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6
7 **SUPERIOR COURT OF ARIZONA**
8 **MARICOPA COUNTY**

9 JAMES C. SELL, as Receiver for Secura
Mortgage Management, LLC, Sixty-
10 Seventh Street, L.L.C., Hudson Valley
L.L.C., and The Hudson-Hyde Park, L.L.C.
11 aka Hudson-Hyde Park, L.L.C., successor
to Hyde Park, LLC, an entity to be formed

Case No: CV 2004-003803

COMPLAINT

12
13 Plaintiff,

14 v.

15 ROBERT GUCCIONE, an unmarried man;
GENERAL MEDIA INTERNATIONAL,
16 INC., a New York corporation; GENERAL
MEDIA FINE ARTS, INC., a New York
17 corporation; CHARLES SAMEL and
JANE DOE SAMEL, husband and wife;
18 VECTOR PARTNERS, L.L.C., an Arizona
limited liability company; GREGG
19 HARRINGTON and JANE DOE
HARRINGTON, husband and wife;
20 JASON GALANIS and JANE DOE
GALANIS, husband and wife; TITUS,
21 BRUECKNER & BERRY, P.C., an
Arizona professional corporation;
22 CHARLES R. BERRY and JANE DOE
BERRY, husband and wife; JOHN DOES
23 1-50; JANE DOES 1-50; and BLACK
COMPANIES 1-50

24 Defendants.

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27 For his Complaint, Plaintiff alleges:
28

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1 PARTIES AND JURISDICTION

2 1. Plaintiff James C. Sell (the "Receiver") is a resident of the State of Arizona
3 and the duly appointed and acting Receiver for certain entities having an interest in the
4 transactions that are the subject of this Complaint (collectively, the "Receivership
5 Entities") including, without limitation, Secura Mortgage Management, LLC, an Arizona
6 limited liability company, individually and as trustee of the 67th Street Trust dated July 5,
7 2002 ("Secura"), Sixty-Seventh Street L.L.C., an Arizona limited liability company,
8 Hudson Valley L.L.C., an Arizona limited liability company ("Hudson Valley"), and The
9 Hudson-Hyde Park, L.L.C., an Arizona limited liability company sometimes referred to as
10 Hudson-Hyde Park, L.L.C., successor to Hyde Park, L.L.C., an entity to be formed
11 ("Hudson-Hyde Park"), pursuant to that certain First Amended Order Appointing
12 Receiver, filed May 15, 2003, in Maricopa County Superior Court, State of Arizona, Case
13 No. CV2003-005724 (the "Receivership Order"). A true and correct copy of the
14 Receivership Order is attached as Exhibit A to this Complaint.

15 2. The Receivership Order provides, in applicable part, (a) that the Receiver
16 shall have exclusive jurisdiction and possession of all assets, including choses in action, of
17 the Receivership Entities; (b) that the Receiver is authorized to institute such actions or
18 proceedings in state or federal courts as may in his discretion be advisable or proper for
19 the protection of the assets of the Receivership Entities or proceeds therefrom, and to
20 institute, prosecute, compromise or adjust such actions or proceedings in state or federal
21 courts as may in his judgment be necessary or proper for the collection, preservation and
22 maintenance of the assets of the Receivership Entities; and (c) that the Receiver is
23 authorized to institute such actions or proceedings to impose a constructive trust, obtain
24 possession and/or recover judgment with respect to persons or entities who received assets
25 or funds traceable to investor monies. The Receiver is therefore entitled to bring the
26 present action in this Court.

27 3. Upon information and belief Receivership Entity Secura in connection with
28 the agreements and transactions that are the subject of this Complaint was at all times

1 acting in its individual capacity and as trustee and agent of one or more of the remaining
2 Receivership Entities ("Lenders"), as lenders.

3 4. Upon information and belief, Defendant General Media International, Inc.
4 ("GMI") is, and at all times relevant has been, a New York corporation. GMI at the time
5 of the transactions described herein held itself out as, and was reputed to be, the owner of
6 General Media, Inc., the corporate owner and publisher of Penthouse Magazine.

7 5. Upon information and belief, Defendant Robert Guccione ("Guccione") is,
8 and at all times relevant has been, an individual and resident of New York. Defendant
9 Guccione at the time of the transactions described in this Complaint was the Publisher of
10 Penthouse Magazine and was reputed to be an extremely wealthy entrepreneur and
11 investor and art collector who owned, among other things, 85% of GMI; a 30 room
12 townhouse constituting the largest single family residence in New York City (the
13 "Townhouse"); a large country residence on the upper Hudson River, in or near Hyde
14 Park, New York (the "Hyde Park Property"); and a valuable fine art collection including
15 works by Van Gogh, Picasso, Modigliani and others (the "Fine Art"). Defendant
16 Guccione at all times relevant was President of GMI, and all acts of Defendant Guccione
17 alleged herein were performed on his own behalf and on behalf of Defendant GMI as an
18 officer, employee or agent acting within the scope of his authority, actual or apparent.
19 Defendants GMI and Guccione are sometimes referred to herein as "Borrowers."

20 6. Upon information and belief, Defendant General Media Fine Arts, Inc.
21 ("GMFA") is, and at all times relevant has been, a New York corporation. GMFA at the
22 time of the transactions described herein held itself out as, and was reputed to be, the
23 owner of the Fine Art.

24 7. Upon information and belief, Defendants Charles Samel ("Samel") and Jane
25 Doe Samel and at all times relevant have been, husband and wife and residents of
26 California. All acts of Defendant Samel alleged herein were performed on his own behalf
27 and on behalf of Defendants GMI and Guccione, as an officer, employee or agent acting
28 within the scope of his authority, actual or apparent.

1 8. Upon information and belief, Defendant Vector Partners, L.L.C. (“Vector”)
2 is, and at all times relevant has been, an Arizona limited liability company having its
3 principal place of business in Maricopa County, Arizona.

4 9. Upon information and belief, Defendants Gregg Harrington (“Harrington”)
5 and Jane Doe Harrington are, and at all times relevant have been, husband and wife and
6 residents of Maricopa County, Arizona.

7 10. Upon information and belief, Defendants Jason Galanis (“Galanis”) and
8 Jane Doe Galanis are, and at all times relevant have been, husband and wife and residents
9 of California.

10 11. All acts of Defendants Harrington and Galanis alleged herein were
11 performed on the acting Defendant’s own behalf, on behalf of his marital community and
12 on behalf of Defendant Vector and each other, as an officer, employee, agent, co-
13 conspirator or joint venturer, acting within the scope of his authority, actual or apparent.
14 Defendants Harrington, Galanis and Vector are sometimes referred to herein as the
15 “Vector Defendants.”

16 12. Upon information and belief, Defendant Titus, Brueckner & Berry, P.C.
17 (“TB&B”) is, and at all times relevant has been, an Arizona professional corporation
18 having its principal place of business in Maricopa County, Arizona and engaged in the
19 practice of law.

20 13. Upon information and belief, Defendants Charles R. Berry (“Berry”) and
21 Jane Doe Berry are, and at all times relevant have been, husband and wife and residents of
22 Maricopa County, Arizona. All acts of Defendant Berry alleged herein were performed
23 on his own behalf, on behalf of his marital community and on behalf of Defendant TB&B
24 as an officer, employee or agent acting within the scope of his authority, actual or
25 apparent. Defendants Berry and TB&B are sometimes referred to herein as the “Attorney
26 Defendants.”

27 14. Defendants John Does 1-50, Jane Does 1-50 and Black Companies 1-50 (the
28 “Fictitiously Named Defendants”) are individuals, corporations, partnerships, limited

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1 liability companies and other entities, the true names, identities and relationships to the
2 named parties are not now known to the Receiver.

3 15. Defendants, and each of them, have caused an event to occur in Maricopa
4 County, Arizona, out of which the Receiver's claims arose, and are properly sued in this
5 Court.

6 **GENERAL ALLEGATIONS**

7 16. Prior to July 5, 2002, Borrowers approached certain of the Receivership
8 Entities, including Secura, to obtain financing in the amount of \$5.5 million. The request
9 for financing and collateral security proposed to be provided to be were set forth, in
10 writing, in the form of a bound booklet entitled Loan Request By: General Media,
11 International (Owner of General Media, Inc.) (the "Loan Request"), whereby it was
12 represented, expressly and by implication, that the proposed financing would be fully
13 secured by liens against the Townhouse, the Hyde Park Property and the Fine Art
14 (collectively, the "Collateral"). Included in the Loan Request were condition of title
15 reports and other documents purporting to show that (a) Borrowers, or their affiliates,
16 were the owners of the Collateral and had the ability to pledge the Collateral as security
17 for the proposed financing, (b) that the Collateral had value, in excess of any and all prior
18 liens, in an amount sufficient to repay the proposed financing, (c) that, after review of
19 GMI's and Guccione's financial statements, GMI had sufficient resources to pay the
20 proposed new debt and Guccione had substantial assets in case of default, and (d) that
21 Borrowers had obtained an underwriting commitment of the proposed financing from an
22 investment banking company, National Capital Company, Inc., or its subsidiaries.

23 17. On or about July 5, 2002, Borrowers and Secura entered into a certain
24 Master Trust Agreement (the "Original Master Trust Agreement"), whereby Secura, as
25 Designated Agent/Arranging Party on behalf of certain other Receivership Entities as
26 Lenders, agreed to provide a loan facility of up to \$5.5 million on the terms and conditions
27 set forth therein. A true and correct copy of the Original Master Trust Agreement is
28 attached as Exhibit B to this Complaint. Pursuant to the Master Trust Agreement,

1 Borrowers represented and agreed, *inter alia*, that GMI and/or its subsidiaries had title to
2 the Collateral and desired to and would pledge the Collateral to Lenders as security for the
3 loan facility.

4 18. Further pursuant to the Original Master Trust Agreement, it was agreed as
5 follows:

6 A. Borrowers agreed to execute and deliver a promissory note, in the
7 amount of \$1,650,000.00, as well as a security agreement, collateral assignment of
8 proceeds and UCC-1 financing statement relating to the Fine Art, which documents would
9 be effective immediately;

10 B. Borrowers further agreed to execute and deliver into escrow, on or
11 before July 10, 2002, a series of additional collateral documents pertaining to the
12 Collateral ("Additional Collateral Documents"), to be effective upon close of escrow;

13 C. Borrowers and Secura agreed that the Additional Collateral
14 Agreements would remain in escrow until close of escrow, at which time they would be
15 effective, it being further agreed that the close of escrow would be subject to the
16 "Compliance Review" and the occurrence of certain defined "Automatic Trust Events," it
17 being agreed escrow would close, and the Arranging Party would be permitted to record
18 the Additional Collateral Agreements upon the first to occur of (a) completion of the
19 Compliance Review, (b) passage of 90 days from execution of the agreement and the
20 Additional Collateral Agreements without receipt of the Compliance Review, (c) the filing
21 of bankruptcy by any of Borrowers or Borrowers' wholly owned subsidiary General
22 Media, Inc., or (d) a default under the promissory notes evidencing the Loan;

23 D. Borrowers agreed that, notwithstanding any provision in the
24 agreement, including the Compliance Review or the escrow provisions, the Lenders
25 would at all times have an unrecorded security interest in, and Borrowers would not
26 further encumber, the Town House and the Hyde Park Property (collectively, the "Real
27 Property"); and

28 E. Secura agreed to disburse the sum of \$1,650,000.00.

1 19. On or about July 29, 2002, Borrowers and Secura entered into a certain
2 Amended and Restated Master Trust Agreement (the "Restated Master Trust Agreement")
3 amending and restating the terms of the Original Master Trust Agreement. A true and
4 correct copy of the Restated Master Trust Agreement is attached as Exhibit C to this
5 Complaint.

6 20. Pursuant to the Restated Master Trust Agreement, Borrowers represented
7 and acknowledged that an advance in the amount of \$1,650,000.00 had been made, and
8 that Secura had arranged for an additional advance in the amount of \$1,980,000.00.

9 21. Further, pursuant to the Restated Master Trust Agreement, Borrowers
10 represented and acknowledged that there had been executed a junior mortgage document
11 relating to the Real Property (the "Mortgage"), which document was to secure prior and
12 subsequent advances under the Original Master Trust Agreement and Restated Master
13 Trust Agreement.

14 22. Secura and Lenders fully and timely performed all of their obligations under
15 the Original Master Trust Agreement and the Restated Master Trust Agreement
16 (collectively, the "Master Trust Agreement") and satisfied all conditions precedent to
17 performance by Borrowers. Specifically, and not in limitation of the foregoing, in
18 accordance with the terms and conditions of the Master Trust Agreement and in reliance
19 on the representations and agreements of Borrowers set forth therein, Secura and/or
20 Lenders extended loans (the "Loans") to Borrowers in the total amount of \$5.5 million, as
21 evidenced by the following promissory notes made by Borrowers in favor of Secura
22 (collectively, the "Notes"), true and correct copies of which are attached as Exhibits D, E
23 and F to this Complaint:

24 A. Promissory Note dated July 5, 2002, in the amount of \$1,650,000.00
25 (the "July 5 Note");

26 B. Promissory Note dated July 29, 2002, in the amount of \$1,980,000.00
27 (the "July 29 Note"); and
28

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1 C. Promissory Note dated August 28, 2002, in the amount of
2 \$1,870,000.00 (the "August 28 Note").

3 23. On or about July 5, 2002, Defendant GMFA, in order to induce Secura and
4 Lenders to inter into the Original Master Trust Agreement and extend the Loans, executed
5 and delivered to Secura a security agreement (the "Security Agreement") and collateral
6 assignment of proceeds (the "Collateral Assignment"), whereby GMFA granted to Secura
7 and Lenders, to secure the July 5 Note, a security interest in and to the Fine Art and the
8 proceeds thereof, subject only to a prior encumbrance in favor of GMAC (the "GMAC
9 Lien").

