

UNITED STATES BANKRUPTCY CentralDISTRICT OF California

PROOF OF CLAIM

Name of Debtor:
Cameo Homes, Inc., a California corporationCase Number:
8:08-13151-RK

NOTE: This form should not be used to make a claim for an administrative expense arising after the commencement of the case. A request for payment of an administrative expense may be filed pursuant to 11 U.S.C. § 503.

Name of Creditor (the person or other entity to whom the debtor owes money or property):

Laing/Sequoia Partners LLC and South Banning Properties LLC

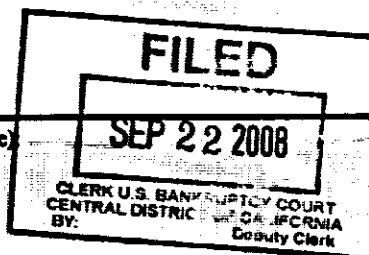
Name and address where notices should be sent:

Susan S. Davis, Esq.
Cox, Castle & Nicholson LLP
2049 Century Park East, 28th Fl.
Los Angeles, CA 90067-3284
Telephone number: (310) 277-4222☐ Check this box to indicate that this claim amends a previously filed claim.Court Claim Number: _____
(If known)

Filed on: _____

Name and address where payment should be sent (if different from above):

Telephone number: _____

☐ Check this box if you are aware that anyone else has filed a proof of claim relating to your claim. Attach copy of statement giving particulars.☐ Check this box if you are the debtor or trustee in this case.1. Amount of Claim as of Date Case Filed: \$ 1,309,326.68 plus lost profits

If all or part of your claim is secured, complete item 4 below; however, if all of your claim is unsecured, do not complete item 4.

If all or part of your claim is entitled to priority, complete item 5.

☒ Check this box if claim includes interest or other charges in addition to the principal amount of claim. Attach itemized statement of interest or charges.2. Basis for Claim: Guaranty (see Attachment)
(See instruction #2 on reverse side.)

3. Last four digits of any number by which creditor identifies debtor: _____

3a. Debtor may have scheduled account as: _____
(See instruction #3a on reverse side.)

4. Secured Claim (See instruction #4 on reverse side.)

Check the appropriate box if your claim is secured by a lien on property or a right of setoff and provide the requested information.

Nature of property or right of setoff: ☐ Real Estate ☐ Motor Vehicle ☐ Other
Describe:

Value of Property: \$ _____ Annual Interest Rate: _____ %

Amount of arrearage and other charges as of time case filed included in secured claim,

if any: \$ _____ Basis for perfection: _____

Amount of Secured Claim: \$ _____ Amount Unsecured: \$ _____

6. Credits: The amount of all payments on this claim has been credited for the purpose of making this proof of claim.

7. Documents: Attach redacted copies of any documents that support the claim, such as promissory notes, purchase orders, invoices, itemized statements or running accounts, contracts, judgments, mortgages, and security agreements. You may also attach a summary. Attach redacted copies of documents providing evidence of perfection of a security interest. You may also attach a summary. (See definition of "redacted" on reverse side.)

DO NOT SEND ORIGINAL DOCUMENTS. ATTACHED DOCUMENTS MAY BE DESTROYED AFTER SCANNING.

If the documents are not available, please explain:

5. Amount of Claim Entitled to Priority under 11 U.S.C. § 507(a). If any portion of your claim falls in one of the following categories, check the box and state the amount.

Specify the priority of the claim.

☐ Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B).☐ Wages, salaries, or commissions (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, whichever is earlier - 11 U.S.C. § 507 (a)(4).☐ Contributions to an employee benefit plan - 11 U.S.C. § 507 (a)(5).☐ Up to \$2,425* of deposits toward purchase, lease, or rental of property or services for personal, family, or household use - 11 U.S.C. § 507 (a)(7).☐ Taxes or penalties owed to governmental units - 11 U.S.C. § 507 (a)(8).☐ Other - Specify applicable paragraph of 11 U.S.C. § 507 (a)(____).

Amount entitled to priority:

\$ _____

*Amounts are subject to adjustment on 4/1/10 and every 3 years thereafter with respect to cases commenced on or after the date of adjustment.

Date: September 12, 2008

Signature: The person filing this claim must sign it. Sign and print name and title, if any, of the creditor or other person authorized to file this claim and state address and telephone number if different from the notice address above. Attach copy of power of attorney, if any.

Peggy Tabas, Authorized Representative

FOR COURT USE ONLY

**ATTACHMENT TO PROOF OF CLAIM
FILED BY LAING/SEQUOIA PARTNERS LLC
AND SOUTH BANNING PROPERTIES LLC**

2 continued:

Laing/Sequoia Partners LLC ("L/S Partners") and 213 Banning LLC ("213 Banning") entered into a written agreement entitled "Limited Liability Company Agreement of South Banning Properties LLC" made as of July 28, 2005 (the "Operating Agreement"), creating South Banning Properties LLC ("South Banning"). A true and correct copy of the Operating Agreement is attached hereto as Exhibit "1".

Pursuant to the terms of the Operating Agreement and a written agreement entitled "Contribution Agreement" made as of July 28, 2005 (the "Contribution Agreement"), 213 Banning was required to contribute to South Banning on or before October 1, 2006 (1) clear title to two parcels of real property described on Exhibits "A-1" and "A-2" to the Operating Agreement, and (2) all rights, privileges and easements appurtenant thereto, all improvements and fixtures thereto, all right, title and interest to all contractual rights and intangible rights relating thereto, and all personal property on or in, or used in the ownership, use, occupancy or operation thereto (collectively, the "Property"). Pursuant to the Operating Agreement, L/S Partners was required to contribute certain monies to South Banning to pay its costs and expenses, including expenses to develop the Property for sale and overhead fees payable to 213 Banning. A true and correct copy of the Contribution Agreement is attached hereto as Exhibit "2".

Pursuant to a written agreement entitled "Guaranty" executed as of July 25, 2005 (the "Guaranty"), debtor and debtor-in-possession Cameo Homes ("Debtor") unconditionally guaranteed to L/S Partners the full and punctual payment and performance of all of 213 Banning's obligations under the Operating Agreement and the Contribution Agreement. A true and correct copy of the Guaranty is attached hereto as Exhibit "3".

L/S Partners contributed monies in the amount of \$1,309,326.68 as required by the Operating Agreement; however, 213 Banning defaulted on its obligations under the Operating Agreement and the Contribution Agreement by failing to contribute the Property to South Banning. 213 Banning also failed to pay the secured debt on the Property and the lender, MW Housing Partners III, L.P., foreclosed on the Property, acquiring the Property at the foreclosure sale.

If 213 Banning had contributed the Property to South Banning, South Banning and L/S Partners had projected that the Property would have generated a profit of several million dollars. South Banning and L/S Partners have filed a complaint against 213 Banning, Orange County Superior Court Case No. 30-2008 00110497 (the "Action"), seeking the damages for breach of the Operating Agreement and the Contribution Agreement, including, but not limited to, out-of-pocket costs of \$1,309,326.68 and lost profits in an amount to be proven at trial. Pursuant to the Guaranty, Debtor is obligated to pay L/S Partners and South Banning these damages.

Calculation of Estimated Damages:

Out of Pocket Costs (Note 1)	\$ 1,309,326.68
Lost Profits (Note 2)	To Be Determined
Total Estimated Damages	<u>\$ 1,309,326.68</u>

Note 1: A true and correct copy of spreadsheet entitled Project Budget and Commitment Analysis itemizing the monies contributed to the Property is attached hereto as Exhibit "4".

Note 2: The amount of lost profits will be proven at the trial of the Action.

1. The first of the two main parts of the report is a description of the work done during the period from 1st January to 31st March 1974. This is followed by a summary of the results of the work.

2. The second part of the report is a description of the work done during the period from 1st April to 31st June 1974. This is followed by a summary of the results of the work.

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LIMITED LIABILITY COMPANY AGREEMENT
OF
SOUTH BANNING PROPERTIES LLC,
a Delaware limited liability company

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LIMITED LIABILITY COMPANY AGREEMENT

OF

SOUTH BANNING PROPERTIES LLC,

a Delaware limited liability company

THIS LIMITED LIABILITY COMPANY AGREEMENT (the "Agreement") of SOUTH BANNING PROPERTIES LLC, a Delaware limited liability company (the "Company"), is made as of July 28, 2005, by and between 213 BANNING LLC, a California limited liability company ("Cameo"), and Laing/Sequoia Partners LLC, a Delaware limited liability company ("L/S Partners").

ARTICLE I ORGANIZATION

1.01 Formation; Admission of Members. L/S Partners and Cameo (herein individually, a "Member" and collectively, the "Members") hereby form the Company as a limited liability company under the Delaware Limited Liability Company Act, Delaware Code Annotated Title 6, Chapter 18, Sections 18-101 through 18-1109, as amended (the "Act"), upon the terms and subject to the conditions set forth in this Agreement. L/S Partners shall act as the managing member of the Company (the "Managing Member"). Prior to the date hereof, a certificate of formation was filed in accordance with the Act (the "Certificate of Formation"). The Managing Member is hereby authorized to file and record any amendments to the Certificate of Formation and such other documents as may be required or appropriate under the Act or the laws of any other jurisdiction in which the Company may conduct business or own property. Cameo and L/S Partners are each hereby admitted as a Member of the Company and shall be shown as such on the books and records of the Company. For purposes of this Agreement, a "Membership Interest" means a Member's entire right, title and interest in and to the Company including the Net Profits, Net Losses and Cash Flow of the Company, the capital thereof and any other interest therein. Except as expressly permitted by this Agreement, no other Person shall be admitted as a Member of the Company, and no additional Membership Interests shall be issued. No Member shall have the authority to bind any other Member in any capacity other than as a Member of the Company and nothing in this Agreement shall create a relationship between the Members other than for the purposes set forth in this Agreement.

1.02 Name and Principal Place of Business.

(a) The Company shall conduct its business under the name "SOUTH BANNING PROPERTIES LLC." The Members may change the name of the Company and may adopt one or more fictitious names for use by the Company. All business of the Company shall be conducted under such name and title to all Company assets shall be held in such name.

(b) The Company shall maintain an office in the State of California which shall be initially located at the offices of the Managing Member at Suite 280, 19800 MacArthur

Boulevard, Irvine, California 92612. The Company may have such other places of business or offices as the Managing Member shall determine.

1.03 **Term.** The term of the Company shall commence on the date hereof and shall expire on the date which is five (5) years after the date of this Agreement unless sooner terminated pursuant to the provisions of this Agreement.

1.04 **Registered Agent and Registered Office.** The name of the Company's registered agent for service of process in Delaware shall be Corporation Service Company and the address of the Company's registered agent and the address of the Company's registered office in the State of Delaware shall be 2711 Centerville Road, #400, Wilmington, Delaware 19808. Such agent and such office may be changed from time to time by the Managing Member. The Company's agent for service of process in the State of California shall be Stacy McDaniel, whose address is 895 Dove Street, Suite 200, Newport Beach, California 92660. Such agent and address may be changed from time to time by the Members. The Company shall deliver copies of any service of process received by its agents for service of process to its Members.

1.05 **Project and Business Plan.**

(a) **Description of Project.** The express, limited and only purposes of this Company are (i) to acquire the real property described in Exhibit "A-1" attached hereto (the "63 Acre Property") and the real property described in Exhibit "A-2" attached hereto (the "160 Acre Property") and collectively with the 63 Acre Property, the "Property"), (ii) to entitle the 63 Acre Property and the 160 Acre Property for development in accordance with the Business Plan, as the same may be revised in accordance with the terms of this Agreement, (iii) to sell, exchange, finance, refinance, operate, manage, encumber or otherwise dispose of the Properties (collectively, the "Project"), and (iv) to engage in any lawful act or activity and to exercise any powers permitted to limited liability companies formed under the laws of the State of Delaware that are related or incidental to and necessary, convenient or advisable for the accomplishment of the purposes set forth in subsections (i), (ii) and/or (iii), above. The Company shall not engage in any other business without the prior written consent of all of the Members, which consent may be withheld in their discretion.

(b) **Business Plan.** For purposes of this Agreement, the term "Business Plan" shall mean the projected overall plan and budget for the Project prepared by the Managing Member and unanimously approved by all of the Members. At such times as the Managing Member shall, in the performance of its duties hereunder, determine that the Business Plan is no longer appropriate, the Managing Member shall have the right to submit to the Members for their consideration a proposed revised Business Plan for the Project. Notwithstanding anything contained in this Agreement to the contrary (except as otherwise expressly provided in Section 4.01(a)), in no event shall any amendment, update, modification or revision of the Business Plan be effective until such time as all of the Members have consented thereto. The initial Business Plan, which has been approved by all of the Members, is attached hereto as Exhibit "B".

ARTICLE II CAPITAL AND LOANS

2.01 Company Accounts. The Company shall maintain for accounting purposes the following memorandum accounts for each Member:

(a) Capital Accounts. A separate capital account ("Capital Account") shall be maintained for each Member in accordance with the provisions of Exhibit "C" attached hereto. Except as otherwise set forth herein, all amounts funded as capital contributions by a Member to the Company under this Agreement shall be credited to such Member's Capital Account as of the date of the contribution. Net Profits and Net Losses of the Company shall be allocated and charged to each Member's Capital Account in accordance with the requirements of Exhibit "C" attached hereto.

(b) Unrecovered Capital Accounts. A separate unrecovered contribution account ("Unrecovered Capital Account") shall be maintained for each Member. Cameo's Unrecovered Capital Account shall be credited with amounts funded by it as its Initial Capital in accordance with Section 2.02(b) below as well as any Additional Capital funded by it as herein provided. L/S Partners' Unrecovered Capital Account shall be credited with amounts funded by it as its Base Capital in accordance with Section 2.02(a) below, and any Additional Capital funded by it as herein provided. Except as otherwise set forth herein, all amounts funded as capital contributions by a Member to the Company shall be credited to such Member's Unrecovered Capital Account as of the date of contribution. Each Member's Unrecovered Capital Account shall be decreased by distributions of Cash Flow in reduction of its Unrecovered Capital Account and/or the agreed fair market value of any property (in excess of any indebtedness encumbering such property) distributed to such Member as a reduction of its Unrecovered Capital Account.

(c) Preferred Returns. The Company's books and records shall be maintained to reflect the following preferred return accounts:

(i) A preferred return ("Cameo Preferred Return") account shall be maintained for Cameo calculated at twelve percent (12%) per annum, compounded monthly (the "Cameo Preferred Return Rate"), on the portion of Cameo's Unrecovered Capital Account attributable to its Initial Capital outstanding from time to time; provided, however, that during the pendency of any Event of Default by L/S Partners, the Cameo Preferred Return Rate shall be increased to twenty percent (20%) per annum, compounded monthly.

(ii) A preferred return ("L/S Partners Preferred Return") account shall be maintained for L/S Partners calculated at twelve percent (12%) per annum, compounded monthly (the "L/S Partners Preferred Return Rate"), on the portion of L/S Partners' Unrecovered Capital Account attributable to its Base Capital outstanding from time to time; provided, however, that during the pendency of an Event of Default by Cameo, the L/S Partners Preferred Return Rate shall be increased to twenty percent (20%) per annum, compounded monthly.

(iii) A preferred return ("Additional Capital Preferred Return") account shall be maintained for each Member calculated at twelve percent (12%) per annum, compounded monthly (the "Additional Capital Preferred Return Rate"), on the portion of such Member's Unrecovered Capital Account attributable to such Member's Additional Capital contributions outstanding from time to time; provided, however, that during the pendency of an Event of Default, the Additional Capital Preferred Return Rate with respect to the non-defaulting Member shall be increased to twenty percent (20%) per annum, compounded monthly.

