

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES

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FEB 18 2014

WATER RESOURCES
WESTERN REGION

Notice of Security Interest in a Water Right

And Request for Notification of a Change in Ownership or Any Proposed
Or Final Action to Amend, Transfer, or Otherwise Modify a Water Right

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MAR 21 2014

Please print or type. Attach pages with additional information. Instructions are on the back of this page.
Incomplete forms will be returned.

DEPT. OF WATER RESOURCES
SOUTHERN REGION

1. Water Right No(s): 37-481B, 37-482G, 37-483B, 37-665K, 37-666J, 37-667N, 37-2625A,
37-2625B, 37-2638, 37-2700, 37-12193, 37-12194
Adjudication Claim No(s): 37-21463, 37-22155

2. The following **REQUIRED** information must be submitted with this form:

A) Evidence of the security interest. This may be a copy of a **DEED of TRUST, MORTGAGE, CONTRACT OF SALE** or other legal document indicating your interest in the property and water rights or claims in question, **WITH ATTACHED LEGAL DESCRIPTION.**

B) A **FEE** of **\$25.00** per water right or adjudication claim.

3. Name and Mailing Address of Person or Company holding Security Interest

Michael J. Lovas, Trustee of the Lovas Trust uad 10/28/99
681 Norante Court
Pleasanton, CA 94566

4. Name of Water Right Owner/Claimant(s)

Redstone Partners, L.P., a Nevada limited partnership

5. Expiration Date of Notification Period 3/31/2015

6. Is this a Renewal of Request for Notification?

☐ YES☒ NO

7. Signature(s) of Security Interest holder(s)
(and title if applicable)

Michael J. Lovas, Trustee of the Lovas Trust uad 10/28/99

For Office Use Only

Received by MLDate 2/18/14Fee 350-Received by MLDate 2/18/14Receipt No. W041850Processed by AJDate 2/18/14WR Date

SUPPORT DATA

IN FILE # 37-481B

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SOUTHERN REGION

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WATER RESOURCES
WESTERN REGION

Recording Requested By and
When Recorded Return to:

Richard F. Goodson
Hawley Troxell Ennis & Hawley LLP
P.O. Box 1617
Boise, ID 83701-1617

Instrument # 586840

HAILEY, BLAINE, IDAHO
04-18-2011 11:33:00 AM No. of Pages: 18
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JOLYNN DRAGE Fee: \$61.00
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Electronically Recorded by Simplifile

SPACE ABOVE THIS LINE FOR RECORDER'S USE ONLY

**SECOND MORTGAGE, ASSIGNMENT OF RENTS, SECURITY
AGREEMENT AND FIXTURE FILING**

made by

Redstone Partners, L.P. a Nevada limited partnership,
whose address is 1188 Eagle Vista Court, Reno, Nevada 89211

hereinafter referred to as "**Mortgagor,**"

and

Michael J. Lovas, Trustee of The Lovas Trust,
Under Trust Agreement dated October 28, 1999,
whose address is 681 Norante Court, Pleasanton, California 94566

hereinafter referred to as "**Mortgagee**"

***THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH ARTICLE 9 OF THE
UNIFORM COMMERCIAL CODE AS ADOPTED IN THE STATE OF IDAHO***

45446.0001.2286123.4

Recorded Electronically			
ID	586840		
County	Blaine		
Date	4/18/11	Time	11:33am
Simplifile.com 800.460.5657			

Recording Requested By and
When Recorded Return to:

Richard F. Goodson
Hawley Troxell Ennis & Hawley LLP
P.O. Box 1617
Boise, ID 83701-1617

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*THIS DOCUMENT CONSTITUTES A FIXTURE FILING IN ACCORDANCE WITH ARTICLE 9 OF THE
UNIFORM COMMERCIAL CODE AS ADOPTED IN THE STATE OF IDAHO*

THIS SECOND MORTGAGE, ASSIGNMENT OF RENTS, SECURITY AGREEMENT AND FIXTURE FILING ("Second Mortgage") is made this 22 day of March, 2011 and granted by Mortgagor to Mortgagee.

RECITALS

A. Concurrently herewith, Mortgagee made a loan in the principal amount of ~~One Million Four Hundred Thousand and No/100 Dollars (\$1,400,000.00)~~ to Mortgagor (the "Loan") in exchange for: (1) Mortgagor's execution of a promissory note in the principal amount of ~~One Million Four Hundred Thousand and No/100 Dollars (\$1,400,000.00)~~ (the "Note"); and (2) Mortgagor's execution of a mortgage securing the performance of its obligations under the Note.

B. The Note, this Second Mortgage, and that certain Term Loan Agreement of even date herewith ("Loan Agreement"), and all other instruments and documents, whether now or hereafter existing, executed in connection with the Loan are referred to collectively herein as the "Loan Documents."