10 **COUNT ONE**
11 (July 5 Note – Borrowers)

12 24. The Receiver reiterates each and every foregoing allegation as if set forth in
13 full.

14 25. By July 5 Note, Borrowers agreed to pay to Secura, as Trustee for Hudson-
15 Hyde Park, as Lender, the sum of \$1,650,000.00, together with interest from the date
16 thereof until paid at the rate of 5% per month plus .25% servicing fee and .25% credit
17 enhancement fee, payable in installments of \$90,750.00 per month commencing
18 September 1, 2002, the entire principal balance and all interest due and payable on or
19 before February 1, 2003.

20 26. The July 5 Note provides, in material part, that, in the event any payment is
21 not made within 5 days of the stated date, Lender will be entitled to collect late penalty
22 interest on the remaining principal balance at the rate equal to the rate stated in the Note
23 plus 5% per month.

24 27. Borrowers have defaulted in their obligations under the July 5 Note by,
25 among other things, failing to pay installments as and when due, and failing to pay the
26 principal balance and interest due on maturity.

27 28. There is currently due and owing under the July 5 Note the principal sum of
28 \$1,650,000.00, together with interest, servicing fee, credit enhancement fee and penalty

1 interest accrued through January 31, 2004, in the aggregate amount of \$3,112,112.90, and
2 interest, servicing fees, credit enhancement fees and penalty interest accruing thereafter at
3 the rate of 10.5% per month.

4 29. Despite demand, Borrowers have failed to pay the foregoing amounts or any
5 part thereof.

6 30. The Receiver is entitled to recover its reasonable attorney fees incurred in
7 this action pursuant to the Master Trust Agreement and A.R.S. §12-341.01.

8 WHEREFORE, the Receiver requests judgment against Defendants Robert
9 Guccione and General Media International, Inc., and each of them, as follows:

10 A. For the principal sum of \$1,650,000.00;

11 B. For interest, servicing fees, credit enhancement fees and penalty
12 interest accrued through January 31, 2004, in the aggregate amount of \$3,112,112.90, and
13 interest, servicing fees, credit enhancement fees and penalty interest accruing thereafter at
14 the rate of 10.5% per month;

15 C. For its costs and reasonable attorney fees incurred herein; and

16 D. For such other and further relief as is proper and just.

17 **COUNT TWO**

18 (July 29 Note – Borrowers)

19 31. The Receiver reiterates each and every foregoing allegation as if set forth in
20 full.

21 32. By the July 29 Note, Borrowers agreed to pay to Secura, as Trustee for
22 Hudson Valley, as Lender, the sum of \$1,980,000.00, together with interest from the date
23 thereof until paid at the rate of 5% per month plus .25% servicing fee and .25% credit
24 enhancement fee, payable in installments of \$99,000.00 per month commencing
25 September 1, 2002, the entire principal balance and all interest due and payable on or
26 before February 1, 2003.

27 33. The July 29 Note provides, in material part, that, in the event any payment is
28 not made within 5 days of the stated date, Lender will be entitled to collect late penalty

1 interest on the remaining principal balance at the rate equal to the rate stated in the Note
2 plus 5% per month.

3 34. Borrowers have defaulted in their obligations under the July 29 Note by,
4 among other things, failing to pay installments as and when due, and failing to pay the
5 principal balance and interest due on maturity.

6 35. There is currently due and owing under the July 29 Note the principal sum
7 of \$1,980,000.00, together with interest, servicing fee, credit enhancement fee and penalty
8 interest accrued through January 31, 2004, in the aggregate amount of \$3,650,225.81, and
9 interest, servicing fees, credit enhancement fees and penalty interest accruing thereafter at
10 the rate of 10.5% per month.

11 36. Despite demand, Borrowers have failed to pay the foregoing amounts or any
12 part thereof.

13 37. The Receiver is entitled to recover its reasonable attorney fees incurred in
14 this action pursuant to the Master Trust Agreement and A.R.S. §12-341.01.

15 WHEREFORE, the Receiver requests judgment against Defendants Robert
16 Guccione and General Media International, Inc., and each of them, as follows:

- 17 A. For the principal sum of \$1,980,000.00;
18 B. For interest, servicing fees, credit enhancement fees and penalty
19 interest accrued through January 31, 2004, in the aggregate amount of \$3,650,225.81, and
20 interest, servicing fees, credit enhancement fees and penalty interest accruing thereafter at
21 the rate of 10.5% per month;
22 C. For its costs and reasonable attorney fees incurred herein; and
23 D. For such other and further relief as is proper and just.

24 **COUNT THREE**

25 (August 28 Note – Borrowers)

26 38. The Receiver reiterates each and every foregoing allegation as if set forth in
27 full.
28

1 39. By the August 28 Note, Borrowers agreed to pay to Secura, as Trustee for
2 Hudson Valley, as Lender, the sum of \$1,870,000.00, together with interest from the date
3 funds were received by Borrowers until paid at the rate of 5% per month, payable in
4 installments of \$93,500.00 per month, commencing October 1, 2002, the entire principal
5 balance and all interest due and payable on or before March 1, 2003.

6 40. The August 28 Note provides, in material part, that, in the event any
7 payment is not made within 5 days of the stated date, Lender will be entitled to collect late
8 penalty interest on the remaining principal balance at the rate equal to the rate stated in the
9 Note plus 5% per month.

10 41. Borrowers have defaulted in their obligations under the August 28 Note by,
11 among other things, failing to pay installments as and when due, and failing to pay the
12 principal balance and interest due on maturity.

13 42. There is currently due and owing under the August 28 Note the principal
14 sum of \$1,870,000.00, together with interest and penalty interest accrued through January
15 31, 2004, in the aggregate amount of \$3,094,548.39, and interest and penalty interest
16 accruing thereafter at the rate of 10% per month.

17 43. Despite demand, Borrowers have failed to pay the foregoing amounts or any
18 part thereof.

19 44. The Receiver is entitled to recover its reasonable attorney fees incurred in
20 this action pursuant to the Master Trust Agreement and A.R.S. §12-341.01.

21 WHEREFORE, the Receiver requests judgment against Defendants Robert
22 Guccione and General Media International, Inc., and each of them, as follows:

- 23 A. For the principal sum of \$1,870,000.00;
- 24 B. For interest, servicing fees, credit enhancement fees and penalty
25 interest accrued through January 31, 2004, in the aggregate amount of \$3,094,548.39, and
26 interest and penalty interest accruing thereafter at the rate of 10% per month;
- 27 C. For its costs and reasonable attorney fees incurred herein; and
- 28 D. For such other and further relief as is proper and just.

1 limitation of the foregoing, Secura is entitled to, and does hereby demand that GMFA
2 assemble the Collateral and deliver it to the Trustee at 3200 N. Central Ave., Suite 2000,
3 Phoenix, Arizona.

4 52. The Receiver further is entitled to the issuance of (a) a Writ of Replevin
5 directing that the Collateral be seized and delivered over to Plaintiff and/or (b) a Writ of
6 Special Execution directing that the Collateral be levied upon and sold according to law.

7 53. Upon information and belief, GMFA and Borrowers, and each of them,
8 claim an interest in the Collateral.

9 54. The Receiver is entitled to recover his reasonable attorney fees incurred in
10 this action pursuant to the Security Agreement and A.R.S. §12-341.01.

11 WHEREFORE, the Receiver requests Judgment against Defendants General Media
12 Fine Arts, Inc., General Media International, Inc. and Robert Guccione, and each of them,
13 as follows:

14 A. For the issuance of a Writ of Replevin commanding the Sheriff of
15 Maricopa County, Arizona, or any other County where Defendants or the Collateral may
16 be located, to take possession of the Collateral and return the Collateral to the Receiver,
17 or, in the alternative for the issuance of a Writ of Special Execution commanding the
18 Sheriff of Maricopa County, Arizona, or any other County where Defendants or the
19 Collateral may be located, to take possession of the Collateral, to sell the Collateral
20 according to law, and to apply the proceeds of such sale, first to pay the costs thereof and
21 thereafter to the Judgment entered herein;

22 B. For his her costs and for attorneys fees incurred herein; and

23 C. For such other and further relief as is proper and just.

24 **COUNT FIVE**

(Breach of Contract – Borrowers)

25 55. The Receiver reiterates each and every foregoing allegation as if set forth in
26 full.
27
28

1 56. Secura and Lenders have complied with each of their obligations under the
2 Master Trust Agreement and the Notes, and all conditions precedent to performance by
3 Borrowers, including, without limitation, the occurrence of one or more Automatic Trust
4 Events, have been satisfied. The Receiver is therefore immediately entitled to the
5 execution, acknowledgment and recording of the Mortgage and any and all other
6 documents necessary to perfect Lenders' mortgage interest in the Real Property and the
7 Fine Art.

8 57. The foregoing notwithstanding, Defendants have failed and refused to
9 execute, acknowledge and/or deliver for recording the Mortgage and have otherwise failed
10 and refused to cause Lenders to have a perfected mortgage interest in the Real Property
11 and the Fine Art.

12 58. Borrowers further have breached and repudiated, and continue to breach and
13 repudiate, the Master Trust Agreement in that, *inter alia*,

14 A. Borrowers have failed and refused, and continue to fail and refuse, to
15 execute and deliver into escrow the Additional Collateral Documents;

16 B. Borrowers have failed and refused, and continue to fail and refuse to
17 cause Lenders to have liens, as set forth in the Master Trust Agreement, in the Collateral;

18 C. Upon information and belief, Borrowers have caused and permitted
19 the Real Property to be and remain further encumbered; and

20 D. Upon information and belief, Borrowers have caused or permitted
21 material items of the Collateral, including the Townhouse and certain of the Fine Art, to
22 be sold, or otherwise disposed of, the detriment of Secura and Lenders.

23 59. As a direct, proximate and foreseeable result of Borrowers' breaches and
24 repudiations as set forth above, Secura and Lenders have suffered, and continue to suffer
25 damages, the full nature and extent of which are not yet determined.

26 60. The Receiver is entitled to recover its reasonable attorney fees incurred in
27 this action pursuant to the Master Trust Agreement and A.R.S. §12-341.01.
28

1 including the Mortgage and the Additional Collateral Agreements, to be recorded, because
2 such recording would violate covenants under Borrowers' existing loan agreements with
3 and therefore cause a default thereunder; (5) that Borrowers had the ability, and intended,
4 to perform under the Notes and the Master Trust Agreement; (6) that, after review of
5 GMI's and Guccione's financial statements, GMI "has enough resources to handle the
6 proposed new debt and [Guccione] has substantial assets in case of default;" and (7) that
7 Borrowers had obtained an underwriting commitment of the proposed financing from an
8 investment banking company, National Capital Company, Inc., or its subsidiaries.

9 B. Borrowers, in the Loan Request, Original Master Trust Agreement
10 and Restated Master Trust Agreement, represented, expressly and by implication, (1) that
11 Borrowers, or affiliated entities under Borrowers' control, were the owners of, and had the
12 right, power and authority to grant liens in, the Collateral to secure the Loans; (2) that the
13 value of the Collateral, after deducting all prior liens, was sufficient to provide Secura and
14 Lenders adequate security for the Loans; (3) that the Real Property was subject to liens
15 and encumbrances, and no others, as set forth in condition of title reports (the "Title
16 Reports") included in the Loan Request; (4) that Borrowers were precluded from allowing
17 collateral documents, including the Mortgage and the Additional Collateral Agreements,
18 to be recorded, because such recording would violate covenants under Borrowers' existing
19 loan agreements with and therefore cause a default thereunder; (5) that Borrowers had the
20 ability, and intended, to perform under the Notes and the Master Trust Agreement; (6)
21 that, after review of GMI's and Guccione's financial statements, GMI "has enough
22 resources to handle the proposed new debt and [Guccione] has substantial assets in case of
23 default;" and (7) that Borrowers had obtained an underwriting commitment of the
24 proposed financing from an investment banking company, National Capital Company,
25 Inc., or its subsidiaries.

26 63. The Representations were false when made, and were known by Borrowers,
27 Samel and the Vector Defendants to be false, in that (1) Borrowers lacked the ability to
28 grant liens against the Collateral to secure the Loans in that, among other things, the

1 Townhouse was subject to a prior foreclosure judgment and the Fine Art was subject to a
2 prior sale agreement and assignment of proceeds; (2) the Collateral was encumbered in an
3 aggregate amount in excess of its value and therefore was inadequate security for the
4 Loans; (3) the nature and amount of the liens and encumbrances against the Collateral
5 were not properly reflected in the Title Reports in that, among other things, the
6 Townhouse was subject to a foreclosure judgment and the Fine Art was subject to a prior
7 sale agreement and assignment of proceeds; (4) the recording of the Mortgage and
8 Additional Collateral Agreements would not have resulted in a default under Borrowers'
9 existing loan agreements, as those agreements not only were already in default but were
10 the subject of an existing foreclosure judgment; (5) upon information and belief,
11 Borrowers lacked the present ability and intention to perform under the Notes and Master
12 Trust Agreement; (6) upon information and belief, a proper review of the financial
13 statements of Borrowers had not been undertaken and/or that such a review would have
14 demonstrated that Borrowers lacked sufficient resources to repay the Loans; and (7) that
15 the purported underwriting commitment was subject to conditions and requirements that,
16 upon information and belief, could not be satisfied.

17 64. Borrowers, Samel and the Vector Defendants intended that Secura and
18 Lenders rely on the Representations and, being ignorant of the falsity of the
19 Representations, Secura and Lenders actually and reasonably relied thereon.