(iv) For purposes of this Agreement, unless otherwise specified, the term "Preferred Return" shall include the Cameo Preferred Return, the L/S Partners Preferred Return and the Additional Capital Preferred Return. Each Preferred Return account shall be decreased to the extent that such Member has received distributions from the Company in reduction of such Preferred Return account as set forth in this Agreement.

2.02 Capital Contributions. Except as otherwise expressly provided in this Agreement or as may otherwise be agreed to in writing by the Members (1) no part of the capital contributions of any Member to the Company may be withdrawn by such Member, (2) no Member shall be entitled to receive interest on its capital contributions to the Company, (3) no Member shall have the right to demand or receive property other than cash in return for its contributions to the Company, (4) no capital contributions or loans made by any Member to the Company shall increase its Percentage Interest; and (5) no Member shall have any right or obligation to make any capital contribution or loan to the Company. For purposes of this Agreement, "Percentage Interest" means fifty percent (50%) with respect to Cameo and fifty percent (50%) with respect to L/S Partners, subject to adjustment as provided in this Agreement.

(a) **L/S Partners' Base Capital Contributions.** Subject to the terms of Section 7.01(a), L/S Partners shall contribute capital to the Company from time to time to pay Project Costs specified in the Business Plan (or otherwise permitted pursuant to Section 4.01(a)); provided, however, at no time shall L/S Partners have the right or obligation to contribute in excess of Two Million One Hundred Eighteen Thousand Five Hundred Dollars (\$2,118,500) pursuant to the terms of this Section 2.02(a). All capital contributions funded by L/S Partners pursuant to the terms of this Section 2.02(a) shall constitute its "Base Capital".

(b) **Cameo's Initial Capital Contribution.**

(i) Upon the date (the "Property Contribution Date") which is the earlier to occur of (A) the date which is seven (7) days after the date upon which all requisite governmental approvals have been obtained to the specific plan for the development of the 63 Acre Property, or (B) October 1, 2006, Cameo shall convey all of the Property to the Company in accordance with the terms of that certain Contribution Agreement entered into concurrently herewith by and between the Company and Cameo (the "Contribution Agreement"). Cameo shall, upon the closing of the conveyance of the Property to the Company in accordance with the terms of the Contribution Agreement (the "Property Contribution Closing") (and in no event prior thereto), receive a credit to its Capital Account and Unrecovered Capital Account in the amount of Two Million One Hundred Eighteen Thousand Five Hundred Dollars (\$2,118,500) by reason of such contribution as its initial capital contribution to the Company ("Initial Capital").

(ii) In the event that the Contribution Agreement is terminated in accordance with its terms prior to the Property Contribution Closing for any reason other than a default by Cameo thereunder, then, upon the written demand therefor by any Member, such termination shall work an immediate dissolution of the Company.

(iii) Notwithstanding anything contained in this Agreement to the contrary (with the sole exception of the express terms of Sections 2.02(b)(i) and (iv) hereof), in the event that the Company (A) becomes entitled to, is paid or otherwise obtains or derives any damages or other compensation in connection with any breach by Cameo or Guarantor of the Contribution Agreement or Guaranty, respectively, and/or (B) receives any payments or other consideration from Cameo or Guarantor pursuant to the terms of the Contribution Agreement or Guaranty, respectively, Cameo shall not be entitled to or otherwise receive any credit to its Capital Account or Unrecovered Capital Account or any other credit hereunder in connection therewith.

(iv) Notwithstanding anything contained in this Agreement to the contrary, in the event that Cameo breaches its obligation to contribute the Property to the Company in accordance with the terms of the Contribution Agreement, the parties hereto do hereby agree that upon the occurrence of such a default by Cameo, and without any limitation on any other rights and remedies of the Company and/or L/S Partners in connection therewith, (A) Cameo's rights under Section 7.01 shall be deemed terminated and of no further force or effect, and (B) L/S Partners shall have the authority to take sole and exclusive charge and control of the Company free and clear of any and all restrictions imposed upon Managing Member by this Agreement (including any and all restrictions set forth in ARTICLE IV and any and all consent, voting or approval rights granted to Cameo).

(v) As a material inducement of L/S Partners to become a Member in the Company, Cameo Homes, a California corporation (the "Guarantor"), shall execute and deliver to L/S Partners that certain Guaranty, of even date herewith ("Guaranty"), for the benefit of L/S Partners.

(c) Additional Capital. The Members acknowledge and agree that except as hereinafter provided, any additional funds needed by the Company shall be contributed as additional capital ("Additional Capital") to pay Project Costs in excess of those required to be contributed by the Members pursuant to Section 2.02(a) and (b) above. If Managing Member determines that additional funds are or will be needed, Managing Member may give written notice of such projected cash deficit to the Members which shall summarize, with reasonable particularity, the Company's actual and projected obligations to be funded. Within ten (10) days following the unanimous agreement of the Members, in their sole discretion, that such additional capital is required ("Funding Date"), the Members shall each fund fifty percent (50%) of such additional required funds to the Company. Except as otherwise expressly provided in this Agreement, in no event shall any Member have any right or obligation to fund any Additional Capital unless and until the Funding Date occurs with respect to such Additional Capital.

ARTICLE III
CASH MANAGEMENT AND DISTRIBUTIONS

3.01 Bank Accounts.

(a) **Collection Account.** Except for Capital Proceeds, any and all revenues, distributions, payments, refunds, rebates, reimbursements and the like, of any kind or nature, received by the Company with respect to any of its assets in excess of Costs of Sale incurred by it (collectively, "**Net Proceeds**") shall be deposited directly into an account established by the Managing Member (the "**Collection Account**"). For purposes of this Agreement, "**Costs of Sale**" means the following Project Costs that are deducted from gross sales proceeds and are not available until the close of escrow for each portion of the Property: outside broker fees, actual closing costs and prorations as shown on a certified closing statement, and other related fees and costs. Disbursements from the Collection Account shall only be made on the signatures of authorized representatives of both of the Members acting together.

(b) **Project Cost Account.** All proceeds of capital contributions, as well as all funds drawn under any Company financing (collectively, "**Capital Proceeds**"), shall be deposited directly into an account in the name of the Company established by the Managing Member (the "**Project Cost Account**"). Disbursements from the Project Cost Account shall be made for payment of the costs and liabilities to be paid or assumed by the Company in connection with the Project ("**Project Costs**"). Disbursements from the Project Cost Account shall only be made on the signatures of authorized representatives of both of the Members acting together.

3.02 Distributions of Cash Flow. Except as provided elsewhere in this Agreement, cash held in the Collection Account from time to time in excess of such reserves as are established from time to time by the unanimous reasonable agreement of the Members for anticipated cash disbursements that will have to be made before anticipated additional cash receipts will provide the funds therefor (the "**Cash Flow**") shall be distributed to the Members as soon as it becomes available for distribution, but in no event less often than monthly by the 25th day of each calendar month, in the following order of priority:

(a) **Preferred Return on Additional Capital.** First, to the Members in the ratio that the accrued and unpaid Preferred Return on Additional Capital contributed by each Member bears to the aggregate of the accrued and unpaid Preferred Return on Additional Capital contributed by both Members, until and to the extent required to reduce each Member's accrued and unpaid Preferred Return on all such Additional Capital to zero (0).

(b) **Unpaid Preferred Return.** Next, to the Members in the ratio that the accrued and unpaid Preferred Return of each Member bears to the aggregate of the accrued and unpaid Preferred Return of both Members, until and to the extent required to reduce each Member's accrued and unpaid Preferred Return to zero (0).

(c) **Additional Capital.** Next, to each Member as a reduction of its Unrecovered Capital Account in the ratio that the Additional Capital contributed by each

Member bears to the aggregate of the Additional Capital contributed by both Members, until and to the extent required to reduce each Member's Additional Capital to zero (0).

(d) **Unrecovered Capital.** Next, to each Member as a reduction of its Unrecovered Capital Account in the ratio that the Unrecovered Capital Account of each Member bears to the aggregate Unrecovered Capital Account of both Members, until and to the extent required to reduce each Member's Unrecovered Capital Account to zero (0).

(e) **Balance.** Thereafter, to the Members in accordance with their respective Percentage Interests.

ARTICLE IV **MANAGEMENT**

4.01 Authority; Major Decisions.

(a) **In General.** The business, property and affairs of the Company shall be managed exclusively by the Managing Member. Except for where this Agreement expressly requires the approval of the Members, the Managing Member shall have full, complete and exclusive authority, power and discretion to manage and control the business, property and affairs of the Company and to make all decisions regarding those matters, including, without limitation, the decision to acquire property, to sell, transfer, encumber or otherwise dispose of the assets of the Company, and to perform any and all other actions customary or incident to the management of the Company's business, property and affairs. Notwithstanding anything contained herein to the contrary, in no event shall the Managing Member have any authority to make any decision, take any action or give any approval or consent on behalf of the Company which is in conflict with the Business Plan, except to the extent approved by all of the Members. Any person may rely on a certificate addressed to that person and signed by the Managing Member:

(i) as to who are the Members hereunder;

(ii) as to the existence or nonexistence of any fact which constitutes a condition precedent to acts by the Members or the Managing Member or in any other manner germane to the affairs of the Company;

(iii) as to who is authorized to execute, acknowledge, seal, verify or deliver any instrument or document of the Company;

(iv) as to the authenticity of any copy of the Certificate of Formation, this Agreement, amendments thereto or restatements thereof, and any other document relating to the conduct of the affairs of the Company; or

(v) as to any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member.

(b) **Major Decisions.** Notwithstanding anything contained in this Agreement to the contrary, the Managing Member shall not have the power or authority to authorize or

approve any of the following on behalf of the Company (individually, a "Major Decision" and collectively, the "Major Decisions") without the prior written consent of all of the Members:

- (i) Constructing any improvements on the Property.
- (ii) Selling any or all of the Property, any other real property or any interest therein.
- (iii) Hiring any employees.
- (iv) Adopting, amending, modifying, altering or changing the Business Plan (except as permitted in Section 4.01(a)).
- (v) Merging the Company into any other entity or otherwise entering into any similar entity reorganization.
- (vi) Admitting any Person as a Member of the Company, except as otherwise expressly permitted pursuant to the terms of Section 11.03.
- (vii) Amending or modifying this Agreement or any of the other organizational documents and organizational instruments governing the Company
- (viii) Amending or modifying the Contribution Agreement.
- (ix) Causing the formation of any corporation or other subsidiary entity owned or controlled, in whole or in part, by the Company.
- (x) Making any decision or taking any action which, under the provisions of this Agreement, is required to be approved by all of the Members or which is required to be approved by the Member which is not the Managing Member.
- (xi) Seeking relief under federal or state bankruptcy law, instituting proceedings to have the Company adjudicated a bankrupt or insolvent, consenting to the institution of bankruptcy or insolvency proceedings against the Company, filing a petition or a consent to a petition seeking reorganization or relief under any applicable federal or state bankruptcy law, consenting to the appointment of a receiver, liquidator, trustee or similar official, making any assignment for the benefit of the Company's creditors or admitting in writing the Company's inability to pay its debts generally as they become due.
- (xii) Confess a judgment against the Company.
- (xiii) Mortgage, pledge, hypothecate or subject any of the Company's assets to any type of lien or encumbrance (other than inchoate liens for contractors and subcontractors established by applicable law).
- (xiv) Do any act (A) in contravention of this Agreement, or (B) which would make it impossible or unreasonably burdensome to carry on the business of the Company.

(c) **Use of System's Name.** In no event may the Company use the name of the State of California Public Employees Retirement System (the "System"), an investor in a member of L/S Partners, or identify the System as having any involvement of any kind in the Company or the Project including in advertising, press releases or responding to inquiries without the prior written consent of L/S Partners, which consent may be withheld in its discretion.

4.02 Managing Member. The Company shall have one (1) Managing Member. The Managing Member shall be L/S Partners. The Managing Member may only be removed upon the unanimous consent of all of the Members. Any vacancy occurring for any reason in the position of Managing Member may only be filled by the unanimous consent of all of the Members; provided, however, in the event that L/S Partners transfers its Membership Interest in accordance with the terms of Section 11.01(a) hereof, such transferee shall automatically become the substitute Managing Member effective as of the date of such transfer and the consent of the Members shall not be required in connection therewith. Notwithstanding the foregoing provisions of this Section 4.02, upon and effective as of the making of a Project Termination Election by L/S Partners in accordance with the terms of Section 7.01 hereof, L/S Partners shall be deemed to have been removed as Managing Member and Cameo shall be deemed to have been appointed as the substitute Managing Member; provided, however, notwithstanding such substitution, L/S Partners shall nevertheless remain in joint control of the Collection Account, and Managing Member shall continue to deposit all Net Proceeds into such Collection Account, until such time as L/S Partners has been distributed all of its accrued Preferred Return, its Unrecovered Capital Account has been reduced to zero (0) and all other amount due to it pursuant to this Agreement have been paid to it.

4.03 Representatives of Members.

(a) **Authorized Representatives.** L/S Partners hereby designates Douglas C. Neff, Jay Pruitt, Wayne Stelmar and Terry Neale as its authorized representatives hereunder. Cameo hereby designates Vic Mahony and Jim Gianulias as its authorized representatives hereunder. Each representative appointed by a Member shall act as agent for and under the sole and exclusive direction and control of such Member. Each Member may, by written notice to the other, appoint and/or remove any representative appointed by such Member and appoint a substitute therefor; provided, however, that any new representative appointed by any Member must either (i) be an officer, director, partner, member, manager, principal or employee of such Member, or of an Affiliate of such Member; or (ii) be approved by the other Member.

(b) **Meetings.** There shall be no regularly scheduled meetings of the Members; however, the Members' representatives shall meet as often as necessary or desirable to carry out the business of the Company. Meetings shall be held at the principal offices of the Company unless otherwise agreed. Any Member may convene a meeting upon at least three (3) business days prior notice to the other Member specifying the date, time and place of meeting and the agenda for the meeting. The Members may also hold meetings by telephone and may make decisions without a meeting by unanimous written consent.

(c) **Voting Rights of Members.** In their capacity as Members (as opposed to Managing Member where and if applicable), no Member of the Company shall have any

management or approval authority over the activities of the Company except as otherwise expressly provided in this Agreement.

4.04 Miscellaneous Covenants

(a) **Other Business Opportunities.** No Member or Affiliate shall have any obligation, fiduciary or otherwise, with respect to the Company or to the other Member insofar as making other opportunities available to the Company or to the other Member. The Members may, notwithstanding the existence of this Agreement, engage in whatever activities they choose, whether the same is competitive with the Company or otherwise, without having or incurring any obligation to offer any interest in such activities to the Company or to the other Member.

(b) **Related Party Contracts.** For purposes of this Agreement, "**Affiliate**" means (i) any Person which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the Person in question; or (ii) any officer, director, partner, member, manager, trustee, employee or beneficial holder of an interest of twenty-five percent (25%) or more in the Person in clause (i) above; and "**Person**" means any individual or any corporation, partnership, limited liability company, limited liability partnership, joint venture, trust, business trust, cooperative or association. For purposes of this definition, the term "**control**" means the ownership of twenty-five percent (25%) or more of the beneficial interest or the voting power of the appropriate Person. All transactions of the Company with any Member or its Affiliate shall be on terms and conditions which are at least as favorable to the Company as the terms generally available in arm's-length transactions with independent third parties for equivalent goods or services. The Member which is not the Managing Member, acting alone, shall have the sole right on behalf of the Company to send any appropriate notice of default or termination, to make any election, to institute legal proceedings and/or to take such other action as may be necessary or appropriate to enforce the rights and remedies and protect the interests of the Company pursuant to any agreement now or hereafter entered into between the Company and the Managing Member or any Affiliate of the Managing Member.