C. Mortgagor desires to execute this Second Mortgage to secure the Note in compliance with law.

WITNESSETH

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor does hereby irrevocably GRANT, BARGAIN, SELL and CONVEY to Mortgagee, its successors and assigns, with right of entry and possession, a second mortgage lien on any and all of the following described property which is (except where the context otherwise requires) herein collectively called the "Mortgaged Property":

REAL PROPERTY

A. That certain real property located in Blaine County, Idaho, more particularly described in **Exhibit A** attached hereto and incorporated herein by this reference, together with all of the easements, rights, privileges, water and water rights, ditch and ditch rights, hydrocarbon and mineral rights, tenements, hereditaments and appurtenances thereunto belonging or in anywise appertaining, (hereinafter collectively referred to as the "Premises"), including without limitation all of the estate, right, title, interest, claim and demand whatsoever of Mortgagor therein or thereto, either at law or in equity, in possession or in expectancy, now or hereafter acquired;

B. All fixtures, structures, buildings and improvements of every kind and description now or at any time hereafter located on the Premises (hereinafter referred to as the "Improvements"), including, without limitation, all equipment, apparatus, machinery, fittings, and appliances and any additions to, substitutions for, changes in or replacements of the whole or any part thereof, now or at any time hereafter affixed to, attached to, placed upon or used in any

way in connection with the use, enjoyment, occupancy or operation of the Premises or any portion thereof;

C. All articles of personal property and any additions to, substitutions for, changes in or replacements of the whole or any part thereof (hereinafter referred to as the "**Personal Property**"), now or at any time hereafter affixed to, attached to, placed upon or used in any way in connection with the use, enjoyment, occupancy or operation of the Premises or the Improvements or any portion thereof and owned by Mortgagor or in which Mortgagor now has or hereafter acquires an ownership interest;

D. All right, title and interest of Mortgagor in and to all roads and all easements and rights-of-way, public or private, now or hereafter used in connection with, belonging or appertaining to, the Premises;

E. All of the rents, royalties, issues, profits, revenue, income and other benefits of the Mortgaged Property, or arising from the use or enjoyment of all or any portion thereof or from any lease or agreement pertaining thereto (collectively the "**Rents and Profits**"), and all right, title and interest of Mortgagor in and to all leases of the Mortgaged Property now or hereafter entered into and all right, title and interest of Mortgagor thereunder, subject to, however, the provisions contained in Section 1.9 hereof;

F. All proceeds (including claims and demands therefor) of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims, including, without limitation, proceeds of insurance and condemnation awards, and all the rents, issues, proceeds, products and profits of the Mortgaged Property.

PERSONAL PROPERTY

This Second Mortgage shall also constitute a "Security Agreement" under the Uniform Commercial Code as adopted in the State of Idaho (the "**UCC**") between Mortgagor as debtor and Mortgagee as secured party. As additional security for the performance of the obligations secured hereby, Mortgagor further grants and conveys to Mortgagee a security interest and a continuing lien on the following-described property and all proceeds of such property (collectively "**Collateral**"), all of which Collateral shall be deemed a part of and shall be included in any reference to the Mortgaged Property hereunder:

A. Any of the Mortgaged Property described above that is deemed to be personal property;

B. All of Mortgagor's right, title, and interest in any and all licenses, permits, approvals, bonds, commitments, designs, plans, specifications, construction, architectural and engineering agreements, commitments, contracts and subcontracts, surveys, appraisals, warranties, surety, bonding, contracts and subcontracts and insurance policies in any way pertaining to the development, construction, use, occupancy, operation and maintenance of the

Premises, and all guarantees of any of the foregoing, and any and all other work product relating to the Premises or any part thereof now or hereafter owned by Mortgagor;

C. All existing and future fixtures, equipment, goods and other tangible personal property, which are now or hereafter owned or acquired by Mortgagor or in which Mortgagor now or at any time has rights, located at Cove Ranch or used or usable in connection with the Premises, and whether located at, placed upon or about, or affixed or attached to or installed in or on the Premises or any part thereof, or located elsewhere in the possession of Mortgagor or any warehouseman, bailee, contractor, supplier or any other person, which is used or is intended by Mortgagor to be used in connection with or otherwise relating to the Premises or the ownership, use, development, construction, maintenance, management, operation, marketing, leasing or occupancy thereof, and all accessories, attachments, parts, or repairs of or to any of such property; and all renewals or replacements thereof or articles in substitution thereof;

D. All (i) accounts, chattel paper, deposit accounts, money, documents and instruments (whether negotiable or nonnegotiable), contract rights, insurance policies, and all rights to payment of any kind relating to or otherwise arising in connection with or derived from the Premises, and (ii) proceeds and claims arising on account of any damages to or taking of the Premises or any part thereof, and all causes of action and revenues for any loss or diminution in the value of the Premises;

E. All general intangibles relating to or arising out of the ownership, design, development, operation, management, construction and use of the Premises;

F. All engineering and architectural drawings, plans, specifications, soils tests and reports, feasibility studies, appraisals, engineering reports, manuals, computer software, studies, data and drawings pertaining to any or all of the Premises, and all contracts and agreements of Mortgagor relating to the aforesaid plans and specifications or to the aforesaid studies, data and drawings;

G. Any and all other property or rights of any kind or nature, relating to the Premises, further identified herein or in any UCC financing statement filed in connection herewith; and

H. Any and all interest and estate that Mortgagor may hereafter acquire in any of the above collateral and all the rents, issues, proceeds, products, and profits of such collateral.

It is intended that the recording of this Second Mortgage shall be effective as a "fixture filing" under Article 9 of the UCC with respect to any and all fixtures included within the Mortgaged Property and all goods or personal property that are now or may hereafter become affixed to the Mortgaged Property, and the Second Mortgage is to be filed and indexed in the real estate records of Blaine County, Idaho, not only as a mortgage, but also a fixture filing.