20 65. Secura and Lenders had the right to rely upon the Representations by virtue
21 of, among other things, the relationships of the parties and the reputation and public
22 standing of Borrowers.

23 66. As a direct, proximate and foreseeable result of the Representations, and
24 Secura and Lenders' reliance thereon, Secura and Lenders suffered, and continue to
25 suffer, damages, in the form of loss of the principal amount of the Loans, loss of use of
26 the proceeds, potential liability to investors and otherwise, in an amount not yet
27 determined but in no event less than \$5,500,000.00.

28

1 72. The acts of Borrowers, Samel and the Vector Defendants in preparing,
2 offering and selling the Notes without registration were unlawful and in violation of
3 A.R.S. §44-1841.

4 73. In preparing, offering and selling the Notes, Borrowers, Samel and the
5 Vector Defendants acted as part of a common plan, scheme or conspiracy, such that each
6 of them is liable, jointly and severally with the others, as a co-conspirator and/or
7 controlling person under A.R.S. §§44-1999, 44-2003.

8 74. As a direct, proximate and foreseeable result of the acts and omissions of
9 Borrowers, Samel and the Vector Defendants set forth above, Secura and Lenders
10 suffered, and continue to suffer, damages, in the form of loss of the principal amount of
11 the Loans, loss of use of the proceeds, potential liability to investors and otherwise, in an
12 amount not yet determined but in no event less than \$5,500,000.00.

13 75. The Receiver is entitled to recover the investment of Secura and Lenders in
14 the Notes together with consequential and incidental damages and together with his
15 attorney fees incurred in herein.

16 76. The acts and omissions of Borrowers, Samel and the Vector Defendants set
17 forth above were willful, malicious and performed with a conscious disregard for the risk
18 of injury to Secura and Lenders. The Receiver is therefore entitled to an award of
19 substantial punitive damages.

20 WHEREFORE, the Receiver requests judgment against Defendants Robert
21 Guccione, General Media International, Inc., Charles Samel and Jane Doe Samel, Vector
22 Partners, L.L.C., Gregg Harrington and Jane Doe Harrington, Jason Galanis and Jane Doe
23 Galanis, and each of them, as follows:

24 A. For compensatory damages, incidental damages and consequential
25 damages in such amounts as may be proved at trial;

26 B. For punitive damages in an amount sufficient to punish Defendants
27 for their wrongful conduct and to deter such conduct by others in the future;

28

- 1 C. For interest on the foregoing amounts at the highest legal rate from
2 the date due until paid in full;
3 D. For his costs; and
4 E. For such other and further relief as is proper and just

5 **COUNT EIGHT**

6 (Unregistered Securities Dealers – Borrowers, Samel and Vector Defendants)

7 77. The Receiver reiterates each and every foregoing allegation as if set forth in
8 full.

9 78. Upon information and belief, at all times relevant, none of Borrowers,
10 Samel and the Vector Defendants was a licensed security dealer or mortgage banker.

11 79. The acts of Borrowers, Samel and the Vector Defendants in preparing,
12 offering and selling the Notes without being licensed as a security dealer or mortgage
13 banker were unlawful and in violation of A.R.S. §§44-1842, 6-943.

14 80. In preparing, offering and selling the Notes, Borrowers, Samel and the
15 Vector Defendants acted as part of a common plan, scheme or conspiracy, such that each
16 of them is liable, jointly and severally with the others, as a co-conspirator and/or
17 controlling person under A.R.S. §§44-1999, 44-2003.

18 81. As a direct, proximate and foreseeable result of the acts and omissions of
19 Borrowers, Samel and the Vector Defendants set forth above, Secura and Lenders
20 suffered, and continue to suffer, damages, in the form of loss of the principal amount of
21 the Loans, loss of use of the proceeds, potential liability to investors and otherwise, in an
22 amount not yet determined but in no event less than \$5,500,000.00.

23 82. The Receiver is entitled to recover the investment of Secura and Lenders in
24 the Notes together with consequential and incidental damages and together with his
25 attorney fees incurred in herein.

26 83. The acts and omissions of Borrowers, Samel and the Vector Defendants set
27 forth above were willful, malicious and performed with a conscious disregard for the risk
28

1 of injury to Secura and Lenders. The Receiver is therefore entitled to an award of
2 substantial punitive damages.

3 WHEREFORE, the Receiver requests judgment against Defendants Robert
4 Guccione, General Media International, Inc., Charles Samel and Jane Doe Samel, Vector
5 Partners, L.L.C., Gregg Harrington and Jane Doe Harrington, Jason Galanis and Jane Doe
6 Galanis, and each of them, as follows:

7 A. For compensatory damages, incidental damages and consequential
8 damages in such amounts as may be proved at trial;

9 B. For punitive damages in an amount sufficient to punish Defendants
10 for their wrongful conduct and to deter such conduct by others in the future;

11 C. For interest on the foregoing amounts at the highest legal rate from
12 the date due until paid in full;

13 D. For his costs; and

14 E. For such other and further relief as is proper and just

15 **COUNT NINE**

16 (Fraud in the Purchase or Sale of Securities – Borrowers, Samel and Vector Defendants)

17 84. The Receiver reiterates each and every foregoing allegation as if set forth in
18 full.

19 85. The acts and omissions of Defendants Guccione, Samel and the Vector
20 Defendants, in making the Representations and otherwise as set forth above, occurred in
21 connection with an offer to purchase or sell securities and constituted (a) employment of a
22 device, scheme or artifice to defraud, (b) making an untrue statement of material fact, or
23 omitting to state any material fact necessary in order to make the statements made, in the
24 light of the circumstances under which they were made, not misleading, and (c) engaging
25 in a transaction, practice or course of business which operates or would operate as a fraud
26 or deceit, all in violation of the Arizona Securities Act, A.R.S. §44-1991.

27 86. As a direct, proximate and foreseeable result of the acts and omissions of the
28 Borrowers, Samel and the Vector Defendants as set forth above, Secura and Lenders

1 suffered, and continue to suffer, damages, in the form of loss of the principal amount of
2 the Loans, loss of use of the proceeds, potential liability to investors and otherwise, in an
3 amount not yet determined but in no event less than \$5,500,000.00.

4 87. The acts and omissions of Borrowers, Samel and the Vector Defendants set
5 forth above were willful, malicious and performed with a conscious disregard for the risk
6 of injury to Secura and Lenders. The Receiver is therefore entitled to an award of
7 punitive damages.

8 WHEREFORE, the Receiver requests judgment against Defendants Robert
9 Guccione, General Media International, Inc., Charles Samel and Jane Doe Samel, Vector
10 Partners, L.L.C., Gregg Harrington and Jane Doe Harrington, Jason Galanis and Jane Doe
11 Galanis, and each of them, as follows:

12 A. For compensatory damages, incidental damages and consequential
13 damages in such amounts as may be proved at trial;

14 B. For punitive damages in an amount sufficient to punish Defendants
15 for their wrongful conduct and to deter such conduct by others in the future;

16 C. For interest on the foregoing amounts at the highest legal rate from
17 the date due until paid in full;

18 D. For his costs; and

19 E. For such other and further relief as is proper and just.

20 COUNT TEN

21 (Negligent Misrepresentation – Borrowers and Vector Defendants)

22 88. The Receiver reiterates each and every foregoing allegation as if set forth in
23 full.

24 89. Borrowers, Samel and the Vector Defendants, in connection with the
25 negotiation of the Master Trust Agreement and the Loans, owed a duty of reasonable care
26 to Secura and Lenders.

27 90. Borrowers, Samel and the Vector Defendants knew or should have known
28 that Secura and Lenders would rely on the Representations.

1 91. Borrowers, Samel and the Vector Defendants acted negligently and in
2 breach of their duty of care by their acts and omissions in making the Representations and
3 otherwise as set forth above.

4 92. As a direct, proximate and foreseeable result of the negligent acts and
5 omissions of the Borrowers, Samel and the Vector Defendants as set forth above, Secura
6 and Lenders suffered, and continue to suffer, damages, in the form of loss of the principal
7 amount of the Loans, loss of use of the proceeds, potential liability to investors and
8 otherwise, in an amount not yet determined but in no event less than \$5,500,000.00.

9 93. The acts and omissions of Borrowers, Samel and the Vector Defendants set
10 forth above were willful, malicious and performed with a conscious disregard for the risk
11 of injury to Secura and Lenders. The Receiver is therefore entitled to an award of
12 punitive damages.

13 WHEREFORE, the Receiver requests judgment against Defendants Robert
14 Guccione, General Media International, Inc., Charles Samel and Jane Doe Samel, Vector
15 Partners, L.L.C., Gregg Harrington and Jane Doe Harrington, Jason Galanis and Jane Doe
16 Galanis, and each of them, as follows:

17 A. For compensatory damages, incidental damages and consequential
18 damages in such amounts as may be proved at trial;

19 B. For punitive damages in an amount sufficient to punish Defendants
20 for their wrongful conduct and to deter such conduct by others in the future;

21 C. For interest on the foregoing amounts at the highest legal rate from
22 the date due until paid in full;

23 D. For his costs; and

24 E. For such other and further relief as is proper and just.

25 **COUNT ELEVEN**

26 (Consumer Fraud – Borrowers, Samel and Vector Defendants)

27 94. The Receiver reiterates each and every foregoing allegation as if set forth in
28 full.

1 95. The Notes constitute "merchandise" within the meaning of A.R.S. §44-
2 1521(5).

3 96. The acts and omissions of Borrowers, Samel and the Vector Defendants set
4 forth above constitute deception, deceptive acts practices, fraud, false pretense, false
5 promise, misrepresentation and concealment, suppression and omission of material fact,
6 with the intent that Secura and Lenders rely thereon in connection with the sale of
7 merchandise as defined in A.R.S. §44-1521, and in violation of the Arizona Consumer
8 Fraud Act, A.R.S. §44-1521, et seq.

9 97. As a direct, proximate and foreseeable result of the wrongful acts and
10 omissions of Borrowers, Samel and the Vector Defendants set forth above, Secura and
11 Lenders suffered, and continue to suffer, damages, in the form of loss of the principal
12 amount of the Loans, loss of use of the proceeds, potential liability to investors and
13 otherwise, in an amount not yet determined but in no event less than \$5,500,000.00.

14 98. The acts and omissions of Borrowers, Samel and the Vector Defendants set
15 forth above were willful, malicious and performed with a conscious disregard for the risk
16 of injury to Secura and Lenders. The Receiver is therefore entitled to an award of
17 punitive damages.

18 WHEREFORE, the Receiver requests judgment against Defendants Robert
19 Guccione, General Media International, Inc., Charles Samel and Jane Doe Samel, Vector
20 Partners, L.L.C., Gregg Harrington and Jane Doe Harrington, Jason Galanis and Jane Doe
21 Galanis, and each of them, as follows:

22 A. For compensatory damages, incidental damages and consequential
23 damages in such amounts as may be proved at trial;

24 B. For punitive damages in an amount sufficient to punish Defendants
25 for their wrongful conduct and to deter such conduct by others in the future;

26 C. For interest on the foregoing amounts at the highest legal rate from
27 the date due until paid in full;

28 D. For his costs; and

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E. For such other and further relief as is proper and just.

COUNT TWELVE

(Professional Negligence - Attorney Defendants)

99. The Receiver reiterates each and every foregoing allegation as if set forth in full.

100. Upon information and belief, the Attorney Defendants were retained by Secura and Lenders to provide, and did provide, legal services, in the form of analysis, review and approval of documents (including without limitation the Original Master Trust Agreement, the Restated Master Trust Agreement, the Notes, and the Mortgage), advice and otherwise, in connection with the Loans and the other transactions and agreements described above.

101. The Attorney Defendants owed Secura and Lenders a duty, in providing legal services, to act competently and in accordance with the standard of care applicable to attorneys practicing in Maricopa County, Arizona.

102. The Attorney Defendants acted negligently and in violation of the standard of care in that, among other things,

A. Upon information and belief, the Attorney Defendants failed to review the Title Reports and/or failed to obtain updated condition of title reports as a condition of closing the Loans, thereby causing Secura and Lenders to fund the Loans at a time when the Townhouse had already been foreclosed upon and was not available to serve as collateral;

B. Upon information and belief, the Attorney Defendants failed to properly advise Secura and Lenders of the risks inherent in funding the Loans prior to the recording of the Mortgage and the Additional Collateral Agreements;

C. Upon information and belief, the Attorney Defendants failed to research New York property and mortgage recording tax law and to advise Secura and Lenders of the consequences of same.

A

COPY FOR
CERTIFICATION

FILED
5/15/03 9:00am
MICHAEL K. JEANES, Clerk
By J. Melius
Deputy

1 ARIZONA CORPORATION COMMISSION
2 Wendy Coy, #013195
3 1300 West Washington, 3rd Floor
4 Phoenix, Arizona 85007
5 Attorney for Plaintiff
6 Telephone: (602) 542-0633
7 Fax: (602) 594-7418

CERTIFIED COPY

STATE OF ARIZONA

MARICOPA COUNTY SUPERIOR COURT

8 ARIZONA CORPORATION COMMISSION)
9)

No. CV2003 005724

10 Plaintiff)

FIRST AMENDED ORDER
APPOINTING RECEIVER

11 v.)