(c) **Contribution Agreement.** Notwithstanding anything contained in this Agreement to the contrary, L/S Partners, acting alone, shall have the sole right on behalf of the Company (i) to send any appropriate notice of default or termination, to make any election, to institute legal proceedings and/or to take such other action as may be necessary or appropriate to enforce the rights and remedies and protect the interests of the Company pursuant to the terms of the Contribution Agreement and/or the Guaranty and (ii) to enter into any amendment or modification to, to cause or consent to the termination of, and/or to cause or consent to the waiver of any rights under, the Contribution Agreement and/or the Guaranty.

(d) **Insurance.** Managing Member shall, at the sole cost and expense of the Company, cause the Company to maintain (or cause to be maintained on the Company's behalf) such insurance as the Managing Member shall deem to be reasonably necessary.

4.05 Emergency Authority. Notwithstanding the provisions of Section 4.01, the Managing Member shall have the right to take such action as it deems necessary for the protection of life or health, or the preservation of Company assets if, under the circumstances, in the good faith judgment of the Managing Member, there exists an emergency situation requiring

an immediate decision which should not be delayed until the approval of the Members, if so required, is obtained.

4.06 **Cooperation of Cameo.** Cameo shall provide, at no out of pocket cost or expense to itself, such assistance in connection with the Project as may be reasonably requested by the Managing Member, including, without limitation, in obtaining the requisite entitlements for the Project. To the extent that Cameo incurs any such out of pocket costs or expenses, such costs and expenses shall be reimbursed by the Company to Cameo if and to the extent they were included in the Business Plan and approved by the Managing Member prior to being incurred by Cameo. Nothing contained in this Agreement shall be interpreted so as to limit any of Cameo's obligations under the Contribution Agreement, including, without limitation, its obligations under Section 7(b) of the Contribution Agreement.

ARTICLE V **FEES AND REIMBURSEMENTS**

5.01 **Fees and Reimbursements.** Except as otherwise set forth in this Section 5.01, neither the Company nor any Member shall pay any fees or reimbursements to a Member or any Affiliate of a Member including any charge or reimbursement for general overhead or administrative services or for reimbursements for salaries or benefits of employees. The Company shall pay the following fees and reimbursements:

(a) **L/S Partners Overhead Fee.** In consideration of its services to be rendered to the Company, L/S Partners shall be paid an overhead fee equal to \$240,000 (the "**L/S Partners Overhead Fee**"), which fee shall be payable in 24 equal monthly installments of \$10,000 each, with the first payment being made on the first calendar day of the first month following the execution of this Agreement and thereafter on the first calendar day of each following month until the entirety of such fee has been paid to L/S Partners.

(b) **Cameo Overhead Fee.** In consideration of its services to be rendered to the Company, Cameo shall be paid an overhead fee equal to \$96,000 (the "**Cameo Overhead Fee**"), which fee shall be payable in 24 equal monthly installments of \$4,000 each, with the first payment being made on the first calendar day of the first month following the execution of this Agreement and thereafter on the first calendar day of each following month until the entirety of such fee has been paid to Cameo.

(c) **Insurance.** So long as the Managing Member and/or its Affiliates provide and keep in force the insurance detailed in Section 4.04(d) above, the Managing Member and its Affiliates, as applicable, shall be reimbursed by the Company for all payments made in connection therewith.

(d) **Due Diligence and Formation Expenses.** L/S Partners shall be entitled to be reimbursed by the Company for its out-of-pocket expenses incurred in the due diligence investigation of the Property and the Project, including fees for attorneys, accountants, allocated costs for in house legal services, consultants, and other professionals, but only to the extent set forth on **Exhibit "E"** attached hereto. Each of the Members shall be entitled to be reimbursed by the Company for its out-of-pocket expenses incurred in the formation of the Company and the

drafting and negotiation of this Agreement, the Contribution Agreement and all other agreements entered into in connection herewith, including fees for attorneys and allocated costs for in-house legal services. In the event that Managing Member elects to obtain a policy of title insurance to ensure the Company's rights to acquire the Property pursuant to the Contribution Agreement, the Company shall pay the cost of such policy.

(c) General Reimbursement of Managing Member. The Managing Member shall be entitled to be reimbursed by the Company for any and all Project Costs which it incurs to the extent the same are contemplated by the Business Plan (or are otherwise permitted pursuant to the operation of Section 4.01(a)).

ARTICLE VI DEFAULTS AND REMEDIES

6.01 Event of Default. For purposes of this Agreement, "Event of Default" means the occurrence of any of the following:

(a) The inaccuracy of any material representation or warranty made by any Member in this Agreement or by such Member or any of its Affiliates under any other agreement with the Company or the other Member.

(b) The breach or default by any Member or its Affiliate of any of its respective covenants, agreements or obligations in this Agreement, in any other agreement with the other Member which relates to the Company, this Agreement and/or the Property, or in any other agreement with the Company, provided such Member shall have received written notice of such breach or default and (i) in the case of a monetary breach or default, shall not have cured such monetary breach or default within ten (10) days following receipt of such notice, and (ii) in the case of a non-monetary breach or default which is reasonably susceptible of cure, shall not have commenced to cure or remedy such breach or default within ten (10) days following receipt of such notice and cured or remedied such breach or default within thirty (30) days following the date of such notice; provided, however, if the nature of such breach or default is not reasonably susceptible of cure within such thirty (30) day period and the curing Member has, in the reasonable opinion of the other Member, been diligently proceeding with such cure or remedy, an additional period of time reasonably required to effect such cure shall be granted not to exceed a period of ninety (90) days. This Section 6.01(b) shall not apply to any breach or default by Cameo or Guarantor under the Contribution Agreement and/or the Guaranty.

(c) As to Cameo, if any default by Cameo occurs under the Contribution Agreement which is not cured within any applicable notice and cure period provided for therein.

(d) As to Cameo, if any default by Guarantor occurs under the terms of the Guaranty which is not cured within any applicable notice and cure period provided for therein.

(e) The occurrence of an Event of Bankruptcy with respect to a Member. For purposes of this Agreement, an "Event of Bankruptcy" means:

(i) The entry of a decree or order by a court of competent jurisdiction (A) adjudging a Guarantor or a Member, as the case may be, a bankrupt or insolvent, or

(B) approving as properly filed a petition seeking reorganization, readjustment, arrangement, composition or similar relief for a Guarantor or such Member, as the case may be, under the federal bankruptcy laws or any other similar applicable law or practice, and if such decree or order referred to in this Section 6.01(e)(i) shall have continued undischarged and unstayed for a period of sixty (60) days.

(ii) The entry of a decree or order by a court of competent jurisdiction (A) for the appointment of a receiver, liquidator, trustee or assignee in bankruptcy or insolvency of a Guarantor or a Member, as the case may be, or for the winding up or liquidation of its affairs, and such decree or order shall have remained in force undischarged and unstayed for a period of sixty (60) days, or (B) for the sequestration or attachment of any property of a Guarantor or such Member, as the case may be, without its return to the possession of a Guarantor or such Member, as the case may be, or its release from such sequestration or attachment within sixty (60) days thereafter.

(iii) If a Guarantor or a Member, as the case may be, (A) institutes proceedings to be adjudicated a voluntary bankrupt or an insolvent; (B) consents to the filing of a bankruptcy proceeding against it; (C) files a petition or answer or consent seeking reorganization, readjustment, arrangement, composition or similar relief for itself under the federal bankruptcy laws or any other similar applicable law or practice; (D) consents to the filing of any such petition, or to the appointment of a receiver or liquidator or trustee or assignee in bankruptcy or insolvency for itself or a substantial part of its property; (E) makes an assignment for the benefit of its creditors; (F) is unable to or admits in writing its inability to pay its debts generally as they become due; or (G) takes any action in furtherance of any of the aforesaid purposes.

For the purposes of this Agreement, an Event of Bankruptcy with respect to Guarantor shall be treated as an Event of Bankruptcy by Cameo.

6.02 Effect of Event of Default. In addition to the remedies set forth herein for a Member's failure to timely fund any required capital contribution or payment, upon the occurrence of an Event of Default by any Member, the non-defaulting Member shall have the right, but not the obligation, upon giving the defaulting Member ten (10) calendar days written notice of such election (and provided such Event of Default is continuing through the end of such 10-day period), to take any of the following actions:

- (a) Dissolve the Company;
- (b) [Intentionally deleted]; or
- (c) Pursue any other right or remedy available in this Agreement, at law or in equity.

The election to pursue any of the foregoing remedies shall not preclude or prohibit the non-defaulting Member from concurrently and/or subsequently pursuing any other remedy.

ARTICLE VII

PROJECT TERMINATION ELECTION

7.01 Project Termination Election. In the event that L/S Partners shall at any time determine, in its sole and absolute discretion, that any or all of the entitlements and approvals to be obtained with respect to any or all of the Property cannot be timely obtained as contemplated in the Business Plan or that its projected return on its investment in the Company has declined to a level which it deems to be unsatisfactory, L/S Partners shall have the right (but not the obligation) to elect, by written notice to Cameo, to terminate the Project (a "**Project Termination Election**").

(a) **Conditional Indemnity.** Notwithstanding anything contained in this Agreement to the contrary, in the event that L/S Partners makes a Project Termination Election at any time prior to the Property Contribution Closing, then, except to the extent arising from the negligence or willful misconduct of Cameo and/or any of its Affiliates, L/S Partners shall indemnify and hold harmless the Company from any actual damages, liabilities, losses, costs or expenses (including, without limitation, reasonable attorneys' fees) which it incurs pursuant to the indemnity contained in the last sentence of Section 7(c) of the Contribution Agreement, but only to the extent that the underlying claim first arose prior to the Project Termination Election.

(b) **Effect of Project Termination Election.** Notwithstanding anything contained in this Agreement to the contrary, in the event that L/S Partners makes a Project Termination Election, then, from and after the date of such election, (i) L/S Partners shall have no further obligation to make any capital contributions to the Company pursuant to the terms of Section 2.02(a) of this Agreement or otherwise, (ii) L/S Partners shall cease to accrue any additional Preferred Return, (iii) L/S Partners shall not be entitled to receive any additional payments of L/S Partners Overhead Fee, (iv) L/S Partners shall be deemed to have been removed as Managing Member and Cameo shall be deemed to have been appointed the substitute Managing Member as provided in Section 4.02, (v) a memorandum of this Agreement, in the form of **Exhibit "F"** attached hereto shall be executed by all of the Members and recorded in the Official Records of the County of Riverside within seven (7) days following the making of such Project Termination Election, (vi) no physical improvements shall be constructed on the Property prior to the distribution to L/S Partners of all of its accrued and unpaid Preferred Return and the entire balance of its Unrecovered Capital Account (or, if such Project Termination Election is made prior to the Property Contribution Closing, the entire balance of its Unrecovered Capital Account with the sole exception of the last \$200,000 thereof), (vii) L/S Partners shall promptly deliver to Cameo, without any representation or warranty and subject to the rights of all third parties, copies of all reports, studies and other materials prepared for L/S Partners or the Company by any unaffiliated third parties in connection with the Property and/or its development, but only to the extent the same have been delivered to L/S Partners or the Company, (viii) if and when L/S Partners shall have been distributed all of its accrued and unpaid Preferred Return and the balance of its Unrecovered Capital Account shall have been reduced to zero (or, if such Project Termination Election is made prior to the Property Contribution Closing, the balance of its Unrecovered Capital Account shall have been reduced to \$200,000), then (A) the entire Membership Interest of L/S Partners in the Company shall be deemed to have been liquidated by the Company, (B) except as otherwise expressly provided in this Subsection (viii), L/S Partners shall thereupon cease to have any right, title or interest in and

to the Company, (C) except as otherwise provided in Section 7.01(a), L/S Partners shall thereupon be deemed to have been released by the Company, Cameo and all of their respective Affiliates from and against any and all claims, losses, damages, costs, expenses, demands, liabilities, obligations, liens, encumbrances, rights of action and/or attorneys' fees arising in connection with the Company, the Property and/or under this Agreement, and (D) all of L/S Partners rights under Section 9.03 shall survive such liquidation and any future modification of the terms of such Section or the Agreement and L/S Partners shall continue to have the benefit thereof, and (ix) Section 3.02 of this Agreement shall be deemed to have been deleted in its entirety and the following substituted in lieu thereof:

"3.02 Distributions of Cash Flow. Except as provided elsewhere in this Agreement, cash held in the Collection Account from time to time in excess of such reserves as are established from time to time by the Managing Member for anticipated cash disbursements that will have to be made before anticipated additional cash receipts will provide the funds therefor (the "Cash Flow") shall be distributed to the Members as soon as it becomes available for distribution, but in no event less often than monthly by the 25th day of each calendar month, in the following order of priority:

(a) Cameo's Unpaid Preferred Return. First, to Cameo, until and to the extent required to reduce Cameo's accrued and unpaid Preferred Return to zero (0).

(b) Cameo's Unrecovered Capital. Next, to Cameo, until and to the extent required to reduce Cameo's Unrecovered Capital Account to zero (0).

(c) L/S Partners' Unpaid Preferred Return. Next, to L/S Partners, until and to the extent required to reduce L/S Partners' accrued and unpaid Preferred Return to zero (0).

(d) L/S Partners' Unrecovered Capital. Next, to L/S Partners, until and to the extent required to reduce L/S Partners' Unrecovered Capital Account to zero (0) (or, if the Project Termination Election is made prior to the Property Contribution Closing, until and to the extent required to reduce its Unrecovered Capital Account to \$200,000) (the Members agreeing that L/S Partners shall forfeit its right to recover the last \$200,000 of the balance of its Unrecovered Capital Account in the event that it makes a Project Termination Election prior to the Property Contribution Closing).

(e) Balance. Thereafter, to Cameo."

ARTICLE VIII

DISSOLUTION OF THE COMPANY

8.01 Events of Dissolution. Upon a Member's retirement, removal, resignation or withdrawal from the Company or the admission of a new Member to the Company, or the occurrence of an Event of Bankruptcy with respect to either Member, the Company shall dissolve unless within ninety (90) days after any such event, the other Member elects to continue the Company. The Company shall, however, be dissolved upon the first to occur of the following events:

(a) Intentionally deleted.

(b) Liquidation of Assets. The sale of all or substantially all of the assets of the Company unless such sale or other disposition involves any deferred payment of the consideration for such sale or disposition, whereupon the Company shall not dissolve until the last day of the calendar month during which the Company shall receive the balance of such deferred payment.

(c) Non-Defaulting Member's Election. The election by the non-defaulting Member during the pendency of an Event of Default.

(d) Termination of the Contribution Agreement. The election of a Member in accordance with the terms of Section 2.02(b)(ii) hereof.

8.02 Effect of Dissolution. Upon dissolution of the Company by reason of the occurrence of any of the events described in Section 8.01 or by operation of law, the Company shall not terminate but shall continue solely for the purposes of (a) liquidating all of the assets owned by the Company (until all such assets have been sold or liquidated) and (b) collecting the proceeds from such sales and all receivables of the Company. Upon such dissolution, the Company shall engage in no further business thereafter other than that necessary to cause the Project to be operated on an interim basis and for the Company to collect its receivables, liquidate its assets and pay or discharge its liabilities.

8.03 Liquidation of Assets. All of the assets of the Company, other than cash, shall be offered (either as an entirety or on an asset-by-asset basis) promptly for sale by the Liquidating Trustee on behalf of the Company upon the best terms available in the open market. For purposes of this Agreement, the "Liquidating Trustee" shall be the Managing Member. Each Member, provided it shall not be in breach of any of its obligations hereunder (nor would be in breach but for the requirements of notice or the passage of time or both), shall be entitled to negotiate or bid for the purchase of any or all of the assets being offered for sale. The gross sales proceeds and all other cash shall be applied and distributed in accordance with Section 8.04.

