Unsecured Creditors' Claim Documents shall not be deemed effective until such notice has been received by Senior Lender. Senior Lender shall have the right, but shall not have any obligation whatsoever, to cure any such default within thirty (30) days after the expiration of the applicable grace period permitted to Borrower under the Subordinate Unsecured Creditors' Claim Documents;

(b) Subordinate Creditors shall not, without the prior written consent of Senior Lender, which consent shall not be unreasonably withheld, take any Enforcement Action (hereinafter defined). For the purposes of this Agreement, the term "Enforcement Action" shall mean with respect to the Subordinate Unsecured Creditors' Claim Documents, the acceleration of all or any part of the indebtedness evidenced by the Subordinate Unsecured Creditors' Claim Documents, the obtaining of a receiver, the seeking of default interest, the taking of possession or control of the Property, the commencement of suit on any other obligation contained in the Subordinate Unsecured Creditors' Claim Documents, the exercising of any rights of set-off or recoupment, the commencement of any bankruptcy, reorganization or insolvency proceedings against Borrower under any federal or state law, or the taking of any other enforcement action of any kind against the Property;

(c) In the event (i) Subordinate Creditors receive any payment contrary to the terms of the Subordinate Unsecured Creditors' Claim Documents, or (ii) Borrower is in default under the Senior Loan Documents, and there are any payments by or on behalf of Borrower, or of all or any part of the Property, assets or business of Borrower or the proceeds thereof, in whatever form, to any creditor or creditors of Borrower or to any holder of indebtedness of Borrower, then, and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities which shall be payable or deliverable with respect to any or all of the Unsecured Creditors' Claims shall be paid forthwith or delivered directly to Senior Lender for application to the payment of the Senior Loan to the extent necessary to make payment in full of all sums due under the Senior Loan remaining unpaid after giving effect to any concurrent payment or distribution to Senior Lender. In any such event, Senior Lender may, but shall not be obligated to, demand, claim and collect any such payment or distribution that would, but for these subordination provisions, be payable or deliverable with respect to the Unsecured Creditors' Claims;

(d) No Enforcement Action or any other action be taken that would terminate any leases or other rights held by or granted to or by third parties with respect to the Property other than in accordance with the Senior Deed of Trust;

(e) (i) If, after the consent required under paragraph 3(b) above has been obtained, any action or proceeding shall be brought to commence an Enforcement Action, no portion of the rents, issues and profits of the Property shall be collected except through a receiver appointed by the court in which such action or proceeding is brought, after due notice of the application for the appointment of such receiver shall have been given to Senior Lender and the rents, issues and profits so collected by such receiver shall be applied first to the payment of maintenance of and taxes and insurance on the Property, and then to the payment of principal and interest due and owing on the Senior Deed of Trust prior to the payment, if any, of any principal or interest due and owing on the Subordinate Deed of Trust; (ii) if during the pendency of any such action or proceedings, an action or proceeding shall be brought by Senior Lender for the foreclosure of the Senior Deed of Trust and an application is made by Senior Lender for an extension of such receivership for the benefit of Senior Lender, all such rents, issues and profits held by such receiver as of the date of such application shall be applied by the receiver solely for the benefit of Senior Lender, and Subordinate Creditors shall not be entitled to any portion thereof until all sums due and owing pursuant to the Senior Deed of Trust have been paid in full and applied as aforesaid; and (iii) notice of the commencement of any action or proceeding by Subordinate Creditors shall be given to Senior Lender and true copies of all notices thereof and papers served or entered in such action shall be delivered to Senior Lender;

(f) Subordinate Creditors shall not, without the prior written consent of Senior Lender, modify or amend any of the terms or provisions of the Subordinate Deed of Trust or other Subordinate Unsecured Creditors' Claim Documents, if such modification or amendment would (1) increase the then outstanding amount of the Unsecured Creditors' Claims, (2) increase the amount of the scheduled payments on the Unsecured Creditors' Claims, (3) reduce the term of the Unsecured Creditors' Claims, or (4) otherwise materially increase the obligations of Borrower under the Subordinate Unsecured Creditors' Claims Documents;

(g) After request by Senior Lender, Subordinate Creditors shall within ten (10) days furnish Senior Lender with a statement, duly acknowledged and certified setting forth the amount of the then outstanding Unsecured Creditors' Claims and any other sums due and owing thereunder, and whether any default exists under the Subordinate Unsecured Creditors' Claim Documents;

(h) To the extent any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then the Senior Loan or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action as if such payment had not occurred; and

(i) To the extent any payment under the Subordinate Unsecured Creditors' Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement

of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then the Senior Lender shall have no objection to the reinstatement of any such amount to the Unsecured Creditors' Claims.