FOR THE PURPOSE OF SECURING, in such order of priority as Mortgagee may elect:

1. The aggregate of the unpaid principal balance of the Note, and any and all modifications, extensions or renewals thereof. The maturity date of the Note is March 1, 2014, unless extended at the option of the holder thereof.
2. Due, prompt, and complete observance, performance, and discharge of all other obligations of the Mortgagor under the Loan Documents and any and all modifications, extensions or renewals thereof.
3. Payment of such additional sums and interest thereon which may hereafter be loaned to Mortgagor, or its successors or assigns, by Mortgagee, when evidenced by a promissory note or notes reciting that they are secured by this Second Mortgage.

ARTICLE 1

COVENANTS OF MORTGAGOR

Mortgagor covenants, warrants and agrees to and with Mortgagee as follows:

- 1.1 Mortgagor will pay the principal and interest and all other sums becoming due with respect to the Note at the time and place and in the manner specified in the Note, according to the terms thereof.
- 1.2 Mortgagor has good and marketable title to the Mortgaged Property subject to all taxes, assessments, easements, covenants, conditions, restrictions, and reservations of record or appearing thereon as of the date hereof. This Second Mortgage is and will remain a valid and enforceable second lien on the Mortgaged Property. Mortgagor has full power and lawful authority to grant, assign, transfer and mortgage its interest in the Mortgaged Property in the manner and form hereby done or intended. Mortgagor will preserve its interest in and title to the Mortgaged Property and will forever warrant and defend the same to Mortgagee and will forever warrant and defend the validity and priority of the lien hereof against the claims of all persons and parties whomsoever. Mortgagor shall promptly and completely observe, perform and discharge each and every obligation, covenant and agreement affecting the Mortgaged Property whether the same is prior and superior or subject and subordinate thereto.
- 1.3 (a) Mortgagor will, at its own cost and without expense to Mortgagee, do, execute, acknowledge and deliver all and every such further acts, deeds, transfers and assurances as Mortgagee shall from time to time reasonably require for the better assuring, conveying, assigning, transferring and confirming unto Mortgagee the property and rights hereby conveyed or assigned or intended now or hereafter so to be, or which Mortgagor may be or may hereafter become bound to convey or assign to Mortgagee, or for carrying out the intention or facilitating the performance of the terms of this Second Mortgage, or for filing, registering or recording this Second Mortgage.

(b) Mortgagee is responsible for the filing, registration, and recording of the Second Mortgage. Mortgagor thereafter from time to time, will cause this Second Mortgage and any other security instrument creating a lien or evidencing the lien hereof upon the Collateral and each instrument of further assurance, to be filed, registered or recorded in such a manner and in such places as may be required by any present or future law in order to publish notice of and fully protect the lien hereof, and the security interest of the Mortgagee in the Mortgaged Property.

(c) Mortgagor will pay all filing, registration and recording fees, and all expenses incident to the execution and acknowledgement of this Second Mortgage, any modification or addition supplemental hereto, any security instrument with respect to the Collateral, and any instrument of further assurance, and all federal, state, county and municipal stamp taxes and other taxes, duties, imposts, assessments and governmental charges arising out of or in connection with the execution and delivery of the Note, this Second Mortgage, any supplements hereto, any security instrument with respect to the Collateral, any instrument of further assurance or any of the other Loan Documents.

1.4 Mortgagor will maintain insurance with responsible and reputable insurers in such amounts and covering such risks as are reasonably satisfactory to Mortgagee and in the case of liability insurance name the Mortgagee as an additional insured, along with the holder of the first mortgage, and with respect to the Mortgaged Property such insurance shall name the Mortgagee, along with the holder of the first mortgage, as a loss payee and an additional insured. The Mortgagor will furnish the Mortgagee with the original policies or certificates for all insurance covering the Mortgaged Property. All insurance policies shall provide that they shall not, with respect to the Mortgagor or Mortgaged Property, be terminated or cancelled, nor shall, with respect to the Mortgagor or Mortgaged Property, the coverages or amounts thereunder or thereof be reduced, without at least thirty (30) days' prior written notice to the Mortgagee and shall protect the Mortgagee from any breach of warranty by Mortgagor in connection therewith. Receipt of notice of termination or cancellation of any such insurance policies or reduction of coverages or amounts thereunder, with respect to the Mortgagor or Mortgaged Property, without receipt prior to the termination, cancellation or reduction date of evidence of renewals or replacements of such policies or of increase of such coverages or amounts, as the case may be, shall entitle the Mortgagee to renew any such policies, cause the coverages and amounts thereof to be maintained at levels satisfactory to it or otherwise to obtain similar insurance in place of such policies, in each case at the expense of the Mortgagor.