8.04 Distributions Upon Liquidation. Upon the liquidation of the Company caused by other than the termination of the Company under Section 708(b)(1)(B) of the Code, the Liquidating Trustee shall proceed with winding up of the affairs of the Company in accordance with the provisions of this ARTICLE VIII. During such winding up process, the Net Profits, Net Losses and Cash Flow distributions shall continue to be shared by the Members in accordance with this Agreement. The proceeds from the sale of the Company's assets, to the extent available, shall be applied and distributed by the Company in the following order:

(a) Payment of Debts. To the payment of all known debts and liabilities of the Company, including debts to any Members who are creditors of the Company;

(b) Establishment of Reserves. To the establishment of the following reserves:

(i) A reserve to pay for the projected costs and expenses of maintaining the Company's existence for a period of one (1) year following the sale of the last

portion of the Property (the "Close-Out Period") including annual franchise fees, annual renewal fees for domestic representation, anticipated accounting costs for preparation of the Company's annual tax returns and filing fees as well as the costs of completing the liquidation and winding-up of the Company at the expiration of the Close-Out Period including filing and publication costs and fees.

(ii) In the event the Company has not previously purchased insurance coverage for the duration of the Close-Out Period, a reserve to pay for the projected cost of annual insurance premiums to maintain the Company's insurance during the Close-Out Period. The Members intend that the proceeds of such insurance will be reasonably likely to be sufficient to provide compensation for claims that have not been made known to the Company or that have not arisen but that, based on facts known to the Company, are likely to arise or to become known to the Company within ten (10) years after the date of dissolution.

(iii) A reserve to pay all claims and obligations, including all contingent, conditional or unmatured contractual claims, known to the Company to the extent said items have not been satisfied under Section 8.04(a) above.

(iv) A reserve as will be reasonably likely to be sufficient to provide compensation for any claim against the Company which is the subject of a pending action, suit or proceeding to which the Company is a party.

(c) Balance. To the Members in the order of priority set forth in ARTICLE III. The Members believe and intend that the effect of making any and all liquidating distributions in accordance with this provision will result in each Member receiving liquidating distributions equal to the amount of Cash Flow each such Member would have received if liquidating distributions were instead distributed in accordance with the positive balance standing in each such Member's Capital Account. If the immediately preceding sentence is for any reason inaccurate, then the Members, upon the advice of tax counsel to the Company, are hereby authorized to make such revisions to the provisions of Exhibit "C" and/or to file such amended tax returns for the Company as may be reasonably necessary to cause such allocations to be in compliance with Section 704(b) of the Code and the Treasury Regulations promulgated thereunder.

8.05 Completion of Winding-Up. The Liquidating Trustee shall maintain the Company in existence for the duration of the Close-Out Period and utilize the reserves established under Section 8.04(b) to pay all costs and expenses of the Company during the Close-Out Period. From time to time during the Close-Out Period upon any Member's request, the Liquidating Trustee shall provide reports to the Members detailing for each Member the status of such reserves and what, if any, claims have been made against the Company. Except as otherwise provided by law or under this Agreement, in no event shall either Member be required to fund any additional sums to the Company should such reserves prove to be inadequate. Notwithstanding the foregoing, upon the request of either Member, the Members shall meet and confer to consider an earlier completion of the winding-up process which may be accelerated with the prior written consent of both Members. Upon expiration of the Close-Out Period, provided the Company does not then have any known, unsatisfied claims against it, the

Liquidating Trustee shall proceed to complete the dissolution and winding-up of the Company in accordance with applicable law.

8.06 No Capital Account Restoration . Upon the liquidation of the Company or any Membership Interest therein, neither Member shall be obligated to restore any negative balance as may then exist in its Capital Account.

ARTICLE IX **INDEMNIFICATION**

9.01 Limitation on Liability. Except as otherwise expressly provided in the Act or in this Agreement, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and no Member or Managing Member shall be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a Member or Managing Member of the Company; provided, however, nothing in this Section 9.01 shall limit the liability of any Member to the other Member as provided in this Agreement or under the non-waivable provisions of the Act. Except as otherwise provided herein, no Member or its Affiliates shall be liable to the Company or to any other Member for any losses, costs, obligations, claims, expenses, damages or liabilities (including attorneys' fees and costs) arising from any act or omission performed or omitted by it arising out of or in connection with this Agreement or the Company's business or affairs, except to the extent any such loss, cost, obligation, claim, damage, expense or liability is attributable, in whole or in part, to such Member's or its Affiliate's (a) gross negligence or willful misconduct, or (b) breach of its obligations under this Agreement or under any agreement between such Member or its Affiliate with the Company.

9.02 Indemnification by Members.

(a) Except as otherwise provided in Section 5.01(d) hereof, the Company shall not be liable for any obligations incurred by any Member or any of its Affiliates prior to the formation of the Company. To the fullest extent permitted by law, except to the extent any of the following arises from the sole negligence, willful misconduct or breach of L/S Partners or agents, servants or independent contractors who are directly responsible to L/S Partners, Cameo hereby agrees to protect, indemnify, defend with counsel satisfactory to L/S Partners, and hold harmless the Company, L/S Partners, its Affiliates and their respective partners, members, managers, employees, agents, trustees, beneficiaries, officers, directors, shareholders, divisions, subsidiaries and successors, from and against any and all losses, costs, obligations, claims, expenses, damages, liabilities, attorneys' fees and costs, expert and consultant costs, fines, judgments, penalties, debts, suits, actions and causes of action (including those arising out of bodily injury and/or personal injury to, or death of, persons) (collectively, "**Liabilities**") caused by, arising out of or relating directly or indirectly to (i) the gross negligence or willful misconduct of Cameo, its Affiliates, and their respective officers, employees, directors, shareholders, constituent members, managers, partners, agents, and representatives to the extent proceeds from insurance do not fully satisfy same; (ii) the inaccuracy of any representation or warranty made by or deemed to be made by Cameo or its Affiliates in this Agreement or in any agreement with the Company and (iii) the breach by Cameo of any of its obligations under this Agreement or by Cameo or any

Affiliate of Cameo under any agreement with the Company, or the occurrence of an Event of Default with respect to Cameo.

(b) Subject to the limitations of Section 12.20 hereof, and except to the extent of any Liabilities arising from the sole negligence, willful misconduct or breach of Cameo or agents, servants or independent contractors who are directly responsible to Cameo, L/S Partners hereby agrees to indemnify, defend with counsel satisfactory to Cameo, and hold harmless the Company, Cameo, its respective partners, members, managers, employees, agents, trustees, beneficiaries, officers, directors and shareholders, from and against any and all Liabilities caused by, arising out of or relating directly or indirectly to (i) the gross negligence or willful misconduct of L/S Partners, its Affiliates, and their respective officers, employees, directors, shareholders, constituent members, managers, partners, agents, and representatives to the extent proceeds from insurance do not fully satisfy same; (ii) the inaccuracy of any representation or warranty made by or deemed to be made by L/S Partners or its Affiliates in this Agreement or in any agreement with the Company and (iii) the breach or default by L/S Partners of any of its obligations under this Agreement or by L/S Partners or any Affiliate of L/S Partners under any agreement with the Company, or the occurrence of an Event of Default with respect to L/S Partners.

9.03 Indemnification of Members by the Company.

(a) The Company does hereby indemnify, defend with counsel satisfactory to the Members, protect and hold harmless each Member and its shareholders, directors, officers, constituent partners, members, managers, agents and employees (an "Indemnified Party") from and against any and all Liabilities suffered by such Indemnified Party by reason of anything that such Indemnified Party may do or refrain from doing hereafter for and on behalf of the Company and in furtherance of the interests of the Company; provided, however, that the Company shall not be required to indemnify and shall not be deemed to have indemnified such Indemnified Party from any Liabilities which such Indemnified Party may suffer as a result of the gross negligence or willful misconduct of the Indemnified Party in performing or in failing to perform its duties hereunder or taking any action beyond the authority of that Indemnified Party hereunder or with respect to anything that such Indemnified Party may do or refrain from doing with respect to the ownership, management or control of any of its own affairs or assets (including its Membership Interest in the Company) as distinct from the affairs and assets of the Company. Provided, further, the Company shall not be required to indemnify and shall not be deemed to have indemnified any Member, its shareholders, directors, officers, constituent partners, members, agents and employees for any Liabilities which such Member has agreed to indemnify the Company for under this Agreement. If an Indemnified Party becomes involved in any capacity in any action, proceeding or investigation in connection with any matter arising out of or in connection with this Agreement or the Company's business or affairs, the Company shall reimburse such Indemnified Party for its reasonable legal and other reasonable out-of-pocket expenses (including the cost of any investigation and preparation) as are incurred in connection therewith, provided that (i) the Company shall exercise exclusive control over the conduct of such action or proceeding and decisions as to settlement thereof, and (ii) such Indemnified Party shall promptly repay to the Company the amount of any such reimbursed expenses paid to it, together with interest thereon from the date of reimbursement to the date of repayment at the rate equal to the lesser of twenty percent (20%) per annum or the maximum rate permitted by law, if

it shall ultimately be determined that such Indemnified Party was not entitled to be indemnified by the Company in connection with such action, proceeding or investigation.

(b) The provisions of this Section 9.03 shall survive until such time as all claims or suits arising out of the indemnified matters are barred by the applicable statute of limitations; provided that the obligations of the Company under this Section 9.03 shall be satisfied solely out of Company assets.

(c) Notwithstanding anything to the contrary contained in this Agreement, the obligations of the Company or any Member under this Section 9.03 shall (i) be in addition to any liability which the Company or such Member may otherwise have and (ii) inure to the benefit of the other Member, its Affiliates and their respective partners, members, managers, shareholders, directors, officers, employees, agents and Affiliates and any successors, assigns, heirs and personal representatives of such Persons.

ARTICLE X **ACCOUNTING**

10.01 Books and Records. The Managing Member shall maintain the books and financial records of the Company. The Company financial records and accounts shall be kept in such a manner as to provide a record of all costs and expenses incurred, all charges made, all credits made and received and all income derived in connection with the operation of the Company's business in accordance with generally accepted accounting principles consistently applied. The fiscal year of the Company (the "Fiscal Year") shall be the calendar year. For financial and income tax reporting purposes, the Company shall elect the accrual basis of accounting.

10.02 Location and Availability of Records. All books and records of the Company shall be kept and maintained at the principal office of the Company, with a copy at Cameo's office, or such other place as may be agreed upon by the Members, and shall during regular business hours, be available for inspection, duplication and audit by each Member, and its designated representatives, including attorneys, auditors and accountants.

10.03 Reports. The Managing Member shall provide the following reports to the Members:

(a) **Quarterly Reports.** Within thirty (30) days after the end of each calendar quarter, the Managing Member will provide the other Members with a statement of financial position and a statement of operations for the Company, a statement of each Member's Capital Account and Unrecovered Capital Account and a schedule of accrued and unpaid Preferred Returns due each Member.

(b) **Annual Reports.** Within seventy-five (75) days after the end of each Fiscal Year and/or the final reporting period of the Company, the Managing Member shall furnish the other Members with financial statements, including without limitation, Company income and expense statements, which shall contain a balance sheet as of the end of the Fiscal Year, statements of profit and loss, changes in the Capital Accounts and a statement of cash flows for the Fiscal Year then ended. At the request of any Member, the Managing Member

shall cause such statements to be audited by the Company's accountants at the expense of the Company.

(c) **Tax Returns.** Within ninety (90) days after the end of each Fiscal Year or the final reporting period of the Company, the Managing Member shall cause BDO Seidman or any other tax accountants reasonably approved by all of the Members to prepare all income and other tax returns of the Company including Company K-1 statements for each Member of the Company and submit such returns to each of the Members for its approval and, when approved by all of the Members, cause the same to be filed in a timely manner. The Managing Member shall not file on behalf of the Company any federal or state income tax or information returns, elections or choices of methods of reporting income or loss for federal or state income tax purposes without the prior written consent of all of the Members, not to be unreasonably withheld. The Managing Member shall furnish to each of the Members a copy of each such return as soon as they have been filed, together with any schedules or other information which any Member may require in connection with its tax affairs. Each of the Members shall, in its respective income tax return and other statements filed with the Internal Revenue Service or other taxing authority, report taxable income in accordance with the Company's K-1 statements provided to the Members under this Agreement. Managing Member shall consult with any other Member and its accountants, from time to time as requested by such Member, to discuss tax planning for the Company.

10.04 Consolidation Reporting. The Managing Member shall consult with L/S Partners and its accountants, from time to time as requested by L/S Partners, to provide and discuss any calculations/models used in Managing Member's interpretation of the consolidation requirements under FASB Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46), as amended from time to time. The Managing Member's interpretation of any such consolidation requirements must be agreed to by L/S Partners and reviewed and accepted by the Company auditors.

ARTICLE XI

TRANSFER OF MEMBERSHIP INTERESTS AND PARTITION

11.01 Restrictions on Transfer.

(a) **Transfers by L/S Partners.** Except as otherwise expressly provided in this Agreement, L/S Partners shall not (voluntarily, involuntarily or by operation of law) sell, assign, mortgage, encumber, grant a security interest in, dispose of or hypothecate (hereinafter "transfer") all or any portion of its Membership Interest, or withdraw or retire from the Company, without the prior written consent of Cameo, which consent may be withheld in Cameo's discretion. Notwithstanding the foregoing, L/S Partners shall have the right, in its sole discretion, to transfer all (but not less than all) of its Membership Interest to an Affiliate of L/S Partners.

(b) **Transfers by Cameo.** Except as otherwise expressly provided in this Agreement, Cameo shall not transfer all or any portion of its Membership Interest, or withdraw or retire from the Company, without the prior written consent of L/S Partners, which consent may be withheld in L/S Partners' discretion. Notwithstanding the foregoing, Cameo shall have

the right, in its sole discretion, to transfer all (but not less than all) of its Membership Interest to an Affiliate of Cameo (which is owned directly or indirectly by Guarantor).

(c) **No Changes in Ownership of Cameo.** Except for a Permitted Transfer, Cameo shall not cause or permit any direct or indirect interest in Cameo to be transferred to any person or entity which is not owned directly or indirectly by Guarantor, without L/S Partners' prior written consent, which consent may be withheld in L/S Partners' discretion.

(d) **General.** Any attempted transfer, withdrawal or retirement by any Member not permitted under this Agreement shall be void. Any transfer in violation of the terms and provisions of this ARTICLE XI shall be deemed a material breach or default by such Member not capable of cure.

11.02 Partition. No Member shall, either directly or indirectly, take any action to require partition of the Project or any other assets or properties of the Company pursuant to applicable law, nor shall any Member make application or commence a proceeding for a partition or sale thereof and, upon any breach of the provisions of this Section 11.02 by any Member, the other Member (in addition to all rights and remedies afforded by law or in equity) shall be entitled to a decree or order restraining or enjoining such application, action or proceeding.

11.03 Admission of Substituted Member. If a Member transfers its Membership Interest in accordance with this ARTICLE XI, and such purchaser is designated by the conveying Member as a substituted Member, such assignee shall be entitled to be admitted to the Company as a substituted Member, and this Agreement shall be amended to reflect such admission, provided that the following conditions are complied with:

(a) **Documents.** The conveying Member and assignee or assignees named therein executes and acknowledges such instrument or instruments as may be reasonably required in order to effectuate such admission.

(b) **Acceptance of Agreement.** The assignee or assignees in writing accepts and adopts all of the terms and conditions of this Agreement, as the same may have been amended.

(c) **Payment of Costs.** The conveying Member pays, as the non-conveying Member may reasonably determine, all reasonable expenses connected with such admission, including legal fees and costs.

(d) **Amendment of Certificate.** If required, an amendment to the Certificate of Formation of the Company is filed and recorded, as appropriate.

11.04 Compliance. Notwithstanding anything to the contrary in this Agreement, at law or in equity, no Member shall transfer or otherwise deal with any Membership Interest in a way that would cause a default under any material agreement to which the Company is a party or by which it is bound.