4. Notwithstanding the provisions of Paragraph 3 of this Agreement, until Senior Lender gives the Committee written notice (in the manner set forth below) of the occurrence of a default by Borrower under the Senior Loan Documents, and provided that

(a) there shall not then exist any breach of this Agreement by Subordinate Creditors that has not been waived, in writing, by Senior Lender,

(b) at the time of the payment described below no default by Borrower exists and is continuing under the Senior Loan Documents,

(c) the payment described below, if made, would not give rise to the occurrence of any default by Borrower under the Senior Loan Documents, and

(d) none of the events described in Paragraph 3(c)(iv) has occurred,

Borrower may pay to Subordinate Creditors, and Subordinate Creditors may accept from Borrower payments when due on the Unsecured Creditors' Claims.

5. Senior Lender hereby consents to the Unsecured Creditors' Claims subject to the terms of this Agreement. This consent is limited to the Unsecured Creditors' Claims described above and shall not be deemed to (a) be a consent to any future encumbrances or to any modification not permitted in Paragraph 3(f), or any renewal, extension or increase, of the Subordinate Unsecured Creditors' Claim Documents, (b) be a waiver of any provision limiting or prohibiting further encumbrances contained in the Senior Deed of Trust, (c) be a consent to or waiver of any other term or condition of the Senior Deed of Trust or other Senior Loan Documents, or (d) prejudice any right or rights which Senior Lender may now or in the future have under or in connection with the Senior Deed of Trust or other Senior Loan Documents.

6. Senior Lender further agrees as follows:

(a) Senior Lender will simultaneously send to the Committee a copy of any notice sent by Senior Lender to Borrower of any default for which Senior Lender intends to pursue its remedies under the Senior Loan Documents, provided that any failure by Senior Lender to provide such notice shall not effect the subordination and standstill obligations of Subordinate Creditors hereunder, which shall remain in full force and effect notwithstanding any such failure to provide any such notice.

(b) After request by the Committee or its assignee, Senior Lender shall within thirty (30) days furnish the Committee with a statement, duly acknowledged and certified, setting forth the original principal amount of the Senior Note, the unpaid principal balance, all accrued but unpaid interest and any other sums due and owing

thereunder, the rate of interest, the monthly payments and whether any default exists under the Senior Loan Documents.

7. Senior Lender, the Committee and Subordinate Creditors shall cooperate fully with each other in order to promptly and fully carry out the terms and provisions of this Agreement. Each party hereto shall from time to time execute and deliver such other agreements, documents or instruments and take such other actions as may be reasonably necessary or desirable to effectuate the terms of this Agreement.

8. No failure or delay on the part of any party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

9. Each party hereto acknowledges that to the extent that no adequate remedy at law exists for breach of its obligations under this Agreement, in the event either party fails to comply with its obligations hereunder, the other party shall have the right to obtain specific performance of the obligations of such defaulting party, injunctive relief or such other equitable relief as may be available.

10. Any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed, at the address specified below the signatures below, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first business day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed. Either party may change its address for notices by a notice given not less than five (5) business days prior to the effective date of the change.

11. In the event of any conflict between the provisions of this Agreement and the provisions of the Subordinate Unsecured Creditors' Claim Documents, the provisions of this Agreement shall prevail.

12. No person, including, without limitation, Borrower, other than the parties hereto and their successors and assigns as holders of the Senior Loan Documents and the holders of the Subordinate Unsecured Creditors' Claims shall have any rights under this Agreement.

13. This Agreement may be executed in two or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

14. No amendment, supplement, modification, waiver or termination of this Agreement shall be effective against a party against whom the enforcement of such amendment, supplement, modification, waiver or termination would be asserted, unless such amendment, supplement, modification, waiver or termination was made in writing signed by such party.

15. In case any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein, and any other application thereof, shall not in any way be affected or impaired thereby.

16. This Agreement shall be construed in accordance with and governed by the laws of the State of Nevada.

17. This Agreement shall bind and inure to the benefit of Senior Lender, the Committee and Subordinate Creditors and their respective successors, permitted transferees and assigns.