1.5 Mortgagor, upon obtaining knowledge of the pendency or institution of any proceedings for the condemnation of the Premises and/or the Improvements or any portion thereof or knowledge of any casualty damage to the Mortgaged Property or damage of any kind, will promptly notify Mortgagee in writing thereof. Mortgagee may participate in any proceedings and join Mortgagor in adjusting any loss covered by insurance. All compensation, awards, proceeds, damages, claims, rights of action and payments to which Mortgagor may become entitled ("**Awards**") and subject to the rights of the first mortgage holder and the terms of the Loan Agreement shall be paid over to Mortgagee to the extent that the amount thereof

does not exceed the amount owing under the Note. Mortgagee shall, subject to the rights of the first mortgage holder, have the sole and absolute discretion, notwithstanding the fact that the security given hereby may not be impaired by a partial condemnation, to apply any part or all of the Award collected by it in connection with any condemnation proceeding (i) upon any indebtedness secured hereby and in such order as Mortgagee may determine, or (ii) without reducing the indebtedness secured hereby, to the reimbursement of Mortgagee for expenses incurred by it in the restoration of the Mortgaged Property. Such application shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice. Mortgagee shall be under no obligation to question the amount of any compensation, awards, proceeds, damages, claims, rights of action or payments, and may accept the same in the amount in which the same shall be paid.

1.6 (a) Mortgagor shall promptly pay and discharge all taxes, assessments and other governmental charges on the Mortgaged Property prior to the date on which such taxes, assessments, and other governmental charges are due.

(b) Mortgagor will pay, from time to time when the same shall become due, all lawful claims and demands of mechanics, materialmen, laborers and others which, if unpaid, might result in or permit the creation of a lien on the Mortgaged Property or any part thereof, or on the revenues, rents, issues, income and profits arising therefrom, and in general will do or cause to be done everything necessary so that the lien hereof and its priority shall be fully preserved and so that the Mortgaged Property shall remain unencumbered at the sole cost of Mortgagor, without expense to Mortgagee.

1.7 All right, title and interest of Mortgagor in and to all extensions, improvements, betterments, renewals, substitutes and replacements of and all additions and appurtenances to the Mortgaged Property hereafter acquired by or released to Mortgagor or constructed, assembled or placed by Mortgagor on the Mortgaged Property, and all conversions of the security constituted thereby, immediately upon such acquisition, release, construction, assembling, placement or conversion, as the case may be, and in each such case, without any further mortgage, conveyance, assignment or other act by Mortgagor, shall become subject to the lien of this Second Mortgage as fully and completely and with the same effect as though now owned by Mortgagor and specifically described in the granting clause hereof, and at any and all times Mortgagor will execute and deliver to Mortgagee any and all such further assurances, mortgages, conveyances or assignments thereof as Mortgagee may reasonably require for the purpose of expressly and specifically subjecting the same to the lien of this Second Mortgage.

1.8 Mortgagor hereby agrees to execute and deliver on demand, and after the occurrence and during the continuance of an Event of Default, and to file with the appropriate filing officer or office at Mortgagor's sole cost and expense such security agreements, financing statements or other instruments as Mortgagee may reasonably request or require in order to impose or perfect the lien or security interest hereof more specifically thereon.

1.9 (a) The Rents and Profits are hereby absolutely and unconditionally assigned, transferred, conveyed and set over to Mortgagee as security for the payment of the principal and

interest and all other sums payable on the Note, and of all other sums payable under this Second Mortgage and the Loan Agreement. Prior to the happening of any Event of Default as set forth in Article 2 hereof, Mortgagor shall collect and receive all Rents and Profits and may use and enjoy the same in its discretion. Nothing contained in this Section 1.9 or elsewhere in this Second Mortgage shall be construed to make Mortgagee a mortgagee in possession unless and until Mortgagee actually takes possession of the Mortgaged Property either in person or through an agent or receiver.

(b) Mortgagor will not execute any lease of all of the Mortgaged Property without Mortgagee's prior written consent, which consent shall be given or withheld in Mortgagee's sole and absolute discretion, and will at all times promptly and faithfully perform or cause to be performed, all of the covenants, conditions and agreements contained in all leases of the Mortgaged Property now or hereafter existing on the part of the lessor thereunder to be kept and performed.

(c) Mortgagor shall furnish to Mortgagee within ten (10) days after a written request by Mortgagee to do so, a sworn written statement containing the names of all lessees of the Mortgaged Property, the terms of their respective leases, and a copy of each such lease.

1.10 Mortgagor will not commit any waste on the Premises. Mortgagor will at all times comply in all material respects with all laws of any federal, state or local governmental authority ("**Governmental Authority**") having or exercising jurisdiction over construction of the Improvements or otherwise affecting the Mortgaged Property or any portion thereof and maintain and keep the Improvements in good operating order and condition and will promptly make, from time to time, all repairs, renewals, replacements, additions and improvements in connection therewith which are needful or desirable to that end. After completion of any of the Improvements, they shall not be removed outside the ordinary course of business, demolished or altered, nor shall any of the Collateral be removed, without the prior written consent of Mortgagee, which consent shall be granted or withheld in the sole discretion of Mortgagee.

1.11 Mortgagor will keep adequate records and books of account, reflecting all financial transactions of the Mortgagor or as otherwise required by applicable rules and regulations of any governmental agency or regulatory authority (federal, state, local or foreign) having jurisdiction over the Mortgagor or the transactions contemplated by this Second Mortgage. In addition thereto Mortgagor will, at any reasonable time and from time to time, upon notice to the Mortgagor, permit the Mortgagee or its representatives to examine and make copies of, and abstracts from, the Mortgagor's records and books of account, to inspect the Mortgaged Property and visit the properties of the Mortgagor and to discuss the business affairs, finances and accounts of the Mortgagor with any of the officers of the Mortgagor.