11.05 Permitted Transfers. For purposes of this Agreement, a "Permitted Transfer" means, with respect to the members of Cameo, transfers to an Affiliate of Guarantor so long as Guarantor retains a majority ownership interest in, and retains control over, the decisions of such Affiliate. Notwithstanding the restrictions of Section 11.01(c) to the contrary, a Permitted Transfer by the members of Cameo shall not require the prior written consent or approval of L/S Partners.

11.06 Transferee Remains Bound. The transferee of a Membership Interest in accordance with the terms of this ARTICLE XI (the "Permitted Transferee") shall receive and hold such Membership Interest or portion thereof subject to the terms of this Agreement and to the obligations hereunder of the transferor Member, and there shall be no further transfer of such Membership Interest or portion thereof except to a Person to whom such Permitted Transferee could have transferred its Membership Interest had such Permitted Transferee originally been named as Member hereunder, or in accordance with the other terms of this Agreement.

11.07 Transferor Remains Liable. If any Member transfers its Membership Interest pursuant to this ARTICLE XI, such Member shall remain liable for its obligations hereunder and any subsequent obligations of its transferee named in accordance with the terms of this Agreement notwithstanding any such transfer unless the other Member expressly releases, in writing, such transferor from such obligations.

11.08 Restrictions on Assignees. An assignee of a Membership Interest, or portion thereof, who does not become a substituted Member shall have no right to require any information or account of the Company's transactions, to inspect the Company books, or to vote on any of the matters as to which a Member would be entitled to vote under this Agreement.

11.09 L/S Partners Assignment of Membership Interest and/or Rights to Distributions. Notwithstanding anything to the contrary contained in the foregoing, Cameo acknowledges and agrees that L/S Partners shall have the absolute right, at any time and without the need for consent of Cameo, to assign its rights to distributions from the Company (and/or, subject to obtaining the prior written consent of Cameo, which consent shall not be unreasonably withheld, to assign its Membership Interest), either absolutely or collaterally as security for a loan or loans made to L/S Partners or its constituents. The lender exercising its remedies pursuant to any such assignment shall be entitled to become automatically admitted to the Company as a substituted Member without further compliance with the provisions of Section 11.03 or any other further action, except as may be required by law. Upon request of L/S Partners, Cameo shall consent, in writing, to any such assignment of L/S Partners' rights to distributions from the Company and shall provide such written consent and estoppel statement as may be reasonably requested by the assignee or lender(s) providing such financing to L/S Partners or its constituents. Upon request, Managing Member shall cause distributions otherwise payable to L/S Partners to be paid as directed by L/S Partners and the lender providing any such financing to L/S Partners or its constituents.

11.10 Cameo Assignment of Membership Interest and/or Rights to Distributions. Notwithstanding anything to the contrary contained in the foregoing, L/S Partners acknowledges and agrees that Cameo shall have the absolute right, at any time and without the need for consent of L/S Partners, to assign its rights to distributions from the Company (and/or, subject to

obtaining the prior written consent of L/S Partners, which consent shall not be unreasonably withheld, to assign its Membership Interest), either absolutely or collaterally as security for a loan or loans made to Cameo or its constituents. The lender exercising its remedies pursuant to any such assignment shall be entitled to become automatically admitted to the Company as a substituted Member without further compliance with the provisions of Section 11.03 or any other further action, except as may be required by law. Upon request of Cameo, L/S Partners shall consent, in writing, to any such assignment of Cameo's rights to distributions from the Company and shall provide such written consent and estoppel statement as may be reasonably requested by the assignee or lender(s) providing such financing to Cameo or its constituents. Upon request, Managing Member shall cause distributions otherwise payable to Cameo to be paid as directed by Cameo and the lender providing any such financing to Cameo or its constituents.

ARTICLE XII

MISCELLANEOUS

12.01 Integration/Amendment. This Agreement is the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior negotiations, correspondence, understandings and agreements with respect thereto. No amendment, alteration, modification or interpretation hereof shall be binding unless in writing and signed by the Members.

12.02 Attorneys' Fees. If any proceeding is brought by one Member against the other to enforce, interpret, or for the breach of any of the provisions in this Agreement, the prevailing Member shall be entitled in such proceeding to recover its reasonable attorneys' fees together with the costs of such proceeding therein incurred (including expert witness fees and costs) in addition to such other relief as may be granted.

12.03 Notices. All notices required or permitted by this Agreement shall be in writing and may be delivered in person to either party or may be sent by registered or certified mail, with postage prepaid, return receipt requested, or delivered by Express Mail of the U.S. Postal Service or Federal Express or any other courier service guaranteeing overnight delivery, charges prepaid, or may be transmitted by facsimile and addressed:

In the case of L/S Partners:

c/o IHP Capital Partners
19800 MacArthur Boulevard, Suite 700
Irvine, California 92612
Attention: Douglas C. Neff
Telephone: (949) 851-2121
Facsimile: (949) 851-8284

With a copy to:

c/o IHP Capital Partners
19800 MacArthur Boulevard, Suite 700
Irvine, California 92612
Attention: General Counsel
Telephone: (949) 655-7009
Facsimile: (949) 851-8284

With a copy to:

WL Land LLC
895 Dove Street, Suite 200
Newport Beach, California 92660
Attention: Wayne J. Stelmar
Telephone: (949) 265-2400
Facsimile: (949) 265-2500

With a copy to:

WL Land LLC
895 Dove Street, Suite 200
Newport Beach, California 92660
Attention: Stacy McDaniel
Telephone: (949) 265-2400
Facsimile: (949) 265-2500

In the case of Cameo:

213 Banning LLC
1105 Quail Street
Newport Beach, California 92658
Attention: Vic Mahony
Telephone: (949) 955-3832
Facsimile: (949) 250-8574

With a copy to:

Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
East Tower, Suite 1300
2603 Main Street
Irvine, California 92614
Attention: Robert C. Ihrke, Esq.
Telephone: (949) 851-7265
Facsimile: (949) 851-1554

or such other address as shall, from time to time, be supplied in writing by any party to the others. If any notice or other document is sent by registered or certified mail, postage prepaid, with return receipt requested, addressed as above provided, the same shall be deemed served or delivered within forty-eight (48) hours after deposit in the United States mail. Notices delivered by overnight service shall be deemed to have been given twenty-four (24) hours after delivery of the same, charges prepaid, to the U.S. postal service or private courier. If any notice is sent by facsimile transmission the same shall be deemed served or delivered within twenty-four (24) hours after confirmation of the transmission thereof. Any notice or other document sent or delivered in any other manner shall be effective only if and when received. Rejection or other refusal to accept delivery, or the inability to deliver because of a changed address of which no notice was given, shall be deemed to constitute receipt of notice or other communication sent.

12.04 Execution of Other Documents. The parties hereto agree that they will cooperate with each other and will execute and deliver, or cause to be delivered, all such other instruments, and will take all such other actions, as any party hereto reasonably requests from time to time in order to effectuate the provisions and purposes hereof.

12.05 Brokers. The Members warrant and represent, respectively, that they have not dealt with any person, firm or corporation who is or may be entitled to a brokerage commission, finder's fee or other like payment from the Company or any of the Members on account of the negotiation or consummation of this Agreement, the creation of the Company or the acquisition of any of the property of the Company and each of the Members does hereby indemnify, defend, protect and agree to hold harmless the other from and against any and all loss, cost, liability or expense (including reasonable attorneys' fees) should its warranty and representation contained herein be false or prove inaccurate.

12.06 Waiver. No consent or waiver, express or implied, by any Member to or of any breach or default by the other in the performance by the other of the obligations of such Member hereunder shall be deemed or construed to be a consent or waiver to or of any other breach or default in the performance by such other Member hereunder. Failure on the part of any Member to complain of any act or failure to act of any other Member or to declare any other Member in default, irrespective of how long such failure continues, shall not constitute a waiver by such Member of its rights hereunder.

12.07 Equitable Remedies. Each Member shall, in addition to all other rights provided herein or as may be provided by law, be entitled to all equitable remedies including those of specific performance and injunction, to enforce its rights hereunder.

12.08 Captions, Gender. The headings of the Articles and Sections of this Agreement are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof. Where the context so requires, the use of the neuter gender shall include the masculine and feminine genders, and the masculine gender shall include the feminine and neuter genders and the singular shall include the plural and vice versa.

12.09 Benefits and Obligations. The representations, covenants and agreements herein contained shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns. Any person succeeding to the Membership Interest of a Member shall succeed to all of such Member's rights, interests and obligations hereunder, subject to and with the benefit of all terms and conditions of this Agreement, including the restrictive conditions contained herein.

12.10 Severability. If any provision of this Agreement or application to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstance, other than as to which it is so determined invalid or unenforceable, shall not be affected thereby, and each provision shall be valid and shall be enforced to the fullest extent permitted by law.

12.11 Applicable Law. This Agreement and the rights and obligations of the Members hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware; provided, however, issues concerning title to the Property shall be governed by the laws of the state where the Property is located. The parties further agree that venue shall be proper in the Superior Court or federal district court for Orange County, California, in the event

of any litigation between the parties with respect to this Agreement. In connection thereto, the parties hereby waive any claim of proper venue in any other jurisdiction and any objection to venue as described herein, and personally and unconditionally submit to the jurisdiction of the Superior Court or federal district court for Orange County, California.

12.12 No Third Party Beneficiary. Any agreement to pay any amount and any assumption of liability herein contained, express or implied, shall be only for the benefit of the Members and their respective successors and assigns, and such agreements and assumption shall not inure to the benefit of the obligees of any indebtedness or any other Person, it being the intention of the Members that there shall be no third party beneficiaries of the obligations of the Members in this Agreement.

12.13 Exhibits. Each of the Exhibits attached hereto is hereby incorporated herein and made a part hereof for all purposes, and references herein thereto shall be deemed to include this reference and incorporation.

12.14 Estoppels. Each Member shall, upon not less than fifteen (15) days written notice from the other Member, execute and deliver to such other Member a statement certifying that this Agreement is unmodified and in full force and effect (or, if modified, the nature of the modification) and whether or not there are, to such Member's knowledge, any uncured defaults on the part of the other Member, specifying such defaults if any are claimed. Any such statement may be relied upon by the requesting Member and any third parties.

12.15 References to this Agreement. Numbered or lettered articles, sections and subsections herein contained refer to articles, sections and subsections of this Agreement unless otherwise expressly stated. The words "herein," "hereof," "hereunder," "hereby," "this Agreement" and other similar references shall be construed to mean and include this Agreement and all amendments thereof and supplements hereto unless the context shall clearly indicate or require otherwise. The word "including" means "including, without limitation."

12.16 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which when taken together shall constitute one and the same document.

12.17 Time. Time is of the essence with respect to each provision herein setting forth a time for any performance.

12.18 Investment Representations. Each Member, by executing and delivering a copy of this Agreement, hereby represents and warrants to and covenants with each other Member and the Company as follows:

(a) **Acquisition for Own Account.** The Membership Interest is being acquired for its own account, for investment, and not with a view to or for sale in connection with any distribution thereof. In that connection, the Member recognizes and understands that the Membership Interest being purchased and sold hereunder has not been registered under the Securities Act nor qualified under any applicable securities laws, as amended, by reason of the fact that the contemplated transaction constitutes a private offering within the meaning of

Section 4(2) of the Securities Act and Regulation D, promulgated thereunder, and is exempt from qualification pursuant to applicable State securities laws.

(b) **Use of Counsel.** Each Member has been fully advised of the facts respecting the formation of the Company and has been given the opportunity to consult its legal counsel with respect to the Company. Each Member hereby agrees that the offer and sale of the Membership Interest to it does not involve any public offering of such Membership Interest.

12.19 Nondiscrimination. During the term of this Agreement, none of the Members nor any of their respective Affiliates, employees or agents shall unlawfully discriminate against any employee or applicant for employment because of race, religion, color, national origin, ancestry, physical handicap, medical condition, marital status, age (over 40) or sex. The Members and their respective Affiliates, employees and agents shall assure that the evaluation and treatment of their employees and applicants for employment are free of such discrimination. Managing Member and its Affiliates, employees and agents shall comply with the provisions of the California Fair Employment and Housing Act (Section 12900 et. seq. of the California Government Code) and the applicable regulations promulgated thereunder (California Administrative Code, Title 2, Section 7286.0 et. seq.). The applicable regulations of the Fair Employment and Housing Commission implementing Government Code Section 12990, set forth in Chapter 5 of Division 4 of Title 2 of the California Administrative Code are incorporated herein by this reference and are made a part hereof as if set forth herein in full. The Members and their respective Affiliates, employees and agents shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other agreement. The Managing Member and its Affiliates shall include the foregoing nondiscrimination compliance provisions in all contracts to perform work or provide services under this Agreement. During the term of this Agreement, the Members and their respective Affiliates, employees and agents shall conduct their respective activities in accordance with Title VI of the Civil Rights Act of 1964 and the rules and regulations promulgated therein.

12.20 Exculpation and Waiver. Cameo acknowledges that the System is a limited partner in a member of L/S Partners. Notwithstanding any other term or provision of this Agreement, System's liability hereunder is solely that of a limited partner in a member of L/S Partners and no personal or direct liability shall at any time be asserted or enforceable against System, its Board, any member thereof, or any employee or agent of System on account of or arising out of any obligations arising out of or related to this Agreement. Cameo agrees that it shall look solely to the Membership Interest of L/S Partners under this Agreement for the enforcement of any claims against L/S Partners arising hereunder or related hereto, and waives any claim against the members of L/S Partners and the partners of its members including the System, irrespective of the compliance or noncompliance now or in the future with any requirements relating to the limitation of liability of members or limited partners.

12.21 Confidentiality.

(a) Each Member hereby acknowledges and agrees that during the term of this Agreement and in the course of the discharge of such Member's duties hereunder, such Member and its officers, directors, shareholders, partners, members, managers, affiliates, employees and agents (collectively, "**Parties**") may have access to, either directly or indirectly, orally or in

writing, matters affecting or relating to the business, trade secrets and proprietary information of the other Member's Parties, including, without limitation, market attractiveness studies, output from the proprietary Market Attractiveness System of an affiliate of L/S Partners, market analysis, contracts, files, computer software programs and spreadsheets, marketing strategies, operational procedures, financial information, pricing and bid information, marketing tools, research and development strategies, pending projects, and proposals and other information that is owned by or regularly used in the operation of the business of any and all of the other Member's Parties (collectively, "Confidential Information").

(b) Each Member, on behalf of itself and its related Parties, agrees to maintain the terms and provisions of this Agreement in confidence and not to disclose the terms or provisions hereof except as may be required to perform its duties and obligations hereunder or as may be required under applicable law. In addition, each Member, on behalf of itself and its related Parties, hereby agrees that (i) none of such Member's Parties shall disclose any such Confidential Information of the other Member's Parties, directly or indirectly, to any other Person or use them in any way, either during the term of this Agreement or at any other time thereafter, except as is required in the course of such Member's duties with respect to the Company; (ii) all Confidential Information of the other Member's Parties shall remain exclusively the property of the other Member's Parties; (iii) all Confidential Information of the other Member's Parties is agreed to be valuable, special and unique assets of the other Member's Parties; (iv) upon the dissolution of the Company or upon a Member's transfer of its Membership Interest in the Company, such Member shall return to the other Member any and all such Confidential Information of the other Member's Parties, and such Member shall neither make nor allow to be made or retained by any Person any copies, duplicates, abstracts, summaries or other compilation or recordation of any such Confidential Information of the other Member's Parties; (v) such Member shall protect, defend (with counsel satisfactory to the other Member), indemnify and hold the other Member and its Parties free and harmless from and against any and all liability, loss, cost, damage or expense (including without limitation, attorneys' fees and expenses) arising out of or relating in any manner whatsoever to any breach or alleged breach of any of such Member's Parties under this Section 12.21; and (vi) the obligations of such Member under this Section 12.21 shall survive the dissolution of the Company and/or the transfer of such Member's Membership Interest in the Company.