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

**SENIOR LENDER:**

**FIRST NATIONAL BANK**

By: \_\_\_\_\_

Joseph E. Grandgeorge

Its: President

Address:

109 North St. Paul Avenue

Fulda, Minnesota 56131

Attention: Joseph E. Grandgeorge

Fax No. 507-425-2579

**OFFICIAL COMMITTEE OF UNSECURED CREDITORS**, acting as agent and fiduciary on behalf of the Subordinate Creditors

By: \_\_\_\_\_

Its: Chairman

Address:

Official Committee of Unsecured Creditors of Paradise Canyon, LLC

Schwartz & McPherson Law Firm

Las Vegas, Nevada 89109

Attention: Jeanette E. McPherson, Esquire

Fax No. (702) 693-0122

STATE OF MINNESOTA )  
 ) ss.  
COUNTY OF MURRAY )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of July, 2003, by Joseph E. Grandgeorge, the President of First National Bank, a national bank, on behalf of the bank.

\_\_\_\_\_  
Notary Public in and for said County and State

STATE OF NEVADA )  
 ) ss.  
COUNTY OF CLARK )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of July, 2003, by \_\_\_\_\_, the Chairman of the Official Committee of Unsecured Creditors in the proceeding entitled In Re: Paradise Canyon, LLC, Case No.BK-S-02-17818-LBR, on behalf of the Official Committee of Unsecured Creditors.

\_\_\_\_\_  
Notary Public in and for said County and State

This instrument was drafted by:

Hinshaw & Culbertson  
222 South Ninth Street, Suite 3100  
Minneapolis, MN 55402

[ACKNOWLEDGMENT PAGE TO  
SUBORDINATION AND STANDSTILL AGREEMENT]

**CONSENT OF PARADISE CANYON, LLC**

Paradise Canyon, LLC, a reorganized debtor under Chapter 11 of the United States Bankruptcy Code, hereby consents to all of the terms of the foregoing Subordination and Standstill Agreement.

**PARADISE CANYON, LLC**

By: \_\_\_\_\_  
Cory D. Clemetson, Manager

By: \_\_\_\_\_  
Chadley J. Clemetson, Manager

STATE OF NEVADA )  
                                  ) ss.  
COUNTY OF CLARK )

The foregoing instrument was acknowledged before me this \_\_\_ day of July, 2003, by Cory D. Clemetson and Chadley J. Clemetson, the Managers of Paradise Canyon, LLC, a Nevada limited liability company, on behalf of the company.

\_\_\_\_\_  
Notary Public in and for said County and State

## EXHIBIT C

### SUBORDINATION AND STANDSTILL AGREEMENT

THIS SUBORDINATION AND STANDSTILL AGREEMENT (this "Agreement") made as of the 15th day of July, 2003, by and between Douglas C. Clemetson (hereinafter the "Subordinate Creditor") and First National Bank, a national bank with its principal office located in Fulda, Minnesota (the "Senior Lender").

#### RECITALS

A. Senior Lender is the owner and holder of that certain Promissory Note, dated as of October 3, 2001, of Paradise Canyon LLC, a Nevada limited liability company (the "Borrower") made payable to the order of Senior Lender in the original principal amount of \$10,000,000.00 (the "Note") and any extensions, amendments or substitutions thereof being herein collectively referred to as the "Senior Note". The Senior Note and the terms and conditions of the loan evidenced thereby (herein the "Senior Loan") are evidenced by that certain Loan Agreement dated of even date with the Senior Note, between Senior Lender and Borrower (the "Senior Loan Agreement").

B. Douglas C. Clemetson's First Amended Plan of Reorganization (the "Confirmed Plan") was approved and confirmed in the proceeding entitled In Re: Paradise Canyon, LLC, BK-S-02-17818-LBR, pursuant to that certain Order Confirming Amended Plan of Reorganization dated May 23, 2003. Borrower and Senior Lender have agreed that the Senior Note, the Senior Loan Agreement and all other documents and instruments executed and delivered by in connection with the Senior Loan shall be amended pursuant to the terms and conditions set forth in the Confirmed Plan and that certain First Amendment to Loan Documents dated of even date herewith (the "Amendment"). The Amendment shall become effective upon execution and delivery of this Agreement by the parties hereto, and upon execution by Borrower and delivery to Senior Lender of all documents and instruments as may be specifically set forth in the Amendment and the Confirmed Plan. The Senior Loan and any extensions, amendments or substitutions thereof being herein referred to as the "Senior Loan."