1.12 Mortgagee shall be subrogated, notwithstanding their release of record, to any mechanic's or vendor's lien or liens, superior titles, mortgages, deeds of trust, liens, encumbrances, rights, equities and charges of all kinds heretofore or hereafter existing on the Mortgaged Property to the extent that the same are paid or discharged by Mortgagee or from the proceeds of the loan evidenced by the Note.

1.13 Without affecting the liability of Mortgagor or of any other person who is or shall become bound by the terms of this Second Mortgage or who is or shall become liable for the performance of any obligation secured hereby, Mortgagee may, in such manner, upon such terms and at such times as it deems best and without notice or demand, release any party now or hereafter liable for the performance of any such obligation, extend the time for such performance, accept additional security therefor, and alter, substitute or release any property securing such performance. No exercise or non-exercise by Mortgagee of any of its rights under this Second Mortgage, no dealing by Mortgagee with any person, firm or corporation and no change, impairment, loss or suspension of any right or remedy of Mortgagee shall in any way affect any of the obligations of Mortgagor hereunder or any security furnished by Mortgagor, or give Mortgagor any recourse against Mortgagee.

1.14 Mortgagor will not sell, assign, transfer or encumber in any way Mortgagor's interest or any portion thereof in the Mortgaged Property, without Mortgagee's prior consent, which may be withheld in Mortgagee's sole discretion.

1.15 Mortgagor will not cause, permit or suffer any default or Event of Default under the Note, this Second Mortgage or under any of the other Loan Documents.

1.16 Mortgagor will comply with all applicable environmental laws, except to the extent that any noncompliance would not have a material adverse effect on the business, properties, assets, operations or condition, financial or otherwise, of the Mortgagor, or otherwise on the ability of the Mortgagor to carry out its obligations under the Loan Documents; and provide to the Mortgagee, promptly upon receipt, copies of any correspondence, notice, pleading, citation, indictment, complaint, order, decree or other document from any source asserting or alleging a circumstance or condition which requires or is reasonably likely to require a financial contribution by the Mortgagor under any environmental laws or which seeks damages or civil, criminal or punitive penalties from the Mortgagor for an alleged violation of any environmental laws; and advise the Mortgagee in writing as soon as the Mortgagor becomes aware of any condition or circumstance which makes the representations and warranties contained herein or in any of the Loan Documents incomplete or inaccurate. In the event of any such circumstance, the Mortgagor agrees upon consultation with, albeit not necessarily concurrence with, the Mortgagee to permit the Mortgagee or any independent agent selected by the Mortgagee to conduct a reasonable environmental audit at the Mortgagor's expense but in such a manner so as not to unreasonably interfere with the business operations of the Mortgagor. This provision shall not relieve the Mortgagor from conducting its own environmental audits or taking any other steps necessary to comply with any environmental laws.

1.17 Mortgagor will comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority relating to the Mortgaged Property.

ARTICLE 2

EVENTS OF DEFAULT

Each of the following shall constitute an event of default ("Event of Default") hereunder:

2.1 The Mortgagor shall fail to pay any amount of principal of, or interest on, the Note at maturity, or any fee or other amount payable under any of the Loan Documents for more than ten (10) days after the due date thereof.

2.2 Any one or more of the following defaults occurs and Mortgagor fails to cure the default within thirty (30) days after Mortgagor has received written notice of such default:

(a) Any representation or warranty by the Mortgagor or any of the guarantors, if any, under or in connection with this Second Mortgage or the other Loan Documents shall prove to have been incorrect when made in any material respect.

(b) The Mortgagor shall fail to perform or observe any other term, covenant or agreement contained in this Second Mortgage or the Loan Documents, on its part to be performed or observed.

(c) Except for grazing and crop leases in the ordinary course of business, the sale, exchange, conveyance, transfer, disposition, assignment, lease, sublease or further encumbering of the Mortgaged Property, or any part thereof, or any interest thereon, either voluntarily, involuntarily, or otherwise, or agreement so to do, without the prior written consent of the Mortgagee. A "sale or transfer" means, without limitation, a conveyance of the Mortgaged Property, or any right, title or interest therein; whether legal or equitable; whether by outright sale, deed, installment sale contract, land contract, contract for deed, leasehold interest, or by any other method of conveyance of any real property interest.

(d) The occurrence of any other event of default under any of the Loan Documents.

(e) The Mortgagor shall fail to pay when due any taxes, assessments, or other charges owed to any Governmental Authority for the Mortgaged Property.

(f) The appointment pursuant to an order of a court of competent jurisdiction, of a trustee, receiver or liquidator of the Mortgaged Property or any part thereof, or any attachment, execution or other judicial seizure of all or any substantial portion of the Mortgaged Property.

(g) The filing by Mortgagor of a petition in bankruptcy or a petition for an arrangement or a reorganization pursuant to the United States Bankruptcy Code or any similar law, federal or state, or the entry of an order for relief or the adjudication of Mortgagor as

bankrupt or as insolvent by a decree of a court of competent jurisdiction, or the making of an assignment for the benefit of creditors, or the admission by Mortgagor in writing of the inability to pay its debts generally as they become due, or the giving of consent by Mortgagor to the appointment of a receiver or receivers of all or any part of its property.