12 AMERICAN NATIONAL MORTGAGE)
13 PARTNERS, L.L.C., an Arizona limited liability)
14 company, individually and as trustee of 1230 Pine)
15 Road Trust dated July 21, 2002, 1256 Rand Ave)
16 Trust dated September 11, 2002, 2725 E. Thomas)
17 Road Trust dated November 14, 2002, 2801)
18 Wayzata Blvd Trust dated September 13, 2002,)
19 35824 N. Secluded Lane Trust dated June 21, 2002,)
20 36th Street & Oak Trust dated Nov. 8, 2002, 4330)
21 N. 5th Street Trust dated October 24, 2002, 506)
22 Stoning Circle Trust dated July 26, 2002, 630 E.)
23 Mullan Avenue Trust dated August 29, 2002, 8301)
24 Creekside Circle Trust dated August 22, 2002, 8744)
25 E. Oak Street Trust dated June 19, 2002, Lot 14)
26 Copper Canyon Trust dated May 8, 2002, San)
Miguel Trust dated September 20, 2002, SECURA)
INNOVATIVE INVESTMENT, INC., an Arizona)
corporation, SECURA MORTGAGE)
MANAGEMENT, L.L.C., an Arizona limited)
liability company, individually and as trustee of 67th)
Street Trust dated July 5, 2002, CASH FLOW)
UNIVERSITY, INC., an Arizona corporation,)
SECURA FUND ARIZONA, L.L.C., an Arizona)
limited liability company, CORPORATE)
MANAGEMENT SOLUTIONS, INC., an Arizona)
corporation, individually and as trustee of 5505 E.)
San Miguel Trust dated May 17, 2002, Lot 14)
Copper Canyon Trust dated May 18, 2002,)

1 Northwest Fir Properties dated May 17, 2002,)
 Roosevelt Street Trust dated April 30, 2002,)
 2 GUARANTY PERFORMANCE, INC., an Arizona)
 corporation, ANMP 74TH STREET, L.L.C., an)
 3 Arizona limited liability company, CREATIVE)
 FINANCIAL FUNDING, L.L.C., an Arizona)
 4 limited liability company, individually and as)
 trustee of 8802 N. Black Canyon Hwy Trust dated)
 5 unknown, AMERICAN MONEY POWER, INC.)
 dba MONEY POWER, an Arizona corporation,)
 6 FEDERAL CAPITAL, L.L.C., an Arizona limited)
 liability company, and CORPORATE FIDUCIAL)
 7 SERVICES, INC., a Nevada corporation,)
 individually and as trustee of The Federal Way)
 8 Building L.L.C. dated January 27, 2000, Progress)
 Drive Trust dated August 21, 2000, 222 N. 44th)
 9 Street Trust dated August 31, 2001, 36050 N. 58th)
 10 Street Trust dated unknown, 522 N. Columbia)
 Center Blvd. Trust dated February 22, 2001, 7102)
 11 W. Roosevelt Trust dated July unknown, 2001,)
 9815 S.W. Capital Hwy Trust dated June 24, 2001,)
 12 The 300 East Camelback Road Trust dated June 1,)
 2000, Deer Valley Trust dated September 20, 2000,)
 13 The Silverdale Building Trust dated 06/27/2000,)
 14 BLACK CORPORATION 1-50 as trustee of 11324)
 15 E. Sprague Ave. Trust dated unknown, 36050 N.)
 58th Street Trust dated unknown, 7848 E. Copper)
 16 Canyon Street Trust dated September 19, 2002,)
 17 Amsterdam 350 Trust dated August 16, 2002,)
 18 LARRY WILLIAM DUNNING and SHEILA)
 DUNNING, husband and wife, PHIL VIGARINO)
 19 and JANE DOE VIGARINO, husband and wife,)
 ROBERT K. REHM, MARK KESLER and JANE)
 20 DOE KESLER, FRANK CASPARE and GAIL)
 CASPARE, husband and wife, PAUL MEKA)
 21 AND CAROL MEKA, husband and wife,)
 individually and as trustee of 24003 N. Dobson)
 22 Trust dated April 22, 2002, Flynn-Jackson)
 Properties Trust dated 4/30/02, and Roosevelt)
 23 Street Trust dated April 30, 2002, ERIC)
 STRASSER, as trustee of Camelback 300 Trust)
 24 dated February 11, 2002, DAVID STOCKER)
 25 AND KARYN STOCKER; husband and wife, as)
 trustee of 3303 Medina Road Trust dated March)
 26 15, 2002, Clearwater Mines Trust dated February)

1 12, 2002, Deer Valley/26th Ave. Trust dated)
 2 unknown, High Chaparral Trust dated March 11,)
 3 2002, and R.L. Wickman Trust dated January 31,)
 4 2002; SUSAN RUTLEDGE AND JOHN DOE)
 5 RUTLEDGE, husband and wife;)
 6 35824 N. SECLUDED LANE L.L.C., an Arizona)
 7 limited liability company, AMSTERDAM)
 8 LENDERS L.L.C., an Arizona limited liability)
 9 company, ASHTON GLEN APARTMENTS)
 10 L.L.C., an Arizona limited liability company,)
 11 CAMELBACK STONE CANYON L.L.C., an)
 12 Arizona limited liability company, CASTLE)
 13 ROOSEVELT WAREHOUSE L.L.C., an Arizona)
 14 limited liability company, COLONIAL)
 15 VILLAGE L.L.C., an Arizona limited liability)
 16 company, FCG LENDERS L.L.C., an Arizona)
 17 limited liability company, FLYNN JACKSON)
 18 PREMIUM PORTFOLIO L.L.C., an Arizona)
 19 limited liability company, FLYNN JACKSON)
 20 SECOND PORTFOLIO L.L.C., an Arizona)
 21 limited liability company, MEGASTORE)
 22 ROOSEVELT WAREHOUSE L.L.C., an Arizona)
 23 limited liability company, NORMANDALE)
 24 TOWER L.L.C., an Arizona limited liability)
 25 company, NORTH SECLUDED LANE L.L.C.,)
 26 an Arizona limited liability company, OAK)
 COMMONS L.L.C., an Arizona limited liability)
 company, SAN MIGUEL LENDERS L.L.C., an)
 Arizona limited liability company, THOMAS)
 TOWNHOMES L.L.C., an Arizona limited)
 liability company, WBMM L.L.C., an Arizona)
 limited liability company, ROOSEVELT)
 WAREHOUSE L.L.C., an Arizona limited)
 liability company, TRAPPER CREEK L.L.C., an)
 Arizona limited liability company, ATLAS MINE)
 L.L.C., an Arizona limited liability company,)
 BB/CAREFREE L.L.C., an Arizona limited)
 liability company, DEER VALLEY TRUST II)
 L.L.C., an Arizona limited liability company,)
 FRIENDS INVESTORS L.L.C., an Arizona)
 limited liability company, MEDINA)
 PROPERTIES, L.L.C., an Arizona limited)
 liability company, SOUTH BONITA L.L.C., an)
 Arizona limited liability company, T. LUNGARO)
 L.L.C., an Arizona limited liability company,)
 CORPORATE WAREHOUSE L.L.C., an Arizona)

1 limited liability company, DV PARTNERS)
 L.L.C., an Arizona limited liability company,)
 2 FLYNN JACKSON PARTNERS L.L.C., an)
 Arizona limited liability company, NORTH)
 3 DOBSON-SCOTTSDALE L.L.C., an Arizona)
 limited liability company, HUDSON PARK)
 4 L.L.C., an Arizona limited liability company,)
 HUDSON VALLEY L.L.C., an Arizona limited)
 5 liability company, HUDSON-HYDE PARK)
 L.L.C., an Arizona limited liability company,)
 6 SIXTY-SEVENTH STREET L.L.C., an Arizona)
 limited liability company, FOREST AVENUE)
 7 L.L.C., an unknown limited liability company,)
 8 3303 OHIO PPROPERTY L.L.C., an Arizona)
 limited liability company, CAMELBACK 300)
 9 L.L.C., an Arizona limited liability company,)
 WATERSTONE APARTMENTS L.L.C., an)
 10 Arizona limited liability company, FCG)
 PARTNERS L.L.C., an Arizona limited liability)
 11 company, AMSTERDAM L.L.C., an Arizona)
 limited liability company, PROFIT-I L.L.C., an)
 12 Arizona limited liability company, FLYNN)
 JACKSON PROPERTIES L.L.C., an unknown)
 13 limited liability company, FOREST GLOBAL)
 L.L.C., an unknown limited liability company,)
 14 LAS SENDAS MOUNTAIN L.L.C., an unknown)
 limited liability company, OMAHA PROPERTY)
 15 L.L.C., an unknown limited liability company,)
 16 JOSHUA LANE LENDERS, L.L.C., an unknown)
 limited liability company, NT CREEKSIDE)
 17 L.L.C., an Arizona limited liability company, I-10)
 18 INVESTORS L.L.C., an Arizona limited liability)
 company, MONEY POWER L.L.C., an Arizona)
 19 limited liability company)
 20 WESTERN + GULF, INC., a Louisiana)
 corporation, BOAT BED & BREAKFAST)
 21 L.L.C., an Arizona limited liability company,)
 22 SHE LA VIA COSMETICS, INC., an Arizona)
 corporation)
 23 JOHN AND JANE DOES 1-50, ABC)
 24 CORPORATIONS, 1-50, XYZ LIMITED)
 LIABILITY COMPANIES 1-50)
 25)
 26 Defendants.

1 Plaintiff the Arizona Corporation Commission ("ACC") having filed a Verified Complaint
2 and an Application for Appointment of a Receiver for the Defendants listed in Exhibit "A"
3 attached hereto (collectively "Receivership Defendants"), the Court finds, based upon the papers
4 filed by the ACC, that this Amended Order Appointing Receiver is both necessary and appropriate
5 in order to prevent waste and dissipation of the assets of the Receivership Defendants to the
6 detriment of investors.

7 IT IS THEREFORE ORDERED:

8 1. This Court hereby takes exclusive jurisdiction¹ and possession of the assets, monies,
9 securities, choses in action, and properties, real and personal, tangible and intangible, of whatever
10 kind and description, wherever situated, of the Receivership Defendants, (hereinafter,
11 "Receivership Assets") except American National Mortgage Partners L.L.C. and ANMP 74th ST.
12 L.L.C. where the jurisdiction is also under the Bankruptcy Court.

14 2. James C. Sell located at 6328 N. 181st Avenue, Waddell, Arizona 85355, with the
15 phone number of 623.853.1196, facsimile number 623.853.1132, is appointed Receiver for the
16 Receivership Assets. The Receiver shall file with the Clerk of this Court a bond in the sum of
17 \$500,000, without need for sureties approved by the Court, to assure his conscientious performance
18 of the duties and responsibilities imposed by this Order. The Receiver is hereby authorized to take
19 and have possession and control of the Receivership Assets. Until further order of this Court, the
20 Receiver shall have complete and exclusive control, possession, and custody of all Receivership
21 Assets. The Receiver shall be the agent of the court and shall be accountable directly to this Court.
22

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24 ¹ The references to exclusive jurisdiction and stays and injunctions provided throughout this order
25 shall not deny or prohibit the prosecution and adjudication of those claims set forth in Adversary
26 Distributing Corporation, Case No. 03-03546-RJH (the "Dexter Debtors"). To the extent that the
Receiver takes any actions requiring court order, prior notice shall be provided to lead counsel for
Taylor R. Coleman and the Dexter Debtors.

1 3. All persons, including Defendants and their officers, agents, servants, employees,
2 attorneys, and all persons in active concert or participation with them who receive actual notice of
3 this Order by personal service or otherwise, and specifically including any bank or other financial
4 or depository institution holding accounts for or on behalf of the Receivership Defendants, shall
5 promptly deliver to the Receiver all Receivership Assets in the possession or under the control of
6 any one or more of them and shall promptly surrender all books and records of any kind pertaining
7 or belonging to the Receivership Defendants.

8 4. The Defendants shall fully cooperate with and assist the Receiver, which shall
9 include, but not be limited to, providing information to the Receiver that the Receiver deems
10 necessary to exercising the authority and discharging the responsibilities of the Receiver under this
11 Order; providing any password required to access any computer, electronic file, or telephonic data
12 in any medium; advising all persons who owe money to the Receivership Defendants that all debts
13 should be paid directly to the Receiver; and provide to the Receiver all keys and codes necessary to
14 gain or to secure access to any Receivership Assets or Receivership Records.

15 5. All persons, including Defendants and their officers, agents, servants, employees,
16 attorneys, and all persons in active concert or participation with them, who receive actual notice of
17 this Order by personal service or otherwise, are enjoined from in any way interfering with the
18 operation of the Receivership or in any way disturbing the Receivership Assets and from filing or
19 prosecuting any actions or proceedings which involve the Receiver or which affect the
20 Receivership Assets, specifically including any proceeding initiated pursuant to the United States
21 Bankruptcy Code, except with the prior permission of this Court or the Bankruptcy Court as
22 appropriate. Any actions so authorized to determine disputes relating to Receivership Assets shall
23 be filed in this Court or the Bankruptcy Court as appropriate.
24
25
26

1 6. All Defendants are hereby restrained and enjoined from directly or indirectly
2 destroying, secreting, defacing, transferring or otherwise altering or disposing of any documents of
3 the Defendants, including, but not limited to, books, records, accounts, writings, drawings, graphs,
4 charts, photographs, audio and video recordings, computer records and other data compilations,
5 electronically stored records, or any other papers of any kind or nature. Defendants are also
6 restrained and enjoined from excusing debts owed to the Defendants or transferring, receiving,
7 altering selling, encumbering, pledging, assigning, liquidating, or otherwise disposing of any assets
8 owned, controlled, or in the possession or custody of, or in which an interest is held or claimed by,
9 the Receivership Defendants, or the Receiver.

10 7. All banks, broker-dealers, savings and loans, escrow agents, title companies,
11 commodity trading companies, or other financial institutions shall cooperate with all reasonable
12 requests of the Receiver relating to implementation of this Order, including transferring funds at
13 his direction and producing records related to the assets of the Receivership Defendants.