C. The obligations of Borrower in connection with the Senior Loan are secured by that certain Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated October 3, 2001, from Borrower, as Grantor, to Nevada Title Company, a Nevada corporation, as Trustee, for the benefit of Senior Lender, as Beneficiary (said Deed of Trust and any extensions, amendments, substitutions or consolidations thereof being referred to as the "Senior Deed of Trust"), encumbering the land located in Clark County, Nevada, legally described in Exhibit A attached hereto (the "Property"), as well as other property, including, but not limited to, all furniture, fixtures and equipment, whether now owned or hereafter acquired by Borrower. The Senior Deed of Trust was recorded in the office of the Clark County Recorder on October 4, 2001 in Book 20011004 as Instrument Number: 01229. The Senior Loan Agreement, Senior Note, Senior Deed of Trust, Amendment and any extensions, amendments or substitutions thereof are hereinafter collectively referred to as the "Senior Loan Documents").



D. Pursuant to the Confirmed Plan, Subordinate Creditor is the holder of the Class 7 Subordinated Note, as such term is defined in the Plan, and is authorized to accept payments from Borrower under the Confirmed Plan of an aggregate sum not to exceed \$1,250,000.00, with such payments to be made pursuant to the terms of the Confirmed Plan (the "Subordinate Creditor's Claim"). Subordinate Creditor acknowledges that he is the lawful owner of all right, title and interest in, to and under the Subordinate Creditor's Claim, that such claim is in an amount of not more than \$1,250,000.00, and that Subordinate Creditor has actually advanced \$1,250,000.00 to Borrower's account for use by Borrower in connection with the business operations of Borrower at the Property.

E. The Subordinate Creditor's Claim shall be secured by a third priority deed of trust from Borrower, as Grantor, in favor of \_\_\_\_\_, as Trustee, for the benefit of the Subordinate Creditor, as beneficiary (the "Subordinate DIP Deed of Trust"), encumbering Property. As a condition to entering into the Amendment, Senior Lender has required that this Subordination Agreement be executed and delivered by the Subordinate Creditor, whose authority for executing the referenced documents arises from Borrower's Confirmed Plan, and consented to by Borrower and the Bankruptcy Court pursuant to the Confirmed Plan.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto agree as follows:

1. The Subordinate Creditor's Claim, the Subordinate DIP Deed of Trust and any other document evidencing, securing or guaranteeing or otherwise executed in connection with the Subordinate Creditor's Claim (collectively, together with any extensions, refinancings, modifications, substitutions or consolidations thereof, being hereinafter collectively referred to as the "Subordinate Creditor's Claim Documents") and all advances made thereunder, are hereby, and shall continue to be, subject and subordinate to the lien of the Senior Loan, the Senior Loan Agreement, the Senior Note, the Senior Deed of Trust, the Amendment, and any other document evidencing, securing or guaranteeing the Senior Loan or otherwise executed in connection with the Senior Loan (collectively, together with any amendments, extensions, refinancings, modifications, substitutions or consolidations thereof, being hereinafter collectively referred to as the "Senior Loan Documents") and all advances made thereunder without regard to the application of such advances, together with all interest, prepayment premiums and all other sums due under the Senior Loan Documents.

2. In addition, without limiting the foregoing, Subordinate Creditor agrees that all rights of Subordinate Creditor under the Subordinate Creditor's Claim Documents in and to the Property and the proceeds thereof (including assignments of leases and rents, issues and profits and the rights with respect to insurance proceeds and condemnation awards) shall be expressly subject and subordinate:

(a) to the rights of Senior Lender in and to the Property and the proceeds thereof (including assignments of leases and rents, issues and profits and rights with respect to insurance proceeds and condemnation awards) on the terms set forth in the Senior Deed of Trust and the other Senior Loan Documents; and

(b) to any and all advances made and other expenses incurred under, and as permitted in, the Senior Deed of Trust and the other Senior Loan Documents.

3. Subordinate Creditor hereby agrees that, except as provided in Section 4 below, so long as any sum shall remain outstanding under the Senior Loan Documents:

(a) Subordinate Creditor shall simultaneously send to Senior Lender due notice of all defaults for which Subordinate Creditor intends to pursue remedies under the Subordinate Creditor's Claim Documents, as well as copies of all notices required to be delivered to Borrower under the Subordinate Creditor's Claim Documents. Notice under the Subordinate Creditor's Claim Documents shall not be deemed effective until such notice has been received by Senior Lender. Senior Lender shall have the right, but shall not have any obligation whatsoever, to cure any such default within thirty (30) days after the expiration of the applicable grace period permitted to Borrower under the Subordinate Creditor's Claim Documents;