(h) If any of the Mortgaged Property is damaged or destroyed by an uninsured casualty and Mortgagor does not immediately provide funds for the restoration of the damage caused by such casualty, as provided hereunder.

(i) The dissolution or other termination of Mortgagor's existence as a corporation, limited liability company, limited partnership, partnership, or entity as is applicable whether voluntarily or involuntarily by operation of law.

ARTICLE 3

REMEDIES

Upon the occurrence and during the continuance of any Event of Default, Mortgagee shall have the following rights and remedies:

3.1 Mortgagee may declare the entire principal of the Note then outstanding to be due and payable immediately, and, notwithstanding the stated maturity in the Note or any other term or provision of the Note, this Second Mortgage or the other Loan Documents to the contrary, the outstanding principal amount of the Note and the accrued but unpaid interest thereon shall become and be immediately due and payable.

3.2 If Mortgagee shall have exercised the option provided in Section 3.1 above, Mortgagee, subject to applicable law, in person or by agent may, without any obligation so to do and without notice or demand upon Mortgagor and without releasing Mortgagor from any obligation hereunder (i) make any payment or do any act which Mortgagor has failed to make or do; (ii) enter upon, take possession of, manage and operate the Mortgaged Property or any part thereof; (iii) make or enforce, or, if the same be subject to modification or cancellation, modify or cancel any leases of the Mortgaged Property or any part thereof upon such terms or conditions as Mortgagee deems proper; (iv) obtain and evict lessees, and fix or modify rents, make repairs and alterations and do any acts which Mortgagee deems proper to protect the security hereof; and (v) with or without taking possession, in its own name or in the name of Mortgagor, sue for or otherwise collect and receive rents, royalties, issues, profits, revenue, income and other benefits, including those past due and unpaid, and apply the same less costs and expenses of operation and collection, including, without limitation, reasonable attorneys' fees, upon any indebtedness secured hereby, and in such order as Mortgagee may determine. Mortgagor shall assemble and make available to Mortgagee at the Premises any of the Mortgaged Property which has been removed therefrom. The entering upon and taking possession of the Mortgaged Property, the collection of any rents, royalties, issues, profits, revenue, income or other benefits and the application thereof as aforesaid shall not cure or waive any default theretofore or thereafter occurring or affect any notice of default hereunder or invalidate any act done pursuant to any

such notice, and, notwithstanding continuance in possession of the Mortgaged Property, or any part thereof, by Mortgagor, Mortgagee or a receiver, and the collection, receipt and application of rents, royalties, issues, profits, revenue, income or other benefits, Mortgagee shall be entitled to exercise every right provided for in this Second Mortgage or by law upon or after the occurrence and during the continuance of an Event of Default. Any of the actions referred to in this Section may be taken by Mortgagee, either in person or by agent, with or without bringing any action or proceeding, or by receiver appointed by a court, and any such action may also be taken irrespective of whether any notice of default has been given hereunder and without regard to the adequacy of the security for the indebtedness hereby secured. Further, Mortgagee, at the expense of Mortgagor, either by purchase, repair or construction, may from time to time maintain and restore the Mortgaged Property or any part thereof and complete construction of the Improvements uncompleted as of the date thereof and in the course of such completion may make such changes in the contemplated Improvements as Mortgagee may reasonably deem desirable and may insure the same.

3.3 If Mortgagee shall have exercised the option provided in Section 3.1 above, Mortgagee shall be entitled, without notice and to the full extent provided by law, to the appointment by a court having jurisdiction of a receiver to take possession of and protect the Mortgaged Property or any part thereof, and operate the same and collect the rents and profits.

3.4 If Mortgagee shall have exercised the option provided in Section 3.1 above, Mortgagee may bring an action in any court of competent jurisdiction to foreclose this Second Mortgage or to enforce any of the covenants and agreements hereof.

3.5 If Mortgagee shall have exercised the option provided in Section 3.1 above, Mortgagee may elect to cause the Mortgaged Property or any part thereof to be sold as follows:

(a) Mortgagee may proceed as if all of the Mortgaged Property were real property in accordance with Section 3.4 above, or Mortgagee may elect to treat any of the Mortgaged Property which consists of a right in action or which is property that can be severed from the Premises or the Improvements without causing structural damage thereto as if the same were personal property, and dispose of the same in accordance with subsection (b) below, separate and apart from the sale of real property, the remainder of the Mortgaged Property being treated as real property.

(b) Should Mortgagee elect to cause any of the Mortgaged Property to be disposed of as personal property as permitted by subsection (a) above, Mortgagee may exercise in respect of the Mortgaged Property, in addition to other rights and remedies provided for herein or otherwise available to it, all the rights and remedies of a secured party on default under the Uniform Commercial Code (the "Code") (whether or not the Code applies to the affected Mortgaged Property) and also may (i) require the Mortgagor to, and the Mortgagor hereby agrees that it will, at its expense and upon request of the Mortgagee forthwith, assemble all or part of the Mortgaged Property as directed by the Mortgagee and make it available to the Mortgagee at a place to be designated by the Mortgagee which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Mortgaged Property or any part thereof at

public or private sale, at any of the Mortgagee's offices or elsewhere, for cash, on credit or for future delivery, and upon such other terms as the Mortgagee may deem commercially reasonable. The Mortgagor agrees that, to the extent notice of sale shall be required by law, at least ten (10) days' notice to the Mortgagor of the time and place of any public sale or the time after which any private sale is to be made shall constitute reasonable notification. The Mortgagee shall not be obligated to make any sale of Mortgaged Property regardless of notice of sale having been given. The Mortgagee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(c) The acknowledgment of the receipt of the purchase money, contained in any deed or conveyance executed as aforesaid, shall be sufficient discharge to the grantee of all obligations to see the proper application of the consideration therefor as hereinafter provided. The purchaser at any trustee's or foreclosure sale hereunder may disaffirm any easement granted or rental or lease contract or other agreement made in violation of any provision of this Second Mortgage and may take immediate possession of the Mortgaged Property free from, and despite the terms of, such grant of easement, rental or lease contract or other agreement.