14 8. The Receiver is hereby authorized to make appropriate notification to the United
15 States Postal Service to forward delivery of any mail addressed to the Receivership Defendants,
16 any company or entity under the direction or control of any of the Receivership Defendants, to any
17 Post Office box or other mail depository, to himself. Further, the Receiver is hereby authorized to
18 open and inspect all such mail, to determine the location or identity of assets or the existence and
19 amount of claims.
20

21 9. The Receiver is hereby authorized to open one or more bank accounts with financial
22 institutions insured by an agency of the United States. The Receiver shall Deposit all Receivership
23 Assets in such designated accounts and shall make all payments and disbursements from the
24 Receivership Assets from such accounts. The Receiver shall be responsible, to the best of his
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1 ability, to collect and allocate the loan proceeds, both principal and interest, and to make land
2 payments to the lenders.

3 10. The Receiver is hereby authorized to make such ordinary and necessary payments,
4 distributions, and disbursements as he deems advisable or proper for the marshaling, maintenance
5 or preservation of the Receivership Assets. The Receiver shall have the authority to contact and
6 negotiate with any creditors of the Receivership Defendants, for the purpose of compromising or
7 settling any claim. To this purpose, in those instances in which Receivership Assets serve as
8 collateral to secured creditors, the Receiver may surrender such assets to secured creditors, and
9 shall have the authority to make such surrender conditional upon the waiver of any deficiency of
10 collateral. Furthermore, the Receiver is authorized to renew, cancel, terminate, or otherwise adjust
11 any pending lease agreements to which the Receivership Defendants are a party.
12

13 11. The Receiver is hereby directed to prevent the inequitable distribution of assets and
14 determine, adjust, and protect the interests of persons with an interest in or claim against the
15 Receivership Assets.

16 12. The Receiver is hereby directed to file with this Court and serve upon the parties,
17 within 30 days after entry of this Amended Order, a preliminary report setting out the identity,
18 location and value of the Receivership Assets, and any liabilities pertaining thereto. Further, at the
19 time the Receiver makes such report, he shall recommend to the Court whether, in his opinion,
20 based on his initial investigation, claims against Defendants, should be adjudged in the Bankruptcy
21 Court. After providing the parties an opportunity to be heard, this Court will determine whether to
22 accept the Receiver's recommendation and, if appropriate, issue an order authorizing the Receiver
23 to commence a bankruptcy proceeding.
24

25 13. Except by leave of this Court or the Bankruptcy Court as appropriate, during
26 pendency of the Receivership ordered herein, the Defendants, and all other persons and entities be

1 and hereby are stayed from taking any action to establish or enforce any claim, right, or interest for,
2 against, on behalf of, in, or in the name of, any of the Receivership Defendants, any of their
3 subsidiaries, affiliates, partnerships, assets, documents, or the Receiver or the Receiver's duly
4 authorized agents acting in their capacities as such, including, but not limited to, the following
5 actions:

- 6 a. Commencing, prosecuting, continuing, entering, or enforcing any suit or
7 proceeding, except that such actions may be filed to toll any applicable statute of
8 limitations;
- 9 b. Accelerating the due date of any obligation or claimed obligation; filing or
10 enforcing any lien; taking or attempting to take possession, custody, or control of
11 any asset; attempting to foreclose, forfeit, alter, or terminate any interest in any
12 asset, whether such acts are part of a judicial proceeding, are acts of self-help, or
13 otherwise;
- 14 c. Executing, issuing, serving, or causing the execution, issuance or service of, any
15 legal process, including, but not limited to, attachments, garnishments, subpoenas,
16 writs of replevin, writs of execution, or any other form of process whether specified
17 in this Order or not; or
- 18 d. Doing any act or thing whatsoever to interfere with the Receiver taking custody,
19 control, possession, or management of the assets or documents subject to this
20 receivership, or to harass or interfere with the Receiver in any way, or to interfere in
21 any manner with the exclusive jurisdiction of this Court over the assets or
22 documents of the Receivership Defendants.

23
24
25 14. Except as otherwise provided in this Order, all persons and entities in need of
26 documentation from the Receiver shall in all instances first attempt to secure such information by

1 submitting a formal written request to the Receiver, and, if such request has not been responded to
2 within fifteen (15) days of receipt by the Receiver, any such person or entity may thereafter seek an
3 Order of this Court with regard to the relief requested.

4 15. The Receivership Defendants will have access to the business records, including
5 copies of computer records, of the Receivership Defendants upon twenty-four (24) hour notice to
6 the Receiver and under the receivers' supervision. The Receivership Defendants will not remove
7 the business records from the Receiver.

8 16. The Receiver is hereby authorized to employ such employees, accountants, and
9 attorneys as are necessary and proper for the collection, preservation and maintenance of the
10 Receivership Assets, subject to the terms outlined in paragraph 23 below.

11 17. The Receiver is hereby authorized and directed to receive and collect any and all
12 sums of money due or owing to the Receivership Defendants, whether the same are now due or
13 shall hereafter become due and payable, and is authorized to incur such reasonable expenses and
14 make such disbursements as are necessary and proper for the collection, preservation, maintenance
15 and operation of the Receivership Assets.

16 18. The Receiver is hereby authorized to institute, defend, compromise or adjust such
17 actions or proceedings in state or federal courts now pending and hereafter instituted, as may in his
18 discretion be advisable or proper for the protection of the Receivership Assets or proceeds
19 therefrom, and to institute, prosecute, compromise or adjust such actions or proceedings in state or
20 federal court as may in his judgment be necessary or proper for the collection, preservation and
21 maintenance of the Receivership Assets.

22 19. The Receiver is hereby authorized to institute such actions or proceedings to impose
23 a constructive trust, obtain possession and/or recover judgment with respect to persons or entities
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26

1 who received assets or funds traceable to investor monies. All such actions shall be filed in this
2 Court except as maybe subject to subsequent Bankruptcy Court Orders.

3 20. Upon the request of the Receiver, any peace officer of this State is authorized and
4 directed to assist the Receiver in carrying out his duties to take possession, custody or control of, or
5 identify the location of, any Receivership Assets. The Receiver is authorized to remove any person
6 from any premises or real estate constituting a Receivership Asset that attempts to interfere with
7 the Receiver, his attorneys or agents in the performance of their duties. The Receiver is further
8 authorized to change any locks or other security mechanisms with respect to any premises or other
9 assets that constitute Receivership Assets.

10 21. The Receiver shall keep the ACC and the Receivership Defendants apprised at
11 reasonable intervals of developments concerning the operation of the receivership, and shall
12 provide to the ACC upon request any documents under the control of the Receiver.

13 22. The Receiver shall seek and obtain the approval of this Court prior to disbursement
14 of professional fees and expenses to himself or counsel, by presentation of a written application
15 therefor and after consultation with the ACC except as described in paragraph 23 below. All costs
16 incurred by the Receiver shall be paid from the Receivership Assets.

17 23. As to American National Mortgage Partners L.L.C. and ANMP 74th ST. L.L.C., the
18 Receiver has the following additional requirements:

- 19
- 20 a. The Receiver will be designated as the Debtor under Bankruptcy
21 Rule 9001(5)(A).
 - 22 b. The Receiver will extend the \$500,000 bond required in the State
23 action to include a provision in favor of the United States. A copy
24 of the bond will be filed with the Bankruptcy Court and the Office
25 of the U.S. Trustee.
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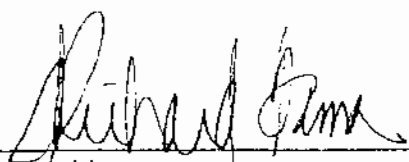
- c. The Receiver will maintain a master mailing list and send status reports and notices to creditors.
- d. The Receiver will file copies of the State Court Receiver reports with the Bankruptcy Court. The first report will be due 30 days from the date of this Amended Order.
- e. The Receiver will file monthly accounting reports with both the State Court and the Bankruptcy Court.
- f. Debtors will pay the required U.S. Trustee quarterly fees.
- g. The Receiver will comply with 11 U.S.C. §330 in seeking compensation for Receiver and his professionals, in doing so, Receiver, on a quarterly basis, will seek State Court approval for all compensation. Upon receipt of State Court Order, Receiver will notice the Order by way of negative notice in the Bankruptcy proceeding. If no objections, the Order will be entered in the Bankruptcy proceeding. By doing so, Receiver will insure that to the extent any professionals are paid from assets of the Bankruptcy estate, appropriate Court authorization has been obtained.
- h. The Receiver will hire Bankruptcy Counsel if and when necessary.
- i. The Receiver will report to the Bankruptcy Court for a status conference in approximately 90 days.
- j. The foregoing provisions are without prejudice to the Receiver seeking modification, or clarification, of these provisions through future Court Orders.
- k. The Receiver will seek approval of the Bankruptcy Court prior to transferring assets out of American National Mortgage Partners L.L.C. and ANMP 74th ST. L.L.C. or seeking dismissal of the Bankruptcy proceedings.

COPY FOR
CERTIFICATION

1 IT IS FURTHER ORDERED that this Court shall retain jurisdiction of this action for all
2 purposes except over American National Mortgage Partners L.L.C. and ANMP 74th ST. L.L.C.
3 American National Mortgage Partners L.L.C. and ANMP 74th ST. L.L.C. will also be under the
4 jurisdiction of the Bankruptcy Court as specifically outlined above. The Receiver is hereby
5 authorized, empowered and directed to apply to this Court or the Bankruptcy Court if appropriate,
6 with notice to the ACC and Defendants, for issuance of such other orders as may be necessary and
7 appropriate in order to carry out the mandate of this Court and the Bankruptcy Court as
8 appropriate.

9 IT IS FURTHER ORDERED that this Order will remain in effect until modified by further
10 order of this Court.

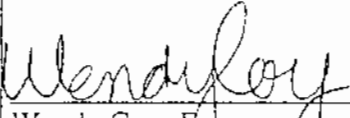
11 SIGNED this 13 day of April, 2003.

12 
13 Honorable _____
14 Judge of the Superior Court

1 ADDENDUM TO RECEIVER ORDER

2
3 The parties agree as to form and substance to entry of this Amended Order Appointing
4 Receiver.

5 Dated this 6th of May, 2003.

6 

7 _____
8 Wendy Coy, Esq.
9 1300 W. Washington, 3rd Floor
10 Phoenix, Arizona 85007
11 Attorney for the Arizona Corporation Commission

12 _____
13 Anthony E. DePrima, Esq.
14 Stanford E. Lerch, Esq.
15 Lerch & DePrima, P.L.C.
16 1700 East Thomas Road, Suite 101
17 Phoenix, Arizona 85016

18 _____
19 Larry Wilk
20 Jaburg & Wilk
21 3200 N. Central Ave. Suite 2000
22 Phoenix, Arizona 85012-2440
23 Attorney for Receiver James C. Sell

24 _____
25 Trudy Nowack
26 Office of the United States Trustee
2929 N. Central Ave. Suite 700
Phoenix, Arizona

27 _____
28 Dale C. Schian, Esq.
29 Mark C. Hudson, Esq.
30 Schian and Walker, P.L.C.
31 3550 North Central Avenue, Suite 1500
32 Phoenix, Arizona 85012-2113

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ADDENDUM TO RECEIVER ORDER

The parties agree as to form and substance to entry of this Amended Order Appointing Receiver.

Dated this _____ of May, 2003.

Wendy Coy, Esq.
1300 W. Washington, 3rd Floor
Phoenix, Arizona 85007
Attorney for the Arizona Corporation Commission



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ADDENDUM TO RECEIVER ORDER

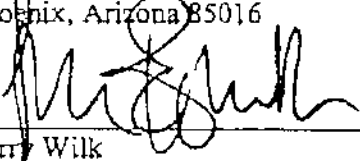
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The parties agree as to form and substance to entry of this Amended Order Appointing Receiver.

Dated this _____ of May, 2003.

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ADDENDUM TO RECEIVER ORDER

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Dated this _____ of May, 2003.

Wendy Coy, Esq.
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ADDENDUM TO RECEIVER ORDER

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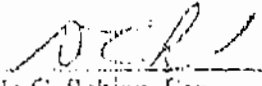
Dated this of May, 2003.