(b) Subordinate Creditor shall not, without the prior written consent of Senior Lender, take any Enforcement Action (hereinafter defined). For the purposes of this Agreement, the term "Enforcement Action" shall mean with respect to the Subordinate Creditor's Claim Documents, the acceleration of all or any part of the indebtedness evidenced by the Subordinate Creditor's Claim Documents, the obtaining of a receiver, the seeking of default interest, the taking of possession or control of the Property, the commencement of suit on any other obligation contained in the Subordinate Creditor's Claim Documents, the exercising of any rights of set-off or recoupment, the commencement of any bankruptcy, reorganization or insolvency proceedings against Borrower under any federal or state law, or the taking of any other enforcement action of any kind against the Property;

(c) In the event (i) Subordinate Creditor receives any payment contrary to the terms of the Subordinate Creditor's Claim Documents, or (ii) Borrower is in default under the Senior Loan Documents, and there are any payments by or on behalf of Borrower, or of all or any part of the Property, assets or business of Borrower or the proceeds thereof, in whatever form, to any creditor or creditors of Borrower or to any holder of indebtedness of Borrower, then, and in any such event, any payment or distribution of any kind or character, whether in cash, property or securities which shall be payable or deliverable with respect to any or all of the Subordinate Creditor's Claim shall be paid forthwith or delivered directly to Senior Lender for application to the payment of the Senior Loan to the extent necessary to make payment in full of all sums due under the Senior Loan remaining unpaid after giving effect to any concurrent payment or distribution to Senior Lender. In any such event, Senior Lender may, but shall not be obligated to, demand, claim and collect any such payment or distribution that would, but for these subordination provisions, be payable or deliverable with respect to the Subordinate Creditor's Claim;

(d) No Enforcement Action or any other action be taken that would terminate any leases or other rights held by or granted to or by third parties with respect to the Property other than in accordance with the Senior Deed of Trust;

(e) (i) If, after the consent required under paragraph 3(b) above has been obtained, any action or proceeding shall be brought to commence an Enforcement Action, no portion of the rents, issues and profits of the Property shall be collected except through a receiver appointed by the court in which such action or proceeding is brought, after due notice of the application for the appointment of such receiver shall have been given to Senior Lender and the rents, issues and profits so collected by such receiver shall be applied first to the payment of maintenance of and taxes and insurance on the Property, and then to the payment of principal and interest due and owing under the Senior Loan Documents prior to the payment, if any, of any principal or interest due and owing on the Subordinate Creditor's Claim Documents; (ii) if during the pendency of any such action or proceedings, an action or proceeding shall be brought by Senior Lender for the foreclosure of the Senior Deed of Trust and an application is made by Senior Lender for an extension of such receivership for the benefit of Senior Lender, all such rents, issues and profits held by such receiver as of the date of such application shall be applied by the receiver solely for the benefit of Senior Lender, and Subordinate Creditor shall not be entitled to any portion thereof until all sums due and owing pursuant to the Senior Loan Documents have been paid in full and applied as aforesaid; and (iii) notice of the commencement of any action or proceeding by Subordinate Creditor shall be given to Senior Lender and true copies of all notices thereof and papers served or entered in such action shall be delivered to Senior Lender;

(f) Subordinate Creditor shall not, without the prior written consent of Senior Lender, modify or amend any of the terms or provisions of the Subordinate DIP Deed of Trust or other Subordinate Creditor's Claim Documents, if such modification or amendment would (1) increase the then outstanding amount of the Subordinate Creditor's Claim, (2) increase the amount of the scheduled payments on the Subordinate Creditor's Claim, (3) reduce the term of the Subordinate Creditor's Claim, or (4) otherwise materially increase the obligations of Borrower under the Subordinate Creditor's Claim Documents;

(g) After request by Senior Lender, Subordinate Creditor shall within ten (10) days furnish Senior Lender with a statement, duly acknowledged and certified setting forth the amount of the then outstanding Subordinate Creditor's Claim and any other sums due and owing thereunder, and whether any default exists under the Subordinate Creditor's Claim Documents;

(h) To the extent any payment under the Senior Loan Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then the Senior Loan or part thereof originally intended to be satisfied shall be deemed to be reinstated and outstanding to the extent of any repayment, return, or other action as if such payment had not occurred; and

(i) To the extent any payment under the Subordinate Creditor's Claim Documents (whether by or on behalf of Borrower, as proceeds of security or enforcement

of any right of set-off or otherwise) is for any reason repaid or returned to Borrower or its insolvent estate, or avoided, set aside or required to be paid to Borrower, a trustee, receiver or other similar party under any bankruptcy, insolvency, receivership or similar law, then the Senior Lender shall have no objection to the reinstatement of any such amount to the Subordinate Creditor's Claim.