(d) Mortgagor hereby expressly waives any right which it may have to direct the order in which any of the Mortgaged Property shall be sold in the event of any sale or sales pursuant hereto.

3.6 Upon any sale or sales made under or by virtue of this Article 3, Mortgagee may bid for and acquire the Mortgaged Property or any part thereof and, in lieu of paying cash therefor, may make settlement for the purchase price by crediting upon the indebtedness or other sums secured by this Second Mortgage the net sales price after deducting therefrom the expenses of sale and the costs of the judicial proceedings, if any, with interest thereon at the default rate and any other sums which Mortgagee is authorized to deduct under this Second Mortgage.

3.7 Notwithstanding the appointment of any receiver, liquidator or trustee of Mortgagor, or of any of their property, or of the Mortgaged Property or any part thereof, if Mortgagee shall have exercised the option provided in Section 3.1 above, Mortgagee shall be entitled to retain possession and control of all property now or hereafter held under this Second Mortgage, including, but not limited to, the Rents and Profits.

3.8 No remedy herein conferred upon or reserved to Mortgagee is intended to be exclusive of any other remedy herein or by law provided, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. No delay or omission of Mortgagee in exercising any right or power accruing upon any Event of Default shall impair any right or power or shall be construed to be a waiver of any Event of Default or any acquiescence therein, and every power and remedy given by this Second Mortgage to Mortgagee may be exercised from time to time as often as may be deemed expedient. If there exists additional security for the performance of the obligations secured hereby, the holder of the Note, at its sole option, and without limiting or affecting any of the rights or remedies hereunder, may exercise any of the rights and remedies to which it may be

entitled hereunder either concurrently with whatever rights it may have in connection with such other security or in such order as it may determine. Nothing in this Second Mortgage or in the Note shall affect the obligation of Mortgagor to pay the principal of, and interest on, the Note in the manner and at the time and place therein respectively expressed.

3.9 In the event ownership of the Mortgaged Property or any portion thereof becomes vested in a person other than the Mortgagor herein named, Mortgagee may, without notice to the Mortgagor herein named, whether or not Mortgagee has given written consent to such change in ownership, deal with such successor or successors in interest with reference to this Second Mortgage and the indebtedness secured hereby, and in the same manner as with the Mortgagor herein named, without in any way vitiating, discharging or waiving Mortgagor's liability hereunder, for the indebtedness hereby secured or any Event of Default.

3.10 In the event that there be a judicial sale hereunder and if at the time of such sale Mortgagor, or its successor or assign, be occupying the Premises and Improvements or any part thereof so sold, each and all shall immediately become the tenant of the purchaser at such sale which tenancy shall be a tenancy from day to day, terminable at the will of either tenant or landlord, at a rental per day based upon the value of the Premises and Improvements, such rental to be due daily to the purchaser. An action of unlawful detainer shall lie if the tenant holds over after a demand in writing for possession of said Premises and Improvements and this agreement and the trustee's deed shall constitute a lease and agreement under which any such tenant's possession arose and continued.

ARTICLE 4

MISCELLANEOUS

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

4.2 All agreements between Mortgagor and Mortgagee are expressly limited so that in no event whatsoever, whether by reason of advancement of the principal amount of the Note, acceleration of maturity of the unpaid principal balance thereof, or otherwise, or advancement of any sums under the provisions of this Second Mortgage, shall the amount paid or agreed to be paid to the holder of the Note for the use, forbearance or detention of the money to be advanced thereunder or hereunder exceed the highest lawful rate permissible. If, from any circumstances whatsoever, fulfillment of any provision of this Second Mortgage, the Note or any of the other Loan Documents, at the time performance of such provision shall be due, shall involve transcending the limit of validity prescribed by law which a court of competent jurisdiction may deem applicable thereto or hereto, then, ipso facto, the obligations to be fulfilled shall be reduced to the limit of such validity, and if from any circumstance the holder of the Note or Mortgagee shall ever receive as interest an amount which would exceed the highest lawful rate, such amount

which would be excessive interest shall be applied to the reduction of the unpaid principal balance due hereunder and not to the payment of interest or, if such excessive interest exceeds the unpaid principal balance due hereunder, the excess shall be refunded to Mortgagor or its successors or assigns. This Section 4.2 shall control every other provision of all agreements between Mortgagor and Mortgagee.

4.3 If the lien of this Second Mortgage is invalid or unenforceable, or if the lien is invalid or unenforceable as to any part of the Mortgaged Property, the unsecured or partially secured portion of the Mortgagor's obligations shall be considered to have been completely paid prior to the payment of the remaining and secured portion of the obligations secured hereby, and all payments made on the Mortgagor's obligations, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the Mortgagor's obligations which are not secured or fully secured by the lien of this Second Mortgage.