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1 /s/ Richard C. Gramlich

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EXHIBIT "A"

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1. American National Mortgage Partners L.L.C.
2. ANMP 74th ST. L.L.C.
3. 1230 Pine Road Trust dated July 21, 2002
4. 1256 Rand Ave Trust dated September 11, 2002
5. 2725 E. Thomas Road Trust dated November 14, 2002
6. 2801 Wayzata Blvd Trust dated September 13, 2002
7. 35824 N. Secluded Lane Trust dated June 21, 2002
8. 36th Street & Oak Trust dated Nov. 8, 2002
9. 4330 N. 5th Street Trust dated October 24, 2002
10. 506 Stoning Circle Trust dated July 26, 2002
11. 630 E. Mullan Avenue Trust dated August 29, 2002
12. 8301 Creekside Circle Trust dated August 22, 2002
13. 8744 E. Oak Street Trust dated June 19, 2002
14. Lot 14 Copper Canyon Trust dated May 8, 2002
15. San Miguel Trust dated September 20, 2002
16. SECURA INNOVATIVE INVESTMENT, INC., an Arizona corporation
17. SECURA MORTGAGE MANAGEMENT, L.L.C., an Arizona limited liability company
18. 67th Street Trust dated July 5, 2002
19. CASH FLOW UNIVERSITY, INC., an Arizona corporation
20. SECURA FUND ARIZONA, L.L.C., an Arizona limited liability company
21. CORPORATE MANAGEMENT SOLUTIONS, INC., an Arizona corporation
22. 5505 E. San Miguel Trust dated May 17, 2002
23. Lot 14 Copper Canyon Trust dated May 18, 2002

- 1 24. Northwest Fir Properties dated May 17, 2002
- 2 25. Roosevelt Street Trust dated April 30, 2002
- 3 26. GUARANTY PERFORMANCE, INC., an Arizona corporation
- 4 27. CREATIVE FINANCIAL FUNDING, L.L.C., an Arizona limited liability company
- 5 28. 8802 N. Black Canyon Hwy Trust dated unknown
- 6 29. AMERICAN MONEY POWER, INC. dba MONEY POWER, an Arizona corporation
- 7 30. FEDERAL CAPITAL, L.L.C., an Arizona limited liability company
- 8 31. CORPORATE FIDUCIAL SERVICES, INC., a Nevada corporation
- 9 32. The Federal Way Building L.L.C. dated January 27, 2000
- 10 33. Progress Drive Trust dated August 21, 2000
- 11 34. 222 N. 44th Street Trust dated August 31, 2001
- 12 35. 36050 N. 58th Street Trust dated unknown
- 13 36. 522 N. Columbia Center Blvd. Trust dated February 22, 2001
- 14 37. 7102 W. Roosevelt Trust dated July unknown, 2001
- 15 38. 9815 S.W. Capital Hwy Trust dated June 24, 2001
- 16 39. The 300 East Camelback Road Trust dated June 1, 2000
- 17 40. Deer Valley Trust dated September 20, 2000
- 18 41. The Silverdale Building Trust dated 06/27/2000
- 19 42. 11324 E. Sprague Ave. Trust dated unknown
- 20 43. 36050 N. 58th Street Trust dated unknown
- 21 44. 7848 E. Copper Canyon Street Trust dated September 19, 2002
- 22 45. Amsterdam 350 Trust dated August 16, 2002,
- 23 46. 24003 N. Dobson Trust dated April 22, 2002
- 24 47. Flynn-Jackson Properties Trust dated 4/30/02
- 25 48. Roosevelt Street Trust dated April 30, 2002
- 26 49. Camelback 300 Trust dated February 11, 2002

- 1 50. 3303 Medina Road Trust dated March 15, 2002
- 2 51. Clearwater Mines Trust dated February 12, 2002
- 3 52. Deer Valley/26th Ave. Trust dated unknown
- 4 53. High Chaparral Trust dated March 11, 2002
- 5 54. R.L. Wickman Trust dated January 31, 2002
- 6 55. 35824 N. SECLUDED LANE L.L.C., an Arizona limited liability company
- 7 56. AMSTERDAM LENDERS L.L.C., an Arizona limited liability company
- 8 57. CAMELBACK STONE CANYON L.L.C., an Arizona limited liability company
- 9 58. CASTLE ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability
- 10 company
- 11 59. COLONIAL VILLAGE L.L.C., an Arizona limited liability company
- 12 60. FCG LENDERS L.L.C., an Arizona limited liability company
- 13 61. FLYNN JACKSON PREMIUM PORTFOLIO L.L.C., an Arizona limited liability
- 14 company
- 15 62. FLYNN JACKSON SECOND PORTFOLIO L.L.C., an Arizona limited liability
- 16 company
- 17 63. MEGASTORE ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability
- 18 company
- 19 64. NORMANDALE TOWER L.L.C., an Arizona limited liability company
- 20 65. NORTH SECLUDED LANE L.L.C., an Arizona limited liability company
- 21 66. OAK COMMONS L.L.C., an Arizona limited liability company
- 22 67. THOMAS TOWNHOMES L.L.C., an Arizona limited liability company
- 23 68. WBMM L.L.C., an Arizona limited liability company
- 24 69. ROOSEVELT WAREHOUSE L.L.C., an Arizona limited liability company
- 25 70. TRAPPER CREEK L.L.C., an Arizona limited liability company
- 26 71. ATLAS MINE L.L.C., an Arizona limited liability company

- 1 72. BB/CAREFREE L.L.C., an Arizona limited liability company
- 2 73. DEER VALLEY TRUST II L.L.C., an Arizona limited liability company
- 3 74. MEDINA PROPERTIES, L.L.C., an Arizona limited liability company
- 4 75. SOUTH BONITA L.L.C., an Arizona limited liability company
- 5 76. T. LUNGARO L.L.C., an Arizona limited liability company
- 6 77. CORPORATE WAREHOUSE L.L.C., an Arizona limited liability company
- 7 78. DV PARTNERS L.L.C., an Arizona limited liability company
- 8 79. FLYNN JACKSON PARTNERS L.L.C., an Arizona limited liability company
- 9 80. NORTH DOBSON-SCOTTSDALE L.L.C., an Arizona limited liability company
- 10 81. HUDSON PARK L.L.C., an Arizona limited liability company
- 11 82. HUDSON VALLEY L.L.C., an Arizona limited liability company
- 12 83. HUDSON-HYDE PARK L.L.C., an Arizona limited liability company
- 13 84. SIXTY-SEVENTH STREET L.L.C., an Arizona limited liability company
- 14 85. FOREST AVENUE L.L.C., an unknown limited liability company
- 15 86. 3303 OHIO PPROPERTY L.L.C., an Arizona limited liability company
- 16 87. CAMELBACK 300 L.L.C., an Arizona limited liability company
- 17 88. WATERSTONE APARTMENTS L.L.C., an Arizona limited liability company
- 18 89. FCG PARTNERS L.L.C., an Arizona limited liability company
- 19 90. AMSTERDAM L.L.C., an Arizona limited liability company
- 20 91. PROFIT-I L.L.C., an Arizona limited liability company
- 21 92. FLYNN JACKSON PROPERTIES L.L.C., an unknown limited liability company
- 22 93. FOREST GLOBAL L.L.C., an unknown limited liability company
- 23 94. LAS SENDAS MOUNTAIN L.L.C., an unknown limited liability company
- 24 95. OMAHA PROPERTY L.L.C., an unknown limited liability company
- 25 96. JOSHUA LANE LENDERS, L.L.C., an unknown limited liability company
- 26 97. NT CREEKSIDE L.L.C., an Arizona limited liability company

- 1 98. I-10 INVESTORS L.L.C., an Arizona limited liability company
- 2 99. MONEY POWER L.L.C., an Arizona limited liability company
- 3 100. WESTERN + GULF, INC., a Louisiana corporation
- 4 101. BOAT BED & BREAKFAST L.L.C., an Arizona limited liability company
- 5 102. SHE LA VIA COSMETICS, INC., an Arizona corporation

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1 Copies of the foregoing mailed
and/or emailed this 12th of May, 2003:

2
3 Maricopa County Superior Court
4 Honorable J. Richard Gama
5 201 W. Jefferson ECB-611
6 Phoenix, Arizona 85003-2205

7 Larry Wilk
8 Jaburg & Wilk
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11 Attorney for Receiver James C. Sell

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22 Osborn Maledon P.A.
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- 9 Scottsdale, AZ 85262
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- 15 Avondale, AZ 85253
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- 19 Susan Rutledge
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- 21 Scottsdale, AZ 85259
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- 23 27 Taconic Road
- 24 Willwood, NY 10546
- 25 c/o Michael Salcido, Esq.
- 26 Renaud, Cook & Drury, P.A.
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- Titus Brueckner & Berry
- 7373 N Scottsdale, Suite B252
- Scottsdale AZ 85253-3527
- Larry and Sheila Dunning
- 5635 E. Lincoln Dr.
- Paradise Valley, AZ 85253

B

MASTER TRUST AGREEMENT

This MASTER TRUST AGREEMENT is made this 5th day of July 2002 between General Media International, Inc. , its principal, Robert Guccione (together the "Borrowers") and Secura Mortgage Management as designated agent for the Lender(s) ("Arranging Party").

RECITALS

WHEREAS, Secura Mortgage Management has arranged for a loan facility of up to \$5,500,000 and such loan facility requires collateral;

WHEREAS, General Media International, Inc. and/or its subsidiaries have title to such collateral and desires to pledge collateral to lender in connection with the proposed loan;

WHEREAS, the Arranging Party and the Borrowers desire to clarify their respective rights and obligations as to the collateral and the various lending agreements, including the Trust Agreements, as defined.

Now therefore comes the agreement of the parties for good and other valuable consideration:

Collateral. The collateral shall consist of real property located at 14-16 67th Street, New York, New York and real property located at 133-139 Old Post Road, Straatsburg, New York, as more fully described in the documents hereto. The collateral also consists of certain works of fine art currently located at 67th Street, as detailed in Exhibit A to the Security Agreement and the UCC-1 Financing Statement, and shall also include a security interest in the proceeds of the Intended Collateral Disposition, such disposition occurring no later than the last day in November of 2002.

Documents. The Borrowers have delivered to Arranging Party a Promissory Note in the amount of \$1,650,000, a Collateral Assignment of Proceeds; a Security Agreement; a UCC-1 Financing Statement, relating to the artwork, which are effective immediately. On or before July 10, 2002, the Arranging Party and Borrowers shall execute and deliver into escrow a series of additional collateral documents. The additional collateral documents shall be effective upon close of escrow and shall provide for the assignment of the collateral described herein (collectively the "Additional Collateral Agreements").

Escrow. The Additional Collateral Agreements shall remain in escrow until close thereof, at which time they shall be effective. Close of escrow is subject subject to the Compliance Review as provided for in this agreement and further subject to the Automatic Trust Events and are being executed with the intention of being held in escrow until the provision of the Compliance Review is terminated or the occurrence of the trigger events in the Automatic Trust Events. The Arranging Party and the Borrowers have agreed that this escrow period is necessary to protect their mutual interests such that

the collateral is not compromised in any way through an inadvertent violation of certain provisions and negative covenants of various existing borrowing agreements with third parties.

Compliance Review. The parties have agreed to undertake a legal review of the effect of the Trust Agreements as pertains to the various preexisting lending agreements in order to ensure full compliance with the terms and conditions of those agreements. The Borrowers shall direct its counsel to begin such review concurrent with the execution of these agreement and shall instruct counsel to produce a written report to the Borrowers. Borrowers agrees to furnish Arranging Party with the report so as to determine the effects, if any, of the proposed Trust Agreements. The Arranging Party, on behalf of the Lenders, understands that recording of any agreements prior to the completion of Compliance Review, or before the occurrence of an Automatic Trust Event, is not permitted and that such filing may be damaging to the Borrowers and to the Lender and, accordingly, the Arranging Party and the Lender agree to withhold any filing other than the Fine Art UCC-1 and associated Security Agreement until such time as the Compliance Review is completed.

Security Interest. Notwithstanding any provision of this agreement, the Borrowers have agreed that the UCC-1 shall be filed no later than the close of business on Tuesday, July 9, 2002 in order to establish the perfected security interest in the fine art. In addition, the Borrower shall cause to be filed no later than Tuesday, July 9, 2002, in Dutchess County, New York a junior mortgage on the property known as Hyde Park, or 133-139 Old Post Road, Straatsburg, New York, provided, however, that the Lender acknowledges the prior existence of the Kennedy encumbrance.

Encumbrances. The real property collateral is subject to certain prior encumbrances as disclosed in the Diligence Material, including the title report provided by Borrowers. The Fine Art Collateral is subject to a first lien and to the terms and conditions of a blanket insurance policy. As to the real property, the Arranging Party acknowledges that the Kennedy Funding encumbrance may restrict the further direct, recorded encumbrance of the real property. As to the Fine Art, the Lender understands there is a prior encumbrance held by GMAC Pension Fund. Also, the Lender understands that, pursuant to the terms of the insurance policy underwritten by Zurich Re, the Fine Art must be located at the 14-16 67th Street property.

Automatic Trust Events. Notwithstanding the agreements hereunder, the Parties agree that escrow will close, and the Arranging Party shall be permitted to record the Trust Agreements, upon the occurrence of the following; (1) the completion of the Compliance Review and the written report thereon provided by counsel of the Borrowers; or (2) the passage of ninety days from the execution of this agreement and the Trust Agreements without the receipt of the Compliance Review; (3) the filing of any bankruptcy proceeding by any of the Borrowers or by the wholly owned subsidiary of the Borrowers, General Media, Inc.; or (4) a default under the Notes.

Available Proceeds Restrictions. The Arranging Party, as agent for the Lenders, shall restrict the release of any loan proceeds to Borrowers under the \$5,500,000 facility (other than the \$1,650,000 herewith disbursed) until such time as the Trust Agreements are released from escrow and the performance under such agreements is completed by Borrowers. This restriction shall be released at the sole and exclusive discretion of Lenders, or their agent, as so designated.

Cash Proceeds. The Borrowers has agreed that it shall seek to liquidate the Fine Art Collateral no later than November 30, 2002, the proceeds of which shall first be applied to the first mortgage thereon and second to the Lender, pursuant to the Security Agreement and pursuant to the Collateral Assignment of Proceeds.

No Limitation. Nothing in this agreement or in the escrow provided hereunder shall limit or compromise the rights of the Lender in any way as to the repayment of advances made under the loan agreement and, further, nothing hereunder shall in any way impair the security rights under the UCC-1 on the Fine Art or the rights under the Assignment of Proceeds.

Real Property Security Interest. Notwithstanding any provision of this agreement, including the Compliance Review or the Escrow provisions, the Lender shall have, at all times, an unrecorded security interest in the subject real property. Additionally, the Borrowers agrees that it may not further encumber the real property in any way other than interest accruals that may occur under the Kennedy Funding loan, and other than tax liens for taxes not yet due and payable.