4. Notwithstanding the provisions of Paragraph 3 of this Agreement, until Senior Lender gives Subordinate Creditor written notice (in the manner set forth below) of the occurrence of a default by Borrower under the Senior Loan Documents, and provided that

(a) there shall not then exist any breach of this Agreement by Subordinate Creditor that has not been waived, in writing, by Senior Lender,

(b) at the time of the payment described below no default by Borrower exists and is continuing under the Senior Loan Documents,

(c) the payment described below, if made, would not give rise to the occurrence of any default by Borrower under the Senior Loan Documents, and

(d) none of the events described in Paragraph 3(c)(iv) has occurred,

Borrower may pay to Subordinate Creditor, and Subordinate Creditor may accept from Borrower payments when due on the Subordinate Creditor's Claim as set forth in the Plan.

5. Senior Lender hereby consents to the Subordinate Creditor's Claim subject to the terms of this Agreement. This consent is limited to the Subordinate Creditor's Claim described above and shall not be deemed to (a) be a consent to any future encumbrances or to any modification not permitted in Paragraph 3(f), or any renewal, extension or increase, of the Subordinate Creditor's Claim Documents, (b) be a waiver of any provision limiting or prohibiting further encumbrances contained in the Senior Deed of Trust, (c) be a consent to or waiver of any other term or condition of the Senior Deed of Trust or other Senior Loan Documents, or (d) prejudice any right or rights which Senior Lender may now or in the future have under or in connection with the Senior Deed of Trust or other Senior Loan Documents.

6. Senior Lender further agrees as follows:

(a) Senior Lender will simultaneously send to Subordinate Creditor a copy of any notice sent by Senior Lender to Borrower of any default for which Senior Lender intends to pursue its remedies under the Senior Loan Documents, provided that any failure by Senior Lender to provide such notice shall not effect the subordination and standstill obligations of Subordinate Creditor hereunder, which shall remain in full force and effect notwithstanding any such failure to provide any such notice.

(b) After request by Subordinate Creditor or his assignee, if any, Senior Lender shall within thirty (30) days furnish Subordinate Creditor with a statement, duly acknowledged and certified, setting forth the original principal amount of the Senior Note, the unpaid principal balance, all accrued but unpaid interest and any other sums due

and owing thereunder, the rate of interest, the monthly payments and whether any default exists under the Senior Loan Documents.

7. Senior Lender and Subordinate Creditor shall cooperate fully with each other in order to promptly and fully carry out the terms and provisions of this Agreement. Each party hereto shall from time to time execute and deliver such other agreements, documents or instruments and take such other actions as may be reasonably necessary or desirable to effectuate the terms of this Agreement.

8. No failure or delay on the part of any party in exercising any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy hereunder.

9. Each party hereto acknowledges that to the extent that no adequate remedy at law exists for breach of its obligations under this Agreement, in the event either party fails to comply with its obligations hereunder, the other party shall have the right to obtain specific performance of the obligations of such defaulting party, injunctive relief or such other equitable relief as may be available.

10. Any notice or other communication to any party in connection with this Agreement shall be in writing and shall be sent by manual delivery, telegram, telex, facsimile transmission, overnight courier or United States mail (postage prepaid) addressed, at the address specified below the signatures below, or at such other address as such party shall have specified to the other party hereto in writing. All periods of notice shall be measured from the date of delivery thereof if manually delivered, from the date of sending thereof if sent by telegram, telex or facsimile transmission, from the first business day after the date of sending if sent by overnight courier, or from four days after the date of mailing if mailed. Either party may change its address for notices by a notice given not less than five (5) business days prior to the effective date of the change.

11. In the event of any conflict between the provisions of this Agreement and the provisions of the Subordinate Creditor's Claim Documents the provisions of this Agreement shall prevail.

12. No person, including, without limitation, Borrower, other than the parties hereto and their successors and assigns as holders of the Senior Loan Documents and the Subordinate Creditor's Claim Documents shall have any rights under this Agreement.

13. This Agreement may be executed in two or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

14. No amendment, supplement, modification, waiver or termination of this Agreement shall be effective against a party against whom the enforcement of such amendment, supplement, modification, waiver or termination would be asserted, unless such amendment, supplement, modification, waiver or termination was made in writing signed by such party.