4.4 The granting of consent by the Mortgagee to any transaction as required by the terms hereunder shall not be deemed a consent to past, future, or successive transactions.

4.5 The Mortgagor shall indemnify and hold harmless the Mortgagee and its Trustee, agents and employees from and against all claims, damages, losses and liabilities (including, without limitation, reasonable attorneys' fees and expenses) arising out of or based upon any matter related to this Second Mortgage, the Mortgaged Property or the occupancy, ownership, maintenance or management of the Mortgaged Property by the Mortgagor, except for acts of gross negligence and/or willful misconduct, including, without limitation, any claims based on the alleged acts or omissions of any employee or agent of the Mortgagor. This indemnification shall be in addition to any other liability which the Mortgagor may otherwise have to the Mortgagee.

4.6 The Mortgagor shall be solely responsible for and shall indemnify and hold harmless the Mortgagee, and its Trustee, agents, successors and assigns, from and against any loss, damage, cost, expense or liability directly or indirectly arising out of or attributable to the breach of any representation, warranty or covenant contained in this Second Mortgage or the other Loan Documents relating to the environmental laws or the use, generation, storage, release, threatened release, discharge, disposal or presence of hazardous substances on, under or about any of the Mortgaged Property owned or leased by the Mortgagor, including without limitation (1) all consequential damages, (2) the costs of any required or necessary repair, cleanup or detoxification of the property and (3) all reasonable costs and expenses incurred by the Mortgagee in connection therewith, including but not limited to reasonable attorney's fees.

4.7 All written notices expressly provided hereunder to be given by Mortgagee to Mortgagor and all notices and demands of any kind or nature whatsoever which Mortgagor may be required or may desire to give or serve on Mortgagee shall be in writing and shall be served by personal delivery, telecopier, overnight courier or by registered or certified U.S. mail, return receipt requested, to the following addresses:

If to the Mortgagee:

Michael J. Lovas, Trustee
The Lovas Trust,
681 Norante Court
Pleasanton, California 94566
Facsimile: (925) 417-1742

If to the Mortgagor:

Redstone Partners, L.P.
1188 Eagle Vista Court
Reno, Nevada 89211
Attn: SDB Ventures, LLC
Facsimile: (775) 852-7945

Any such notice or demand so served shall be deemed complete on the day of actual delivery if sent by personal delivery, telecopier or overnight courier, or upon the date posted on the receipt if sent by certified mail. Changes in address may be made with written notice thereof to all other parties in accordance with the terms hereof.

4.8 All of the grants, obligations, covenants, agreements, terms, provisions and conditions herein shall run with the land and shall apply to, bind and inure to the benefit of the successors and permitted assigns of Mortgagor and the successors of Mortgagee, and the permitted endorsees, permitted transferees, successors and permitted assigns of Mortgagee. The obligations, covenants, agreements and warranties contained herein as well as the obligations arising therefrom are and shall be joint and several as to each such party.

4.9 This Second Mortgage may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same document.

4.10 This Second Mortgage is to be construed and enforced according to the laws of the State of Idaho.

The undersigned has executed this Second Mortgage, Assignment of Rents, Security Agreement and Fixture Filing the day and year first hereinabove written.

MORTGAGOR:

REDSTONE PARTNERS, L.P.,
a Nevada limited partnership,

By: SDB Ventures, LLC,
a Nevada limited liability company,
General Partner

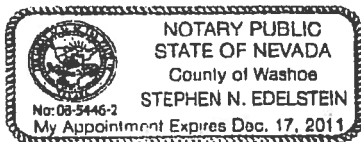
By: The Steve Beevers Trust, Member

By: Steve Beevers
Steve D. Beevers, Trustee

STATE OF NEVADA)
) ss.
County of WASHOE)

On this 15th day of April, before me, Steve Edelstein, a Notary Public in and for said state, personally appeared Steve D. Beevers, known or identified to me to be the Trustee of The Steve Beevers Trust which is the member of SDB VENTURES, LLC the general partner of Redstone Partners, L.P., and the person who subscribed said partnership name to the foregoing instrument, and acknowledged to me that he executed the same in said partnership name.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Stephen Edelstein
Notary Public
Residing at Nevada
My commission expires 12/17/10

EXHIBIT A

LEGAL DESCRIPTION OF REAL PROPERTY

PARCEL I

All that property platted as COVE SPRINGS SUBDIVISION PHASE 1, according to the official plat thereof, recorded as Instrument No. 582023, records of Blaine County, Idaho.

PARCEL II

A parcel of land situate in Section 21, Township 1 North, Range 19 East, B.M., Blaine County, Idaho, being more particularly described as follows:

Government Lot 10 (Un-surveyed), Section 21, Township 1 North, Range 19 East, B.M., Blaine County, Idaho.

PARCEL III

A parcel of land situate in Section 19, Township 1 North, Range 20 East, B.M., Blaine County, Idaho, being more particularly described as follows:

Government Lot 1 (Un-surveyed), Section 19, Township 1 North, Range 20 East, B.M., Blaine County, Idaho.

SECOND MORTGAGE - EXHIBIT A