General Provisions

Entire Agreement. This Agreement, the referenced exhibits and other documents and instruments discussed herein, embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings relating to the subject matter hereof, except as may be contained in the Note, and any other documents executed contemporaneously herewith.

Modification and Waiver. Except as expressly provided herein to the contrary, no supplement, modification or amendment of any term of this Agreement shall be deemed binding or effective unless in writing and signed by the parties hereto. No failure or delay on the part of the Borrowers in exercising any right, power, or remedy provided herein shall operate as a waiver, nor shall any single or partial exercise of any right, power, or remedy herein preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights, powers and remedies hereunder are cumulative and may be exercised by Borrowers either independent of or concurrent with any other right, power or remedy contained herein or in any document or instrument executed in connection with this subject matter. Except as otherwise expressly provided herein, no waiver shall be binding unless executed in writing by the party making the waiver.

Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against the parties to this Agreement and their respective heirs, executors, administrators, personal representatives, successors and assigns.

Counterparts. This Agreement may be executed simultaneously or in counterparts. If in counterparts, each shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

Headings and Construction. The descriptive headings of the paragraphs of this Agreement are inserted only for convenience and shall not define, limit, extend, control or affect the meaning or construction of any provision of this Agreement. Where the context requires, the singular shall be construed as the plural, and neuter pronouns shall be construed as masculine and feminine pronouns, and vice versa. This Agreement shall be construed according to its fair meaning and any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

Litigation Expenses and Attorney's Fees. In the event of a dispute over or litigation involving this Agreement, the prevailing party in any such action or proceeding shall be entitled to recover its costs and expenses incurred in such action from the other party, including without limitation the cost of reasonable attorney's fees.

Survival. Except as expressly set forth herein, all representations, warranties and covenants set forth herein shall survive the execution and delivery of all documents referred to and incorporated herein.

Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Arizona.

Notices. All notices, consents, approvals and waivers required or permitted in this Agreement shall be provided in writing and shall be effective upon personal delivery or direct facsimile transmission, or two (2) business days after being deposited in the U.S. Mail, registered or certified, return receipt requested, postage prepaid, or one (1) business day after being deposited with any commercial air courier or express service. All such notices shall be addressed as follows or to such other address(es) as the parties may from time to time specify in writing delivered as provided in this paragraph:

If to Borrowers:

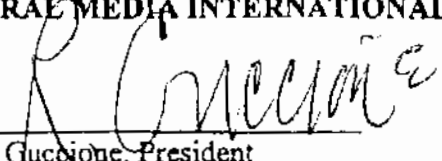
General Media, International
14-16 67th Street
New York, New York
Attn.: Robert Guccione, President
c/o Robert Feinstein
Facsimile: (212) 561-7777

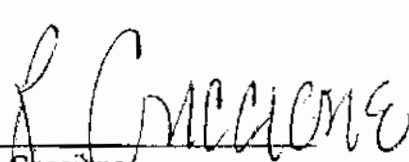
If to Arranging Party:

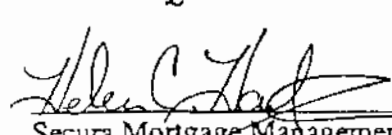
Secura Mortgage Management, L.L.C. as agent
of the 67th Street Trust dated July 5, 2002
15021 North 74th Street, Suite 100
Scottsdale, AZ 85260
Attn: Helen C. Hartzel, Responsible Individual
Facsimile: (480) 367-9201

Execution and Effective Date. In witness whereof, the parties have set their hands to be effective as of the date first written above.

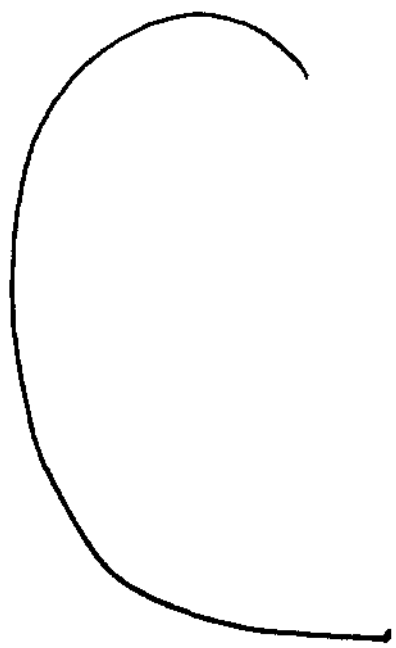
GENERAL MEDIA INTERNATIONAL,
INC.


Robert Guccione, President


Robert Guccione
Individually


Secura Mortgage Management, L.L.C. as agent

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AMENDED AND RESTATED MASTER TRUST AGREEMENT

This AMENDED AND RESTATED MASTER TRUST AGREEMENT is made this 29th day of July 2002 between General Media International, Inc., its principal, Robert Guccione (together the "Borrowers") and Secura Mortgage Management, L.L.C. as designated agent for the Lender(s) ("Arranging Party").

RECITALS

WHEREAS, pursuant to the Master Trust Agreement dated July 5, 2002 between Arranging Party and Borrowers (the "Original Agreement"), Arranging Party arranged for a secured loan facility of up to \$5,500,000 for the benefit of the Borrowers (the "Facility"); and

WHEREAS, pursuant to the Original Agreement, as of July 5, 2002 The Hudson Hyde LLC made a loan of \$1,650,000 to Borrowers (the "Original Advance"), which loan was documented by certain instruments dated July 5, 2002, consisting of a Promissory Note made by Borrowers and guaranteed by General Media Fine Arts, Inc. ("GMFA"), which guarantee was secured by a Security Agreement relating to certain fine art (for which a UCC financing statement was filed) and Collateral Assignment of Proceeds. In addition, a junior mortgage document relating to real property located at 14-16 67th Street, New York, New York and real property located at 133-139 Old Post Road, Straatsburg, New York (the "Mortgage Document") was entered into. All such collateral is referred to herein as the "Original Collateral"; and

WHEREAS, contemporaneously herewith, the Arranging Party has arranged for an additional advance pursuant to the Facility (the "Additional Advance"), and Arranging Party and the Borrowers desire to amend and restate the Original Agreement in its entirety to reflect such advance and other matters;

Now therefore comes the agreement of the parties for good and other valuable consideration:

Lender. The payee under the Promissory Note delivered by Borrowers and GMFA in connection with the Original Advance was Arranging Party and Arranging Party shall be the payee of the Promissory Note to be delivered in connection with the Additional Advance. Arranging Party is acting as agent for the Original Lender and the lender of the Additional Advance.

Additional Advance. The Additional Advance shall be \$1,800,000 and evidenced by a Promissory Note in the original amount of \$1,980,000, which amount includes origination fees in connection with the Additional Advance.

Collateral. The Additional Advance shall be secured by the same collateral and on the same terms as the Original Advance as described herein.

Documents. The Borrowers have delivered to Arranging Party a Promissory Note in the amount of \$1,980,000, which are to be secured immediately by the Collateral Assignment of Proceeds; a Security Agreement; a UCC Financing Statement, relating to the artwork. On or before August 10, 2002, the Arranging Party and Borrowers shall execute and deliver into escrow any additional documents necessary to reflect that the \$1,980,000 Promissory Note also is to be secured by the Mortgage Document.

Escrow. The Mortgage Document shall remain in escrow until close thereof, at which time it shall be effective. Close of escrow is subject subject to the Compliance Review as provided for in this agreement and further subject to the Automatic Escrow Events and are being executed with the intention of being held in escrow until the provision of the Compliance Review is terminated or the occurrence of the trigger events in the Automatic Escrow Events. The Arranging Party and the Borrowers have agreed that this escrow period is necessary to protect their mutual interests such that the collateral is not compromised in any way through an inadvertent violation of certain provisions and negative covenants of various existing borrowing agreements with third parties.

Compliance Review. The parties have agreed to undertake a legal review of the effect of the Mortgage Document as it pertain to the various preexisting lending agreements in order to ensure full compliance with the terms and conditions of those agreements. The Borrowers shall direct its counsel to begin such review concurrent with the execution of these agreement and shall instruct counsel to produce a written report to the Borrowers. Borrowers agrees to furnish Arranging Party with the report so as to determine the effects, if any, of the proposed Mortgage Document. The Arranging Party, on behalf of the Lenders, understands that recording of any agreements prior to the completion of Compliance Review, or before the occurrence of an Automatic Escrow Event, is not permitted and that such filing may be damaging to the Borrowers and to the Lender and, accordingly, the Arranging Party and the Lender agree to withhold any filing other than the Fine Art UCC and associated Security Agreement until such time as the Compliance Review is completed.

Security Interest. Notwithstanding any provision of this agreement, the Borrowers have agreed that the UCC shall be filed no later than the close of business on Monday, August 5, 2002 in order to reflect Arranging Party as agent for the secured parties under the Facility.

Encumbrances. The real property collateral is subject to certain prior encumbrances as disclosed in the Diligence Material, including the title report provided by Borrowers. The Fine Art Collateral is subject to a first lien and to the terms and conditions of a blanket insurance policy. As to the real property, the Arranging Party acknowledges that the Kennedy Funding encumbrance may restrict the further direct, recorded encumbrance of the real property. As to the Fine Art, the Arranging Party understands there is a prior encumbrance held by GMAC Pension Fund. Also, the Arranging Party understands that, pursuant to the terms of the insurance policy underwritten by Zurich Re, the Fine Art must be located at the 14-16 67th Street property.

Automatic Escrow Events. Notwithstanding the agreements hereunder, the Parties agree that escrow will close, and the Arranging Party shall be permitted to record the Mortgage Document, upon the occurrence of the following; (1) the completion of the Compliance Review and the written report thereon provided by counsel of the Borrowers; or (2) the passage of ninety days from the execution of this agreement and the Mortgage Document without the receipt of the Compliance Review; (3) the filing of any bankruptcy proceeding by any of the Borrowers or by the wholly owned subsidiary of the Borrowers, General Media, Inc.; or (4) a default under the Notes.

Cash Proceeds. The Borrowers has agreed that it shall seek to liquidate the Fine Art Collateral no later than November 30, 2002, the proceeds of which shall first be applied to the first mortgage thereon and second to the Arranging Party, pursuant to the Security Agreement and pursuant to the Collateral Assignment of Proceeds.

No Limitation. Nothing in this agreement or in the escrow provided hereunder shall limit or compromise the rights of the Arranging Party in any way as to the repayment of advances made under the loan agreement and, further, nothing hereunder shall in any way impair the security rights under the UCC on the Fine Art or the rights under the Assignment of Proceeds.

Real Property Security Interest. The Borrowers agree that they may not further encumber the real property in any way other than interest accruals that may occur under the Kennedy Funding loan, and other than tax liens for taxes not yet due and payable.

General Provisions

Entire Agreement. This Agreement, the referenced exhibits and other documents and instruments discussed herein, embody the entire agreement and understanding between the parties hereto and supersede all prior agreements and understandings relating to the subject matter hereof, except as may be contained in any documents executed contemporaneously herewith.

Modification and Waiver. Except as expressly provided herein to the contrary, no supplement, modification or amendment of any term of this Agreement shall be deemed binding or effective unless in writing and signed by the parties hereto. No failure or delay on the part of the Borrowers in exercising any right, power, or remedy provided herein shall operate as a waiver, nor shall any single or partial exercise of any right, power, or remedy herein preclude any other or further exercise thereof or the exercise of any other right, power or remedy. The rights, powers and remedies hereunder are cumulative and may be exercised by Borrowers either independent of or concurrent with any other right, power or remedy contained herein or in any document or instrument executed in connection with this subject matter. Except as otherwise expressly provided herein, no waiver shall be binding unless executed in writing by the party making the waiver.

Successors and Assigns. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by and against the parties to this Agreement and their respective heirs, executors, administrators, personal representatives, successors and assigns.

Counterparts. This Agreement may be executed simultaneously or in counterparts. If in counterparts, each shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

Headings and Construction. The descriptive headings of the paragraphs of this Agreement are inserted only for convenience and shall not define, limit, extend, control or affect the meaning or construction of any provision of this Agreement. Where the context requires, the singular shall be construed as the plural, and neuter pronouns shall be construed as masculine and feminine pronouns, and vice versa. This Agreement shall be construed according to its fair meaning and any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement.

Litigation Expenses and Attorney's Fees. In the event of a dispute over or litigation involving this Agreement, the prevailing party in any such action or proceeding shall be entitled to recover its costs and expenses incurred in such action from the other party, including without limitation the cost of reasonable attorney's fees.

Survival. Except as expressly set forth herein, all representations, warranties and covenants set forth herein shall survive the execution and delivery of all documents referred to and incorporated herein.

Applicable Law. This Agreement shall be governed by, and construed and enforced in accordance with the laws of the State of Arizona.