15. In case any one or more of the provisions contained in this Agreement, or any application thereof, shall be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein, and any other application thereof, shall not in any way be affected or impaired thereby.

16. This Agreement shall be construed in accordance with and governed by the laws of the State of Nevada.

17. This Agreement shall bind and inure to the benefit of Senior Lender and Subordinate Creditor and their respective successors, permitted transferees and assigns.

[SIGNATURE PAGE FOLLOWS]

COPY

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

SENIOR LENDER:

FIRST NATIONAL BANK

By \_\_\_\_\_  
Joseph E. Grandgeorge  
Its: President

Address:  
109 North St. Paul Avenue  
Fulda, Minnesota 56131  
Attention: Joseph E. Grandgeorge  
Fax No. 507-425-2579

SUBORDINATE CREDITOR

By \_\_\_\_\_  
Douglas C. Clemetson

Address:  
714 Champagne Road  
Incline Village, Nevada 89024

[SIGNATURE PAGE TO SUBORDINATION AND STANDSTILL AGREEMENT]

STATE OF MINNESOTA )  
 ) ss.  
COUNTY OF MURRAY )

The foregoing instrument was acknowledged before me this \_\_\_\_ day of July, 2003, by Joseph E. Grandgeorge, the President of First National Bank, a national bank, on behalf of the bank.

STATE OF NEVADA )  
 ) ss.  
COUNTY OF CLARK )

The foregoing instrument was acknowledged before me this 15th day of July, 2003, by Douglas C. Clemetson, the holder of the Class 7 Subordinated Note under the Confirmed Plan.

This instrument was drafted by:

Hinshaw & Culbertson  
222 South Ninth Street, Suite 3100  
Minneapolis, MN 55402

[ACKNOWLEDGMENT PAGE TO  
SUBORDINATION AND STANDSTILL AGREEMENT]



**CONSENT OF PARADISE CANYON, LLC**

Paradise Canyon, LLC, a reorganized debtor under Chapter 11 of the United States Bankruptcy Code, hereby consents to all of the terms of the foregoing Subordination and Standstill Agreement.

PARADISE CANYON, LLC

By \_\_\_\_\_  
Cory D. Clemetson  
Its: Manager

By \_\_\_\_\_  
Chadley J. Clemetson  
Its: Manager

STATE OF NEVADA     )  
                                  ) ss.  
COUNTY OF CLARK    )

The foregoing instrument was acknowledged before me this 15th day of July, 2003, by Cory D. Clemetson, the Manager of Paradise Canyon, LLC, a Nevada limited liability company, on behalf of the company.

\_\_\_\_\_  
Notary Public

STATE OF NEVADA     )  
                                  ) ss.  
COUNTY OF CLARK    )

The foregoing instrument was acknowledged before me this 15th day of July, 2003, by Chadley J. Clemetson, the Manager of Paradise Canyon, LLC, a Nevada limited liability company, on behalf of the company.