12.22 Standard for Consent. Whenever the determination, consent or approval of either Member is permitted or required herein, except in instances where this Agreement provides that such determination, consent or approval may be made or withheld in the "discretion" of such Member, such determination, consent or approval shall not be unreasonably made, withheld or delayed. Whenever the determination, consent or approval of either Member is permitted or required herein and this Agreement provides that such determination, consent or approval may be made or withheld in such Member's "discretion," such determination, consent or approval may be made or withheld in the sole and absolute discretion of such Member.

12.23 Responsible Contractor Policy and Guidelines. Attached hereto as Exhibit "D" are the Responsible Contractor Policy and Guidelines adopted by the System. Managing Member agrees to comply and require all parties contracting with the Company to comply with the goals and requirements of such Policy and Guidelines.

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate as of the date first above written.

"Cameo":

213 BANNING LLC, a California limited liability company

By: Cameo Homes, a California corporation
Its: Manager

By: [Signature]
Its: _____

"L/S Partners"

LAING/SEQUOIA PARTNERS LLC, a Delaware limited liability company

By: WL Land LLC, a Delaware limited liability company, its Managing Member

By: _____

By: _____

2 of 3

IN WITNESS WHEREOF, the parties have executed this Agreement in duplicate as of the date first above written.

"Cameo":

213 BANNING LLC, a California limited liability company

By: _____

Its: _____

By: _____

Its: _____

"L/S Partners"

LAING/SEQUOIA PARTNERS LLC, a Delaware limited liability company

By: WL Land LLC, a Delaware limited liability company, its Managing Member

By:  _____

By: _____

EXHIBIT "A-1"

LEGAL DESCRIPTION OF 63 ACRE PROPERTY

(See attached)

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33384 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

LOT 9 OF ALMCOT TRACT, AS SHOWN BY MAP ON FILE IN BOOK 18 PAGE 3 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-190-006

EXHIBIT A-1

First American Title

EXHIBIT "A-2"

LEGAL DESCRIPTION OF 160 ACRE PROPERTY

(See attached)

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33383 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

PARCELS 1 THROUGH 8, INCLUSIVE AND LETTERED LOTS A THROUGH S, INCLUSIVE, OF PARCEL MAP 28972, RECORDED IN BOOK 204 PAGES 31 AND 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-200-031, 537-200-032, 537-200-033, 537-200-034, 537-200-035, 537-200-036, 537-200-037, 537-200-038

EXHIBIT A-2

First American Title

EXHIBIT "B"

INITIAL BUSINESS PLAN

(See attached)

South Banning Properties LLC

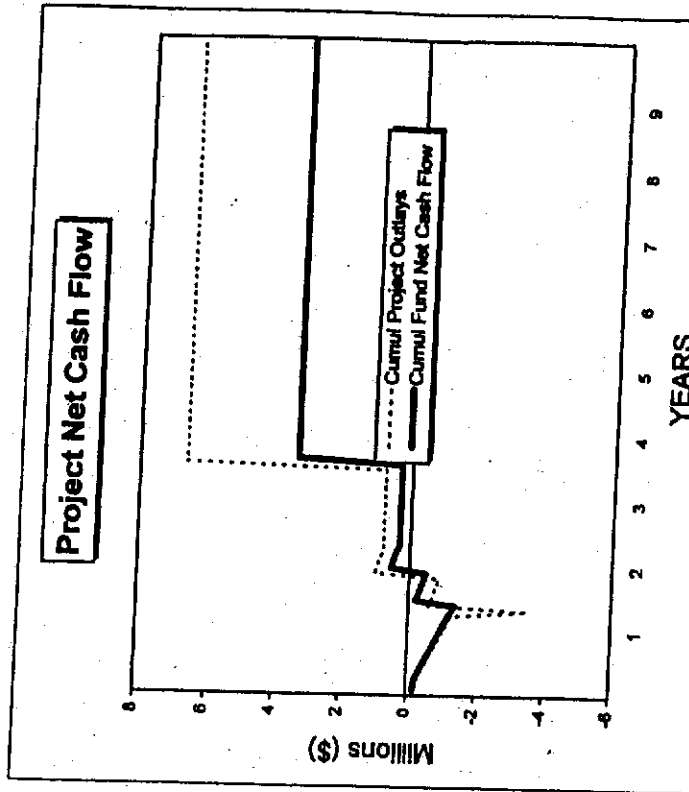
LAND PROJECT SUMMARY

BUILDER: South Banning Properties LLC
 LOCATION: Banning, CA
 FILENAME: EXH B to JV DOC 7-18-05.xls
 7/18/05 10:23 AM
 Pref Rate = 12.00%

DEAL ORIGINATOR:

CHIEF FIN OFFICER:

Budget Item	Lots Sold	Revenue or Cost	Avg Per Lot	% of Sales
Year 1	0	0	0	0.0%
Year 2	390	5,159,122	13,229	46.4%
Year 3	0	0	0	0.0%
Year 4	160	5,950,512	37,191	53.6%
Year 5	0	0	0	0.0%
Year 6	0	0	0	0.0%
Year 7	0	0	0	0.0%
Year 8	0	0	0	0.0%
Year 9	0	0	0	0.0%
Year 10+	0	0	0	0.0%
Residual Sales	550	11,109,634	20,199	100.0%
Other Land Revenue		0	0	0.0%
CFD Reimbursements		0	0	0.0%
Price Appreciation		0	0	0.0%
Other Revenue		0	0	0.0%
Total Revenues		11,109,634	20,199	100.0%
Land Acquisition		2,118,500	3,852	19.1%
Planning & Fees		1,488,763	2,709	13.4%
Backbone & Offsites		0	0	0.0%
In Tract Improvements		0	0	0.0%
Indirects & Mktg Costs		0	0	0.0%
Contingency		0	0	0.0%
Cameo Overhead		195,000	355	1.8%
Laing Sequoia Overhead		96,000	175	0.9%
Other Finance		240,000	436	2.2%
Costs at Sale		12,500	23	0.1%
Preferred Return		276,096	502	2.5%
		246,332	448	2.2%
Total Costs		4,674,192	8,499	42.1%
Projected Profit		6,435,442	11,701	57.9%



	Total Contributions	Percent of Contributions	IRR
Cameo	2,118,500	51.0%	259.8%
Laing Sequoia Partners	2,033,263	49.0%	91.4%
Other	0	0.0%	na
Third-Party Loans	0	0.0%	na
Total Project	4,151,763	100.0%	121.2%

	Preferred Return	Profit Partic	Net Distribs
Cameo	46,188	3,217,721	3,263,909
Laing Sequoia Partners	200,144	3,217,721	3,417,865
Other	0	0	0
Net Distributions	246,332	6,435,442	6,681,775

EXHIBIT "B"

South Banning Properties LLC

PROFORMA RECONCILIATION

FILE NAME :
FILE DATE :

EXH B to JV DOC 7-18-05.xls
07/18/05

South Banning Properties LLC
07/18/05

	IHP PROFORMA	Per Lot	% of Sales	DEVELOPER PROFORMA	Per Lot	% of Sales	VARIANCE AMOUNT	Per Lot
Residual Sales	11,109,834	20,199	100.0%	11,109,834	20,199	100.0%	0	0
Other Land Revenue	0	0	0.0%	0	0	0.0%	0	0
CFD Reimbursements	0	0	0.0%	0	0	0.0%	0	0
Price Appreciation	0	0	0.0%	0	0	0.0%	0	0
Other Revenue	0	0	0.0%	0	0	0.0%	0	0
TOTAL REVENUES	11,109,834	20,199	100.0%	11,109,834	20,199	100.0%	0	0
Land Acquisition	2,118,500	3,852	19.1%	2,118,500	3,852	19.1%	0	0
Deposits	0	0	0.0%	0	0	0.0%	0	0
Williamson Act	0	0	0.0%	0	0	0.0%	0	0
Option Costs	0	0	0.0%	0	0	0.0%	0	0
Other Closing Costs	0	0	0.0%	0	0	0.0%	0	0
Land Acquisition	2,118,500	3,852	19.1%	2,118,500	3,852	19.1%	0	0
Due Diligence	190,210	348	1.7%	190,210	348	1.7%	0	0
Entitlements - 63 AC	408,580	745	3.7%	408,580	745	3.7%	0	0
Other Indirects - 63 AC	0	0	0.0%	0	0	0.0%	0	0
Entitlements - 180 AC	664,983	1,209	8.0%	664,983	1,209	8.0%	0	0
Other Indirects - 180 AC	0	0	0.0%	0	0	0.0%	0	0
Consultant Project Mgmt- 63AC	80,000	109	0.5%	80,000	109	0.5%	0	0
Consultant Proj Mgmt -180 AC	90,000	184	0.8%	90,000	184	0.8%	0	0
Backbone Engineering	0	0	0.0%	0	0	0.0%	0	0
Consultant Incentives - 63	30,000	55	0.3%	30,000	55	0.3%	0	0
Consultant Incentives - 180	45,000	82	0.4%	45,000	82	0.4%	0	0
Misc	0	0	0.0%	0	0	0.0%	0	0
Planning & Fees	1,489,763	2,709	13.4%	1,489,763	2,709	13.4%	0	0
Bring Ups	0	0	0.0%	0	0	0.0%	0	0
Mass Grading	0	0	0.0%	0	0	0.0%	0	0
Backbone Roads	0	0	0.0%	0	0	0.0%	0	0
Backbone Utilities	0	0	0.0%	0	0	0.0%	0	0
Less Reimbursements	0	0	0.0%	0	0	0.0%	0	0
Common Area Costs	0	0	0.0%	0	0	0.0%	0	0
Intract Improvements	0	0	0.0%	0	0	0.0%	0	0
Contingency	195,000	355	1.8%	195,000	355	1.8%	0	0
Land Development	195,000	355	1.8%	195,000	355	1.8%	0	0
Direct Site Overhead	0	0	0.0%	0	0	0.0%	0	0
Bond Premiums	0	0	0.0%	0	0	0.0%	0	0
Insurance	0	0	0.0%	0	0	0.0%	0	0
Legal, JV	0	0	0.0%	0	0	0.0%	0	0
HOA formation	0	0	0.0%	0	0	0.0%	0	0
Property Taxes	0	0	0.0%	0	0	0.0%	0	0
CFD Assessments	0	0	0.0%	0	0	0.0%	0	0
Marketing & Advertising	0	0	0.0%	0	0	0.0%	0	0
Misc Indirects	0	0	0.0%	0	0	0.0%	0	0
Indirects & Mktg Costs	0	0	0.0%	0	0	0.0%	0	0
Builder Overhead	96,000	175	0.9%	96,000	175	0.9%	0	0
L/S Overhead Fee	240,000	436	2.2%	240,000	436	2.2%	0	0
Due Diligence	0	0	0.0%	0	0	0.0%	0	0
Inspections	0	0	0.0%	0	0	0.0%	0	0
Annual Audits	12,500	23	0.1%	7,500	14	0.1%	5,000	9
Seller / Bank Interest Exp	0	0	0.0%	0	0	0.0%	0	0
Misc Finance Cost	0	0	0.0%	0	0	0.0%	0	0
Other Finance Costs	252,500	459	2.3%	247,500	459	2.2%	5,000	9
Sales Commission	111,098	202	1.0%	111,098	202	1.0%	0	0
Closing Costs	185,000	300	1.5%	185,000	300	1.5%	0	0
Other Costs At Sale	0	0	0.0%	0	0	0.0%	0	0
Land Sale Costs	0	0	0.0%	0	0	0.0%	0	0
Marketing Fees Received	0	0	0.0%	0	0	0.0%	0	0
Seller Participation	0	0	0.0%	0	0	0.0%	0	0
Reserves / Holdbacks	0	0	0.0%	0	0	0.0%	0	0
Costs at Sale	276,098	502	2.5%	276,098	502	2.5%	0	0
Preferred Return	246,332	448	2.2%	246,332	448	2.2%	0	0
TOTAL COSTS	4,874,192	8,499	42.1%	4,869,192	8,489	42.0%	5,000	9
PROFORMA PROFITS	6,435,442	11,701	57.9%	6,440,442	11,710	58.0%	(5,000)	(9)

Project Cash Flow - Page 1

[illegible]

WU Danning Properties LLC
WU Danning Properties LLC

[illegible]

Project Cash Flow - Page 3

PROJECT TOTAL	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08
	23	24	25	28	27	28	29	30	31	32	33
Inventory	-	250	-	-	-	-	-	-	-	-	-
Installings (\$)	11,109,634	-	-	-	-	-	-	-	-	-	-
Appreciation	-	2,109,250	-	-	-	-	-	-	-	-	-
Revenue	-	-	-	-	-	-	-	-	-	-	-
Costs At Sale	-	(125,498)	-	-	-	-	-	-	-	-	-
AL RECEIPTS	10,833,538	1,983,752	-	-	-	-	-	-	-	-	-
Acquisition	2,118,500	-	-	-	-	-	-	-	-	-	-
ing & Fees	1,489,763	-	-	-	-	-	-	-	-	-	-
ions & Offsets	-	-	-	-	-	-	-	-	-	-	-
t Improvements	-	-	-	-	-	-	-	-	-	-	-
ds & Mktg Costs	-	-	-	-	-	-	-	-	-	-	-
gency	-	-	-	-	-	-	-	-	-	-	-
r Overhead	195,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
ee	98,000	4,000	-	-	-	-	-	-	-	-	-
Finance Costs	240,000	10,000	-	-	-	-	-	-	-	-	-
ng Capital	12,500	-	-	-	-	-	-	-	-	-	-
AL OUTLAYS	4,151,783	59,200	45,200	45,200	45,200	90,200	90,200	90,200	90,200	90,200	90,200
EVERED CASH FLOW	6,881,775	1,924,552	(45,200)	(45,200)	(45,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)
T BALANCE	3,501,566	(1,044,980)	(989,681)	(854,481)	(909,281)	(819,082)	(818,082)	(819,082)	(818,582)	(818,582)	(818,582)
PEAK-->	-	-	-	-	-	-	-	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-	-
Financing	-	-	-	-	-	-	-	-	-	-	-
ID-PARTY FINANCE	-	-	-	-	-	-	-	-	-	-	-
ECT NET CASH FLOW	6,881,775	1,924,552	(45,200)	(45,200)	(45,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)
Y PROFIT DISTRIBUTION	-	-	-	-	-	-	-	-	-	-	-
Contributions	2,033,283	59,200	45,200	45,200	45,200	90,200	90,200	90,200	90,200	90,200	90,200
Capital Returned	2,033,283	59,200	45,200	45,200	45,200	90,200	90,200	90,200	90,200	90,200	90,200
Capital Balance	-	682,228	-	-	-	-	-	-	-	-	-
Prof Return Earned	200,144	8,456	45,200	90,398	135,598	225,798	225,798	225,798	225,798	225,798	225,798
Prof Return Paid	200,144	5,806	-	452	908	1,370	2,285	2,308	2,331	2,355	2,403
Prof Return Balance	-	28,086	-	-	-	-	-	-	-	-	-
Profit Partic	3,217,721	22,810	-	452	1,381	2,730	5,015	7,324	9,655	12,009	14,412
- NET CASH FLOW	3,417,865	420,517	-	452	1,381	2,730	5,015	7,324	9,655	12,009	14,412
per Contributions	2,118,500	1,072,613	(45,200)	(45,200)	(45,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)	(90,200)
per Capital Returned	2,118,500	-	-	-	-	-	-	-	-	-	-
per Capital Balance	-	406,419	-	-	-	-	-	-	-	-	-
per Prof Return Earned	46,188	4,272	-	-	-	-	-	-	-	-	-
per Prof Return Paid	46,188	25,003	-	-	-	-	-	-	-	-	-
per Prof Return Balance	-	20,731	-	-	-	-	-	-	-	-	-
per Profit Partic	3,217,721	420,517	-	-	-	-	-	-	-	-	-
per - NET CASH FLOW	3,283,909	851,839	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	-	-
Capital Returned	-	-	-	-	-	-	-	-	-	-	-
Capital Balance	-	-	-	-	-	-	-	-	-	-	-
Prof Return Earned	-	-	-	-	-	-	-	-	-	-	-
Prof Return Paid	-	-	-	-	-	-	-	-	-	-	-
Prof Return Balance	-	-	-	-	-	-	-	-	-	-	-
Profit Partic	-	-	-	-	-	-	-	-	-	-	-
NET CASH FLOW	-	-	-	-	-	-	-	-	-	-	-