Notices. All notices, consents, approvals and waivers required or permitted in this Agreement shall be provided in writing and shall be effective upon personal delivery or direct facsimile transmission, or two (2) business days after being deposited in the U.S. Mail, registered or certified, return receipt requested, postage prepaid, or one (1) business day after being deposited with any commercial air courier or express service. All such notices shall be addressed as follows or to such other address(es) as the parties may from time to time specify in writing delivered as provided in this paragraph:

If to Borrowers:

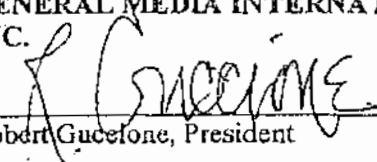
General Media, International
14-16 67th Street
New York, New York
Attn.: Robert Guccione, President
c/o Robert Feinstein
Facsimile: (212) 561-7777

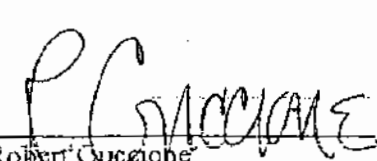
If to Arranging Party:

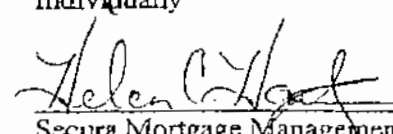
Secura Mortgage Management, L.L.C. as agent
of the 67th Street Trust dated July ____, 2002
15021 North 74th Street, Suite 100
Scottsdale, AZ 85260
Attn: Helen C. Hartze, Responsible Individual
Facsimile: (480) 367-9201

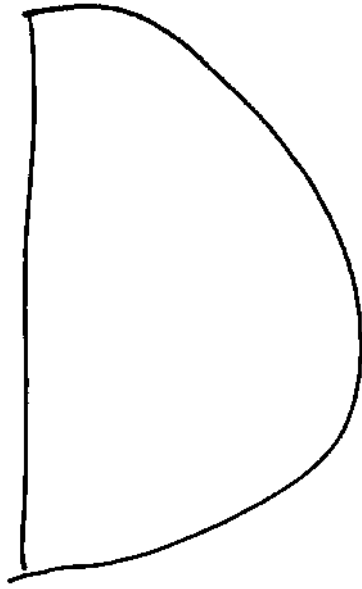
Execution and Effective Date. In witness whereof, the parties have set their hands to be effective as of the date first written above.

GENERAL MEDIA INTERNATIONAL,
INC.


Robert Gucelone, President


Robert Cuccione
Individually


Secura Mortgage Management, L.L.C. as agent



PROMISSORY NOTE
SECURED BY COLLATERAL ASSIGNMENT OF BENEFICIAL INTEREST
The 67th Street Trust dated July 5, 2002

\$1,650,000

Phoenix, Arizona

FOR VALUE RECEIVED, the undersigned promises to pay to Secura Mortgage Management, L.L.C. as Trustee of the Hyde Park, L.L.C. ("Lender") or order, the principal sum of One Million Six Hundred and Fifty Thousand Dollars (\$1,650,000), together with interest thereon from the date of this Promissory Note until paid, at the rate of 5% monthly interest plus 0.25% servicing fee and 0.25% credit enhancement fee, payable as follows, to-wit:

Payment shall be prorated from date of this note until July 31, 2002 with full payment of \$82,500.00 monthly interest plus the servicing and the credit enhancement fees totaling \$90,750.00 to begin on September 1, 2002. Any payments over the minimum monthly payment shall be credited toward principal, until paid in full on or before February 1, 2003; on which day the entire principal balance and all interest shall be due and payable.

Should default be made in the payment of principal and/or interest thereon, as above provided, or other default occur in the performance of, or compliance with, any of the covenants or conditions of the Master Trust Agreement, and agreements attendant thereto, dated July 5, 2002, then in any such event, the Holder may, in addition to such other remedies or combination of remedies Holder may have under law and equity, exercise its remedies provided in the Master Trust Agreement, and agreements attendant thereto, dated July 5, 2002.

In the event any payment is not made within five (5) days of the stated due date, the maker hereof shall be deemed late. The holder may thereafter elect to collect late penalty interest on the remaining principal balance at the rate of this note plus 5% of the principal balance per month until the default is cured.

The right to default notwithstanding, the holder hereof may at its option declare the entire principal and accrued interest immediately due and payable any time the makers are in default. No acceleration shall be effective until holder has given maker ten (10) calendar days written notice of the default. The maker may avoid the acceleration, by curing the default before the expiration of the notice period.

The maker is entitled to make prepayments of principal in accordance with the terms of the underlying obligations. Should the principal be pre-paid prior to the due date, then Lender will refund any unearned interest. All prepayments shall be applied as directed by the maker. In the absence of a specific instruction, the Account Servicing Agent shall apply the prepayments to the senior most underlying obligation upon which a prepayment is permitted.

Should this Note be signed by more than one person, all of the obligations herein contained shall be the joint and several obligations of each signer hereof.

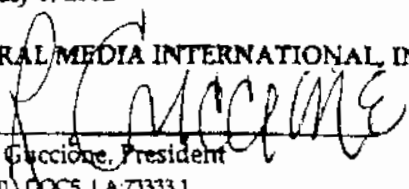
This Note may not be changed orally, but only by an Agreement in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Should this note be placed in the hands of an attorney for collection after default, the maker promises to pay reasonable attorney fees and costs incurred by the holder.

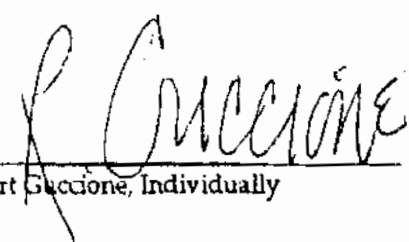
The makers and endorsers jointly and severally waive diligence, demand, presentment for payment and protest, and consent to the extension of time of payment of this note without notice. The makers hereof agree to be jointly and severally liable for all payments due hereunder.

Pursuant to Master Trust Agreement, and agreements attendant thereto, this Note is or will be secured by (i) a recorded junior mortgage on the residence known as 133-139 Old Post Road, Straatsburg, New York and (ii) a UCC-1 on the Fine Art collection, and (iii) an Assignment of Proceeds of the Fine Art, each agreement being dated July 5, 2002 of even date herewith.

Date: July 5, 2002

GENERAL MEDIA INTERNATIONAL, INC.


Robert Guccione, President
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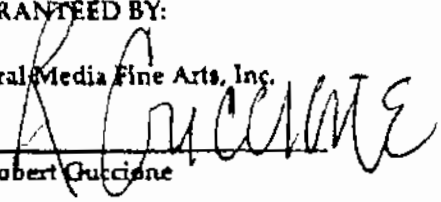

Robert Guccione, Individually

ANY PAYMENT SUBMITTED AS PAYMENT-IN-FULL FOR A DISPUTED AMOUNT IS NOT BINDING ABSENT A SEPARATE WRITTEN AGREEMENT EXECUTED BY BOTH PARTIES.

GUARANTEED BY:

General Media Fine Arts, Inc.

By:


Robert Guccione

E

**PROMISSORY NOTE
SECURED BY COLLATERAL ASSIGNMENT OF BENEFICIAL INTEREST
July 29, 2002**

\$1,980,000

Phoenix, Arizona

FOR VALUE RECEIVED, the undersigned promises to pay to Secura Mortgage Management, L.L.C. as Agent of the Hudson Valley LLC ("Lender"), or its assignees, or order, the principal sum of One Million Nine Hundred and Eighty Thousand Dollars (\$1,980,000), together with interest thereon from the date of this Promissory Note until paid, at the rate of 5% monthly interest plus 0.25% servicing fee and 0.25% credit enhancement fee, payable as follows, to-wit:

Payment shall be prorated from date of this note until July 31, 2002 with full payment of \$99,000 monthly interest plus the servicing fees to begin on September 1, 2002. Any payments over the minimum monthly payment shall be credited toward principal, until paid in full on or before February 1, 2003; on which day the entire principal balance and all interest shall be due and payable.

Should default be made in the payment of principal and/or interest thereon, as above provided, or other default occur in the performance of, or compliance with, any of the covenants or conditions of the Amended and Restated Master Trust Agreement dated July 29, 2002 and agreements related thereto and, then in any such event, the Holder may, in addition to such other remedies or combination of remedies Holder may have under law and equity, exercise its remedies provided in the Amended and Restated Master Trust Agreement dated July 29, 2002 and agreements related thereto.

In the event any payment is not made within five (5) days of the stated due date, the maker hereof shall be deemed late. The holder may thereafter elect to collect late penalty interest on the remaining principal balance at the rate of this note plus 5% of the principal balance per month until the default is cured.

The right to default interest notwithstanding, the holder hereof may at its option declare the entire principal and accrued interest immediately due and payable any time the makers are in default. No acceleration shall be effective until holder has given maker ten (10) calendar days written notice of the default. The maker may avoid the acceleration by curing the default before the expiration of the notice period.

The maker is entitled to make prepayments of principal in accordance with the terms of the underlying obligations. Should the principal be pre-paid prior to the due date, then Lender will refund any unearned interest. All prepayments shall be applied as directed by the maker. In the absence of a specific instruction, Secura Mortgage Management, L.L.C. shall apply the prepayments to the senior-most underlying obligation upon which a prepayment is permitted.

Should this Note be signed by more than one person, all of the obligations herein contained shall be the joint and several obligations of each signer hereof.

This Note may not be changed orally, but only by an Agreement in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Should this note be placed in the hands of an attorney for collection after default, the maker promises to pay reasonable attorney fees and costs incurred by the holder.

The makers and endorsers jointly and severally waive diligence, demand, presentment for payment and protest, and consent to the extension of time of payment of this note without notice. The makers hereof agree to be jointly and severally liable for all payments due hereunder.

Pursuant to the Amended and Restated Master Trust Agreement dated July 29, 2002, and agreements attendant thereto, this Note is or will be secured by (i) a recorded junior mortgage on the residence known as 133-139 Old Post Road, Straatsburg, New York and (ii) a security agreement relating to the Fine Art collection, and (iii) an Assignment of Proceeds of the Fine Art.

Date: July 29, 2002

GENERAL MEDIA INTERNATIONAL, INC.

Robert Guccione, President

Robert Guccione, Individually

ANY PAYMENT SUBMITTED AS PAYMENT-IN-FULL FOR A DISPUTED AMOUNT IS NOT BINDING ABSENT A SEPARATE WRITTEN AGREEMENT EXECUTED BY BOTH PARTIES.

30393-001\DOCS_LA:75027.2

GUARANTEED BY:

General Media/Fine Arts, Inc.

By: Robert Guccione
Robert Guccione

F

**BLANKET PROMISSORY NOTE
SECURED BY COLLATERAL ASSIGNMENT OF BENEFICIAL INTEREST**

\$1,870,000

Phoenix, Arizona

FOR VALUE RECEIVED, the undersigned promises to pay to Secura Mortgage Management, L.L.C. as Trustee of the Hudson Valley, L.L.C. ("Lender") or order, the principal sum of One Million Eight Hundred and Seventy Thousand Dollars (\$1,870,000), together with interest thereon from the date of proceeds are received pursuant to this Promissory Note until paid, at the rate of 5% monthly interest, payable as follows, to-wit:

Payment shall be prorated from the date loan proceeds of this note are received until the last day of the calendar month in which the funds were advanced with full payment of \$93,500.00 monthly interest to begin on October 1, 2002, prorate to the extent that all such advances totaling the above stated principal sum are not received by September 1, 2002. Any payments over the minimum monthly payment shall be credited toward principal, until paid in full on or before March 1, 2003; on which day the entire principal balance and all interest shall be due and payable. This Promissory Note has been entered into pursuant to the Amended and Restated Master Trust Agreement dated July 29, 2002.

Should default be made in the payment of principal and/or interest thereon, as above provided, or other default occur in the performance of, or compliance with, any of the covenants or conditions of the Amended and Restated Master Trust Agreement dated July 29, 2002 herewith, then in any such event the Holder may, in addition to such other remedies or combination of remedies Holder may have under law and equity, exercise its remedies provided in the Amended and Restated Master Trust Agreement dated July 29, 2002.

In the event any payment is not made within five (5) days of the stated due date, the maker hereof shall be deemed late. The holder may thereafter elect to collect late penalty interest on the remaining principal balance at the rate of this note plus 5% of the principal balance per month until the default is cured.

The right to default notwithstanding, the holder hereof may at its option declare the entire principal and accrued interest immediately due and payable any time the makers are in default. No acceleration shall be effective until holder has given maker ten (10) calendar days written notice of the default. The maker may avoid the acceleration by curing the default before the expiration of the notice period.

The maker is entitled to make prepayments of principal in accordance with the terms of the underlying obligations. Should the principal be pre-paid prior to the due date, then Lender will refund any unearned interest. All prepayments shall be applied as directed by the maker. In the absence of a specific instruction, the Account Servicing Agent shall apply the prepayments to the senior most underlying obligation upon which a prepayment is permitted.

Should this Note be signed by more than one person, all of the obligations herein contained shall be the joint and several obligations of each signer hereof.

This Note may not be changed orally, but only by an Agreement in writing and signed by the party against whom enforcement of any waiver, change, modification or discharge is sought. Should this note be placed in the hands of an attorney for collection after default, the maker promises to pay reasonable attorney fees and costs incurred by the holder.

The makers and endorser jointly and severally waive diligence, demand, presentment for payment and protest, and consent to the extension of time of payment of this note without notice. The makers hereof agree to be jointly and severally liable for all payments due hereunder.

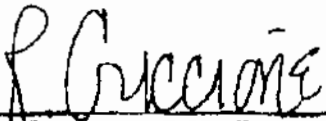
Pursuant to the Amended and Restated Master Trust Agreement, and agreement attendant thereto, the Note is or will be secured by (i) a recorded junior mortgage on the residence known as 133-139 Old Post Road, Strassburg, New York and (ii) a UCC-1 on the Fine Art collection, and (iii) an Assignment of Proceeds of the Fine Art, each agreement being dated July 5, 2002.

Date: August 28, 2002

GENERAL MEDIA INTERNATIONAL, INC



Robert Guccione, President

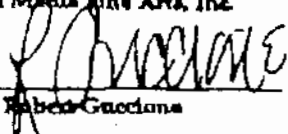


Robert Guccione, Individually

ANY PAYMENT SUBMITTED AS PAYMENT-IN-FULL FOR A DISPUTED AMOUNT IS NOT BINDING ABSENT A SEPARATE WRITTEN AGREEMENT EXECUTED BY BOTH PARTIES.

GUARANTEED BY:

General Media Arts, Inc.

By: 

Robert Guccione