\_\_\_\_\_  
Notary Public

SCHEDULE I

AMORTIZATION

Date	Description	P&I Payment	Principal Payment	Principal Balance	Interest Earned	Interest Payment	Interest Balance	Rate
07/15/2003	Initial Loan			10,000,000.00				8.0000
09/01/2003	Fixed Regular Payment	80,211.08		10,000,000.00	106,666.66	80,211.08	26,455.58	8.0000
10/01/2003	Fixed Regular Payment	80,211.08		10,000,000.00	66,666.66	80,211.08	12,911.16	8.0000
11/01/2003	Fixed Regular Payment	80,211.08		10,000,000.00	68,888.88	80,211.08	1,588.96	8.0000
12/01/2003	Fixed Regular Payment	80,211.08	11,955.46	9,988,044.54	66,666.66	68,255.62		8.0000
2003 Totals:		320,844.32	11,955.46		308,888.86	308,888.86		
01/01/2004	Fixed Regular Payment	80,211.08	11,404.56	9,976,639.98	68,806.52	68,806.52		8.0000
02/01/2004	Fixed Regular Payment	80,211.08	11,483.12	9,965,156.86	68,727.96	68,727.96		8.0000
03/01/2004	Fixed Regular Payment	80,211.08	15,991.19	9,949,165.67	64,219.89	64,219.89		8.0000
04/01/2004	Fixed Regular Payment	80,211.08	11,672.39	9,937,493.28	68,538.69	68,538.69		8.0000
05/01/2004	Fixed Regular Payment	80,211.08	13,961.13	9,923,532.15	66,249.95	66,249.95		8.0000
06/01/2004	Fixed Regular Payment	80,211.08	11,846.97	9,911,683.18	68,362.11	68,362.11		8.0000
07/01/2004	Fixed Regular Payment	80,211.08	14,133.20	9,897,549.98	66,077.88	66,077.88		8.0000
08/01/2004	Fixed Regular Payment	80,211.08	12,027.96	9,885,522.02	68,183.12	68,183.12		8.0000
09/01/2004	Fixed Regular Payment	80,211.08	12,110.82	9,873,411.20	68,100.26	68,100.26		8.0000
10/01/2004	Fixed Regular Payment	80,211.08	14,388.34	9,859,022.86	65,822.74	65,822.74		8.0000
11/01/2004	Fixed Regular Payment	80,211.08	12,293.37	9,846,729.49	67,917.71	67,917.71		8.0000
12/01/2004	Fixed Regular Payment	80,211.08	14,566.22	9,832,163.27	65,644.86	65,644.86		8.0000
2004 Totals:		962,532.96	155,881.27		806,651.69	806,651.69		
01/01/2005	Fixed Regular Payment	80,211.08	12,478.40	9,819,684.87	67,732.68	67,732.68		8.0000
02/01/2005	Fixed Regular Payment	80,211.08	12,564.37	9,807,120.50	67,646.71	67,646.71		8.0000
03/01/2005	Fixed Regular Payment	80,211.08	19,189.00	9,787,931.50	61,022.08	61,022.08		8.0000
04/01/2005	Fixed Regular Payment	80,211.08	12,783.11	9,775,148.39	67,427.97	67,427.97		8.0000
05/01/2005	Fixed Regular Payment	80,211.08	15,043.43	9,760,104.96	65,167.65	65,167.65		8.0000
06/01/2005	Fixed Regular Payment	80,211.08	12,974.81	9,747,130.15	67,236.27	67,236.27		8.0000
07/01/2005	Fixed Regular Payment	80,211.08	15,230.22	9,731,899.93	64,980.86	64,980.86		8.0000
08/01/2005	Fixed Regular Payment	80,211.08	13,169.11	9,718,730.82	67,041.97	67,041.97		8.0000
09/01/2005	Fixed Regular Payment	80,211.08	13,259.83	9,705,470.99	66,951.25	66,951.25		8.0000
10/01/2005	Fixed Regular Payment	80,211.08	15,507.95	9,689,963.04	64,703.13	64,703.13		8.0000
11/01/2005	Fixed Regular Payment	80,211.08	13,458.01	9,676,505.03	66,753.07	66,753.07		8.0000
12/01/2005	Fixed Regular Payment	80,211.08	15,701.05	9,660,803.98	64,510.03	64,510.03		8.0000
2005 Totals:		962,532.96	171,359.29		791,173.67	791,173.67		
01/01/2006	Fixed Regular Payment	80,211.08	13,658.88	9,647,145.10	66,552.20	66,552.20		8.0000
02/01/2006	Fixed Regular Payment	80,211.08	13,752.97	9,633,392.13	66,458.11	66,458.11		8.0000
03/01/2006	Fixed Regular Payment	80,211.08	20,269.98	9,613,122.15	59,941.10	59,941.10		8.0000
04/01/2006	Fixed Regular Payment	80,211.08	13,987.35	9,599,134.80	66,223.73	66,223.73		8.0000
05/01/2006	Fixed Regular Payment	80,211.08	16,216.85	9,582,917.95	63,994.23	63,994.23		8.0000
06/01/2006	Fixed Regular Payment	80,211.08	14,195.43	9,568,722.52	66,015.65	66,015.65		8.0000
07/01/2006	Fixed Regular Payment	80,211.08	16,419.60	9,552,302.92	63,791.48	63,791.48		8.0000
08/01/2006	Fixed Regular Payment	80,211.08	14,406.33	9,537,896.59	65,804.75	65,804.75		8.0000
09/01/2006	Fixed Regular Payment	80,211.08	14,505.88	9,523,391.01	65,705.50	65,705.50		8.0000
10/01/2006	Balloon Payment	9,586,880.28	9,523,391.01		63,489.27	63,489.27		8.0000
2006 Totals:		10,308,780.00	9,660,803.98		647,976.02	647,976.02		
Grand Total:		12,554,690.24	10,000,000.00		2,554,690.24	2,554,690.24		