[illegible]

		PROJECT TOTAL	Feb-09 45
INVENTORY			
Belongs (\$)		11,109,834	
Appreciation			
Revenue			
Costs At Sale		(278,098)	
AL RECEIPTS		10,833,538	
Acquisition			
ing & Fees		2,118,500	
one & Officers		1,488,763	
Improvements			
sa & Mktg Costs			
gency			
r Overhead		195,000	
se		98,000	
Finance Costs		240,000	
g Capital		12,500	
AL OUTLAYS		4,151,763	
EVERED CASH FLOW		6,681,775	
PEAK>>		3,501,588	(6,681,775)
Financing			
Financing			
D-PARTY FINANCE			
ECT NET CASH FLOW		6,681,775	
PROFIT DISTRIBUTION			
Contributions			
Capital Returned		2,033,283	
Capital Balance		2,033,283	
net Return Earned			
net Return Paid		200,144	
net Return Balance		200,144	
Profit Partic			
NET CASH FLOW		3,217,721	
NET CASH FLOW		3,417,865	
Contributions			
Capital Returned		2,118,500	
Capital Balance		2,118,500	
net Return Earned			
net Return Paid		46,188	
net Return Balance		46,188	
Profit Partic			
EC - NET CASH FLOW		3,217,721	
NET CASH FLOW		3,283,809	
Contributions			
Capital Returned			
Capital Balance			
net Return Earned			
net Return Paid			
net Return Balance			
Profit Partic			
NET CASH FLOW			

Project Inflow Detail - Page 1

PROJECT TOTAL

[illegible]

		Project Inflow Detail - Page 3									
	PROJECT TOTAL	Feb-07 21	Mar-07 22	Apr-07 23	May-07 24	Jun-07 25	Jul-07 26	Aug-07 27	Sep-07 28	Oct-07 29	Nov-07 30
RESIDENTIAL LOTS CLOSED											
00s	-										
000s	160										
D0s	-										
formies	140										
ndos	250										
xluct G	-				250						
xluct H	-										
xluct I	-										
xluct J	-										
xluct K	-										
xluct L	-										
TOTAL RESIDENTIAL LOTS CLOSED	560	0	0	0	250	0	0	0	0	0	0
		140	140	140	390	390	390	390	390	390	390
RESIDENTIAL LOTS REVENUE											
00s	-										
Os	5,960,512	0	0	0	0	0	0	0	0	0	0
omes	3,049,872	0	0	0	0	0	0	0	0	0	0
dbs	2,109,250	0	0	0	0	0	0	0	0	0	0
luct G	-	0	0	0	2,109,250	0	0	0	0	0	0
luct H	-	0	0	0	0	0	0	0	0	0	0
luct I	-	0	0	0	0	0	0	0	0	0	0
luct J	-	0	0	0	0	0	0	0	0	0	0
luct K	-	0	0	0	0	0	0	0	0	0	0
luct L	-	0	0	0	0	0	0	0	0	0	0
TOTAL RESIDENTIAL LOTS REVENUE	11,109,634	0	0	0	2,109,250	0	0	0	0	0	0
Land Revenue		0	0	0	2,109,250	0	0	0	0	0	0
Reimbursements	-	0	0	0	0	0	0	0	0	0	0
Revenue	-	0	0	0	0	0	0	0	0	0	0
TOTAL	11,109,634	0	0	0	2,109,250	0	0	0	0	0	0
Revenue		0	0	0	2,109,250	0	0	0	0	0	0
Reserves / Holdbacks	-	0	0	0	0	0	0	0	0	0	0
Sales Commission	-	0	0	0	0	0	0	0	0	0	0
Closing Costs	111,086	0	0	0	0	0	0	0	0	0	0
Marketing Fees Received	165,000	0	0	0	50,498	0	0	0	0	0	0
Seller Participation	-	0	0	0	75,000	0	0	0	0	0	0
Other Costs At Sale	-	0	0	0	0	0	0	0	0	0	0
Land Sale Costs	-	0	0	0	0	0	0	0	0	0	0
TOTALS	10,833,538	0	0	0	1,983,752	0	0	0	0	0	0

[illegible]

South Banning Properties LLC

11th Benning Properties LLC
Benning, CA

10th Benjamin Franklin, CA

PROJECT

TOTAL

	PROJECT TOTAL	Oct-08 41	Nov-08 42	Dec-08 43	Jan-09 44	Feb-09 45
IDENTIAL LOTS						
10s	-	-	-	-	-	-
100s	160	-	-	-	-	-
10e	-	-	-	-	-	-
10s	-	-	-	-	160	-
10mes	140	-	-	-	-	-
10os	250	-	-	-	-	-
duct G	-	-	-	-	-	-
duct H	-	-	-	-	-	-
duct I	-	-	-	-	-	-
duct J	-	-	-	-	-	-
duct K	-	-	-	-	-	-
duct L	-	-	-	-	-	-
AL RESIDENTIAL LOTS CLOSED	560	390	0	0	160	0
IDENTIAL LOTS REVENUE						
Ds						
D0s	5,950,512	0	0	0	0	0
Js	3,049,872	0	0	0	5,950,512	0
Js	2,109,250	0	0	0	0	0
Jms	-	0	0	0	0	0
dos	-	0	0	0	0	0
luct G	-	0	0	0	0	0
luct H	-	0	0	0	0	0
luct I	-	0	0	0	0	0
luct J	-	0	0	0	0	0
luct K	-	0	0	0	0	0
luct L	-	0	0	0	0	0
UL RESIDENTIAL LOTS REVENUE	11,109,834	0	0	0	5,950,512	0
Land Revenue						
Reimbursements	-	0	0	0	5,950,512	0
Revenue	-	0	0	0	0	0
Revenue						
Reserves / Holdbacks	11,109,834	0	0	0	0	0
Sales Commission	-	0	0	0	0	0
Closing Costs	111,098	0	0	0	0	0
Marketing Fees Received	185,000	0	0	0	32,319	0
Seller Participation	-	0	0	0	48,000	0
Other Costs At Sale	-	0	0	0	0	0
Land Sales Costs	-	0	0	0	0	0
Totals	10,833,538	0	0	0	5,870,193	0

PROJECT OUTFLOWS

Project Outflows Detail - Page 2											
PROJECT	May-06	Jun-06	Jul-06	Aug-06	Sep-06	Oct-06	Nov-06	Dec-06	Jan-07	Feb-07	Mar-07
4-06	12	13	14	15	16	17	18	19	20	21	22
Acquisition											
a. Acquisition											
a. Acquisition											
b. Acquisition											
c. Acquisition											
d. Acquisition											
e. Acquisition											
f. Acquisition											
g. Acquisition											
h. Acquisition											
i. Acquisition											
j. Acquisition											
k. Acquisition											
l. Acquisition											
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p. Acquisition											
q. Acquisition											
r. Acquisition											
s. Acquisition											
t. Acquisition											
u. Acquisition											
v. Acquisition											
w. Acquisition											
x. Acquisition											
y. Acquisition											
z. Acquisition											
b. Acquisition											
c. Acquisition											
d. Acquisition											
e. Acquisition											
f. Acquisition											
g. Acquisition											
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i. Acquisition											
j. Acquisition											
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Project Outflows Detail - Page 3

[illegible]

EXHIBIT "C"

TAX PROVISIONS

The Members intend for the Company to be taxed as a partnership in accordance with applicable provisions of the Code.

1. **Definitions.** For purposes of the Agreement and this Exhibit, capitalized terms used herein not otherwise defined in the Agreement have the following meanings:

(a) **"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and all published rules, rulings and regulations thereunder at the time of reference thereto.

(b) **"Company Minimum Gain"** means "partnership minimum gain" as defined in Treasury Regulation Sections 1.704-2(b)(2) and 1.704-2(d).

(c) **"Gross Asset Value"** means, with respect to any asset of the Company, such asset's adjusted basis for federal income tax purposes; provided, however, that (i) the Gross Asset Value of any asset contributed or deemed contributed by a Member to the Company or distributed to a Member by the Company shall be the gross fair market value of such asset (without taking into account Section 7701(g) of the Code), as reasonably determined by the Members; (ii) the Gross Asset Values of all Company assets shall be adjusted to equal their respective gross fair market values (without taking into account Section 7701(g) of the Code), as reasonably determined by the Members, upon the termination of the Company for federal income tax purposes pursuant to Section 708(b)(1)(B) of the Code; and (iii) the Gross Asset Values of all Company assets may be adjusted to equal their respective gross fair market values (taking into account Section 7701(g) of the Code), as reasonably determined by the Members as of (A) the date of the acquisition of an additional Membership Interest in the Company by any new or existing Member in exchange for more than a de minimis contribution to the capital of the Company or (B) upon the liquidation of the Company or the distribution by the Company to a retiring or continuing Member of more than a de minimis amount of money or other Company property in reduction of such Member's Membership Interest in the Company. Any adjustments made to the Gross Asset Value of Company assets pursuant to this paragraph shall be reflected in the Members' Capital Account balances in the manner set forth in Treasury Regulation Section 1.704-1(b).

(d) **"Member Minimum Gain"** means the Company's "partner nonrecourse debt minimum gain" as defined in Treasury Regulation Section 1.704-2(i)(2).

(e) **"Member Nonrecourse Debt"** means "partner nonrecourse debt" as defined in Treasury Regulation Section 1.704-2(b)(4).

(f) **"Member Nonrecourse Deductions"** means "partner nonrecourse deductions" as defined in Treasury Regulation Section 1.704-2(i)(2).

(g) **"Net Losses"** means for each Fiscal Year or other period, an amount equal to the Company's taxable loss and book loss, as the case may be, for such year or period, determined in accordance with Section 703(a) of the Code. For this purpose, all items of income, gain, loss and deduction required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income or loss computed as provided herein.

(h) **"Net Profits"** means for each Fiscal Year or other period, an amount equal to the Company's taxable income and book income, as the case may be, for such year or period, determined in accordance with Section 703(a) of the Code. For this purpose, all items of income and gain required to be stated separately pursuant to Section 703(a)(1) of the Code shall be included in taxable income computed as provided herein.

(i) **"Nonrecourse Deductions"** has the meaning set forth in Treasury Regulation Section 1.704-2(b)(1).

(j) **"Regulatory Allocations"** has the meaning set forth in Section 4(e) below.

(k) **"Treasury Regulation"** means, with respect to any referenced provision, such provision of the regulations of the United States Department of the Treasury or any successor provision.

2. **Maintenance of Capital Accounts.** Each Member's Capital Account shall be increased by: (a) the amount of money contributed or deemed contributed by such Member to the capital of the Company, (b) the Gross Asset Value of any property contributed by such Member to the capital of the Company (net of liabilities secured by such contributed property that the Company is considered to assume or take subject to under Section 752 of the Code), (c) the amount of any Net Profits allocated to such Member and (d) any and all items of gross income or gain specially allocated to such Member pursuant to Section 4 below. Each Member's Capital Account shall be decreased by (w) the amount of money distributed to such Member by the Company (exclusive of any guaranteed payment within the meaning of Section 707(c) of the Code paid to such Member), (x) the Gross Asset Value of any property distributed to such Member by the Company (net of liabilities secured by such distributed property that such Member is considered to assume or take subject to under Section 752 of the Code), (y) the amount of any Net Losses charged to such Member, and (z) any items of loss or deduction specially allocated to such Member pursuant to Section 4 below. If a distribution to a Member gives rise to the adjustment to the adjusted tax basis of Company property under Section 734 of the Code, the Capital Account of such Member if the distribution is in liquidation of such Member's Membership Interest, or the Capital Accounts of the Members if the distribution is not in liquidation of such Member's Membership Interest, shall be adjusted by the amount of such adjustment to the adjusted tax basis of Company property in accordance with the provisions of Treasury Regulation Section 1.704-1(b)(2)(iv)(m). If the Gross Asset Values of Company assets are adjusted pursuant to the terms of this Agreement, the Capital Accounts of the Members shall be adjusted simultaneously to reflect the aggregate net adjustment as if the Company recognized gain or loss equal to the amount of such aggregate net adjustment and such gain or loss was allocated to the Members pursuant to the appropriate provisions of this Agreement. The foregoing Capital Account definition and the other provisions of this Agreement relating to the

maintenance of Capital Accounts are intended to comply with Treasury Regulation Section 1.704-1(b), and shall be interpreted and applied in a manner consistent with such Regulations.

3. **Determination of Net Profits and Net Losses.** For purposes of determining Net Profits and Net Losses under the Agreement, the following rules shall apply:

(a) Any deductions for depreciation, cost recovery or amortization attributable to any assets of the Company shall be determined by reference to their Gross Asset Value, except that if the Gross Asset Value of an asset differs from its adjusted tax basis for federal income tax purposes at any time during such year or other period, the deductions for depreciation, cost recovery, or amortization attributable to such asset from and after the date during such year or period in which such difference first occurs shall bear the same ratio to the Gross Asset Value as of such date as the federal income depreciation, amortization or other cost recovery deduction for such year or other period from and after such date bears to the adjusted tax basis as of such date;

(b) Any gain or loss attributable to the taxable disposition of any property shall be determined by the Company as if the adjusted tax basis of such property as of such date of disposition was such Gross Asset Value reduced by all amortization, depreciation and cost recovery deductions which are attributable to said property;

(c) The computation of all items of income, gain, loss and deduction shall be made without regard to any basis adjustment, under Section 743 of the Code, which may be made by the Company;

(d) Any receipts of the Company that are exempt from federal income tax and are not otherwise included in taxable income or loss shall be added to such taxable income or loss;

(e) Any expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as expenditures described in Section 705(a)(2)(B) of the Code pursuant to Treasury Regulations Section 1.704-1(b) shall be subtracted from such taxable income or loss; and

(f) Any and all items of gross income or gain, Nonrecourse Deductions and/or Member Nonrecourse Deductions specially allocated to a Member pursuant to Section 4 below shall not be taken into account in computing such Net Profits or Net Losses.

4. **Special Allocations and Compliance with Section 704(b).** The following special allocations shall, except as otherwise provided, be made in the following order:

(a) Notwithstanding any other provision of this Section 4, if there is a net decrease in Company Minimum Gain or in any Member Minimum Gain during any Fiscal Year or other period, prior to any other allocation pursuant hereto, such Member shall be specially allocated items of Company income and gain for such year (and, if necessary, subsequent years) in an amount and manner required by Treasury Regulation Sections 1.704-2(f) or 1.704-2(i)(4). The items to be so allocated shall be determined in accordance with Treasury Regulation Section 1.704-2.

(b) Any Member who unexpectedly receives an adjustment, allocation or distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6) which causes or increases a negative balance in his or its Capital Account shall be allocated items of income and gain sufficient to eliminate such increase or negative balance caused thereby, as quickly as possible, to the extent required by such Treasury Regulation.

(c) Nonrecourse Deductions for any Fiscal Year or other period shall be allocated (as nearly as possible) under Treasury Regulation Section 1.704-2 to the Members, pro rata in proportion to their respective Percentage Interests.

(d) Any Member Nonrecourse Deductions for any Fiscal Year or other period shall be allocated to the Member that made, or guaranteed or is otherwise liable with respect to the loan to which such Member Nonrecourse Deductions are attributable in accordance with principles under Treasury Regulation Section 1.704-2(i).

(e) The allocations contained in Sections 4(a), 4(b), 4(c) and 4(d) (the "**Regulatory Allocations**") are intended to comply with certain requirements of Treasury Regulation Section 1.704. The Regulatory Allocations shall be taken into account in allocating Net Profit and Net Loss and other items of income, gain, loss and deduction among the Members so that to the extent possible, the allocations contained in this Agreement other than the Regulatory Allocations and the Regulatory Allocations made to each Member shall equal the net amount that would have been allocated to each Member had the Regulatory Allocations not occurred.

5. Allocations of Net Losses and Net Profits.

5.01 Prior to the making of a Project Termination Election by L/S Partners, Net Profits and Net Losses for any Fiscal Year shall be allocated among the Members in the following order and priority:

a. Net Profits. If there shall be Net Profits for such Fiscal year, then such Net Profits shall be allocated among the Members as follows:

(i) First, to the Members until there shall have been allocated to the Members Net Profits equal to the excess, if any of (X) the cumulative amount of Net Losses allocated to the Members pursuant to Section 5.01(b)(vi) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Profits allocated to such Member pursuant to this Section 5.01(a)(i) through and including such Fiscal Year;

(ii) next, to the Members (in proportion to the amounts of Net Profits to be allocated in accordance with this Section 5.01(a)(ii)) until the cumulative amount of items of Net Profits allocated to each Member for the current and all prior Fiscal Years is equal to the sum of: (A) the cumulative amount of the Preferred Return on Additional Capital accrued in favor of such Member pursuant to Section 3.02(a) of the Agreement, if any, for, or in respect of, the current and all prior fiscal years; and (B) the cumulative amount of Net Losses theretofore allocated to such Member pursuant to Section 5.01(b)(v) hereof through and including such Fiscal Year;

(iii) next, to the Members (in proportion to the amounts of Net Profits to be allocated in accordance with this Section 5.01(a)(iii)) until the cumulative amount of items of Net Profits allocated to each Member for the current and all prior Fiscal Years is equal to the sum of: (A) the cumulative amount of the Preferred Return on capital contributions (other than Additional Capital) accrued in favor of such Member pursuant to Section 3.02(b) of the Agreement, if any, for, or in respect of, the current and all prior fiscal years; and (B) the cumulative amount of Net Losses theretofore allocated to such Member pursuant to Section 5.01(b)(iv) hereof through and including such Fiscal Year;

(iv) next, to the Members until there shall have been allocated to the Members Net Profits equal to the excess, if any of (X) the cumulative amount of Net Losses allocated to the Members pursuant to Section 5.01(b)(iii) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Profits allocated to such Member pursuant to this Section 5.01(a)(iv) through and including such Fiscal Year;

(v) next, to the Members until there shall have been allocated to the Members Net Profits equal to the excess, if any of (X) the cumulative amount of Net Losses allocated to the Members pursuant to Section 5.01(b)(ii) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Profits allocated to such Member pursuant to this Section 5.01(a)(v) through and including such Fiscal Year; and

(vi) to the Members in accordance with their then relative respective Percentage Interests.

b. Net Losses. If there shall be Net Losses for such Fiscal year, then such Net Losses shall be allocated among the Members as follows:

(i) First, to the Members until there shall have been allocated to the Members Net Losses equal to the excess, if any of (X) the cumulative amount of Net Profits allocated to the Members pursuant to Section 5.01(a)(vi) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Losses allocated to such Member pursuant to this Section 5.01(b)(i) through and including such Fiscal Year;

(ii) next, to the Members (in proportion to the total amount of Net Losses to be allocated in accordance with this Section 5.01(b)(ii)) until there shall have been allocated to each Member Net Losses equal to the sum of: (A) the excess, if any, of (X) the cumulative amount of capital contributions (other than Additional Capital Contributions) theretofore made by such Member to the Company pursuant to the Agreement over (Y) the cumulative amount of the distributions, if any, theretofore made to such Member pursuant to Section 3.02(d) of the Agreement; and (B) the cumulative amount of the Net Profits theretofore allocated to such Member pursuant to Section 5.01(a)(v) hereof;

(iii) next, to the Members (in proportion to the total amount of Net Losses to be allocated in accordance with this Section 5.01(b)(iii)) until there shall have been allocated to each Member Net Losses equal to the sum of: (A) the excess, if any, of (X) the cumulative amount of contributions of Additional Capital theretofore made by such Member to the Company pursuant to the Agreement over (Y) the cumulative amount of the distributions, if any,

theretofore made to such Member pursuant to Section 3.02(c) of the Agreement; and (B) the cumulative amount of the Net Profits theretofore allocated to such Member pursuant to Section 5.01(a)(iv) hereof;

(iv) next, to the Members until there shall have been allocated to the Members Net Losses equal to the excess, if any of (X) the cumulative amount of Net Profits allocated to the Members pursuant to Section 5.01(a)(iii) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Losses allocated to such Member pursuant to this Section 5.01(b)(iv) through and including such Fiscal Year;

(v) next, to the Members until there shall have been allocated to the Members Net Losses equal to the excess, if any, of (X) the cumulative amount of Net Profits allocated to the Members pursuant to Section 5.01(a)(ii) hereof through and including such Fiscal Year; over (Y) the cumulative amount of Net Losses allocated to such Member pursuant to this Section 5.01(b)(v) through and including such Fiscal Year; and

(vi) to the Members in accordance with their then relative respective Percentage Interests.

5.02 In the event that L/S Partners makes a Project Termination Election, then, effective as of such date, Net Profits and Net Losses for any Fiscal Year shall be allocated among the Members in the following order and priority:

a. Net Profits. If there shall be Net Profits for such Fiscal year, then such Net Profits shall be allocated among the Members as follows:

(i) First, to Cameo to cause, to the extent possible, its "Modified Book Capital Account" (as hereinafter defined) to be equal to any and all amounts remaining to be distributed to Cameo under new 3.02(a) and 3.02(b). For these purposes, Cameo's "**Modified Book Capital Account**" shall be equal to its regular Capital Account increased by its share of Company Minimum Gain and Member Minimum Gain;

(ii) next, to L/S Partners to cause, to the extent possible, its "Modified Book Capital Account" (as hereinafter defined) to be equal to any and all amounts remaining to be distributed to L/S Partners under new 3.02(c) and 3.02(d). For these purposes, L/S Partners' "**Modified Book Capital Account**" shall be equal to its regular Capital Account increased by its share of Company Minimum Gain and Member Minimum Gain; and

(ii) the remaining, 100% to Cameo.

b. Net Losses. If there shall be Net Losses for such Fiscal year, then such Net Losses shall be allocated among the Members as follows:

(i) First, to L/S Partners to cause, to the extent possible, its "Modified Book Capital Account" (as hereinafter defined) to be equal to zero. For these purposes, L/S Partners' "**Modified Book Capital Account**" shall be equal to its regular Capital Account increased by its share of Company Minimum Gain and Member Minimum Gain;

(ii) next, to Cameo to cause, to the extent possible, its "Modified Book Capital Account" (as hereinafter defined) to be equal to zero. For these purposes, Cameo's "Modified Book Capital Account" shall be equal to its regular Capital Account increased by its share of Company Minimum Gain and Member Minimum Gain; and

(iii) the remaining, 100% to Cameo.

6. **Tax Matters.** L/S Partners is hereby designated as the "**tax matters partner**" as defined in the Code. L/S Partners agrees to meet with Cameo and its accountants, from time to time as requested by Cameo, to discuss tax planning for the Company. The tax matters partner hereby agrees that it shall not enter into any proposed settlement or other agreement with respect to any "**partnership items**" (as defined in Section 6231(a)(3) of the Code), commence any litigation relative thereto, take any administrative or judicial appeal, or make any tax elections on behalf of the Company or any Member without the prior written approval of Cameo. The Company and its Members shall make all applicable elections, determinations and other decisions under the Code, including the deductibility of a particular item of expense and the positions to be taken on the Company's tax return, and shall approve the settlement or compromise of all audit matters raised by the Internal Revenue Service affecting the Members generally. The Members shall each take reporting positions on their respective federal, state and local income tax returns consistent with the positions determined for the Company.

7. **Section 704(c).** In accordance with Section 704(c) of the Code and the applicable Treasury Regulations thereunder, income, gain, loss, deduction and tax depreciation with respect to any property contributed to the capital of the Company, or with respect to any property which has a Gross Asset Value different than its adjusted tax basis, shall, solely for federal income tax purposes, be allocated among the Members so as to take into account any variation between the adjusted tax basis of such property to the Company and the Gross Asset Value of such property.

8. **Election.** Upon a transfer of the Membership Interest of any Member or the distribution of any property of the Company to a Member, the Company may, with the approval of the Members, file an election in accordance with applicable Treasury Regulations to cause the basis of the Company property to be adjusted for federal income tax purposes as provided by Sections 734 and 743 of the Code. Subject to the provisions of Treasury Regulation Section 1.704-1(b), adjustments to the adjusted tax basis of Company property under Sections 743 and 732(d) of the Code shall not be reflected in the Capital Account of the transferee Member or on the books of the Company, and subsequent Capital Account adjustments for distributions, depreciation, amortization, and gain or loss with respect to such property shall disregard the effect of such basis adjustment.

EXHIBIT "D"

RESPONSIBLE CONTRACTOR POLICY AND GUIDELINES

(See attached)

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF INVESTMENT POLICY**

**FOR
RESPONSIBLE CONTRACTOR PROGRAM**

April 19, 2004

This Policy is effective immediately upon adoption and supersedes all previous Responsible Contractor policies.

I. PURPOSE

This document sets forth the investment policy ("the Policy") for the Responsible Contractor Program ("the Program"). The design of this Policy ensures that contractors, investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("the System") take prudent and careful action while managing the Program. Additionally, use of this Policy provides assurance that there is sufficient flexibility in controlling investment risks and returns while using contractors.

II. INTRODUCTION

The California Public Employees' Retirement System ("the System") has a deep interest in the condition of workers employed by the System and its advisors. The System, through the Responsible Contractor Program Policy (Policy) described below, supports and encourages fair wages and benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the System's real estate investments.

The System endorses small business development, market competition, and control of operating costs. The System supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of the System's real estate investments. The System believes that an adequately compensated and trained worker delivers a higher quality product and service. This Policy shall complement and in no manner detract from the System's existing Policy regarding service-disabled California veteran owned business enterprises. The Policy is consistent with the recommendations of fiduciary counsel in a letter to the System's General Counsel dated December 7, 1992 and includes provisions for transition, monitoring, and enforcement.

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III. DEFINITION OF A RESPONSIBLE CONTRACTOR

A responsible contractor, as used in this Policy, is a contractor or subcontractor who pays workers a fair wage and a fair benefit as evidenced by payroll and employee records and who complies with service-disabled veteran business (SDV/BE) policy. The definition of fair benefits includes, but is not limited to, "employer-paid family health care coverage, pension benefits, and apprenticeship programs." What constitutes a "fair wage" and a "fair benefit" depends on the wages and benefits paid on comparable real estate projects. Fair wages and fair benefits are based upon local market factors, that include the nature of the project (e.g., residential or commercial and public or private), comparable job or trade classifications, and the scope and complexity of services provided.

IV. INITIAL REQUIREMENTS OF THE RESPONSIBLE CONTRACTING POLICY

- A. **Duty of Loyalty** - Notwithstanding any other considerations, assets shall be managed for the exclusive benefit of the participants and the beneficiaries of The System. The System's, as well as its advisors', duty to the participants and their beneficiaries shall take precedence over any other duty.
- B. **Prudence** - The System's Board, Staff, and advisors are charged with the fiduciary duty of exercising the care, skill, prudence, and diligence appropriate to the task.
- C. **Competitive Return** - To comply with duties of loyalty and prudence, all investments and services must be made and managed in a manner that produces a competitive risk-adjusted return.
- D. **Competitive Bidding** - Contractors and their subcontractors for construction, maintenance, and services shall be selected through a competitive bidding and selection process. The purpose of this provision is to encourage fair competition and to seek bids actively from all qualified sources within an area, particularly those identified as Responsible Contractors. Advisors and their subcontractors shall create a bidding process that includes notification and invitations to bid, distributed to a broad spectrum of potential bidders, particularly those identified as Responsible Contractors. The review of the bids shall include consideration of loyalty, prudence, and competitive risk-adjusted returns (factors to be considered include experience, reputation for honesty, integrity, timeliness, dependability, fees, SDV/BE policy, and the adherence to the Responsible Contracting Policy.)

- E. **Local, State, and National Laws** - All advisors and their subcontractors shall observe all local, state, and national laws (including, by way of illustration, those pertaining to insurance, withholding taxes, minimum wage, and health and occupational safety).
- F. **CalPERS Service Disabled California Veteran Business Enterprise Policies** - Will adhere to CalPERS disabled veteran business enterprise policies.

V. SELECTION PREFERENCE OF A RESPONSIBLE CONTRACTOR

If Initial Requirements A through F (see Section IV above) are satisfied, The System expresses a strong preference that Responsible Contractors be hired.

VI. TRANSITION, ENFORCEMENT, MONITORING, AND ADMINISTRATION

- A. **Applicable Investments and Phasing** - This Policy shall apply to all applicable real estate advisors and single family real estate investments (and associated advisor and subcontractor contracts and bids arising out of those investments). This Policy specifically excludes all indirect, specialty, and mortgage investments lacking equity features and their respective advisors. The Policy shall not initially apply to existing investments such as hybrid debt or joint ventures. As to this Policy's application to existing and future hybrid debt and joint ventures investments, an implementation study shall be performed for reviewing these investments.

Housing Development Partnership existing on the effective date of this Policy shall not be amended to incorporate this Policy, but voluntary compliance is strongly recommended. The practicality, schedule, and method of extending this Policy in the future, beyond those investments and contracts described herein shall depend on factors that include the structure of the investment and the degree of control The System can exercise.

- B. **Notification** - The System shall provide all applicable current and prospective real estate advisors with a copy of this Policy.
- C. **Solicitation Documents** - All requests for proposal and invitations to bid covered by this Policy shall include the terms of this Policy inclusive of the Responsible Contractor Self-Certification Form (Appendix 1). Responses by bidders shall include information to assist the Partner/Advisor in evaluating a bid.
- D. **Contracts and Renewals** - All contracts entered into after the effective date of this Policy and pertaining to applicable real estate investments,

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Including renewals of such contracts, shall include the terms of this Policy.

E. **Responsibilities** - The responsibilities of The System's Staff ("the Staff"), advisors, property managers, contractors, and unions are defined as follows:

1. The System's Staff shall have the following responsibilities:
 - a. Reviewing the advisors' annual reports regarding compliance with the Policy.
 - b. Developing and maintaining contact lists for all The System' properties and providing a copy to inquiring parties.
 - c. Reporting periodically to the Investments Committee on these findings and making recommendations for corrective action as necessary. The first report shall be six months after adoption of the Policy.
2. Advisors' responsibilities shall include the following duties:
 - a. Communicating the Policy to all property managers.
 - b. Reviewing a contract listing for each property prepared by each property manager.
 - c. Maintaining a simplified bid summary for each applicable contract. The summary shall include identifying contract, successful bidder, and bidder's status as Responsible Contractor.
 - d. Providing an annual report to The System' Staff, describing their own efforts as well as those by property managers and their subcontractors.
 - e. Monitoring and enforcing the Policy, including the investigation of potential violations.
- f. The Partner/Advisor shall sign and deliver, on their companies letterhead, a Partner/Advisor annual Certification stating the following:

"I certify that for the fiscal year ending June 30, 20XX
_____ (Partner Name) and any agents and/or subcontractors hired by us, have complied, to the best of my knowledge, with the Responsible Contractor Policy and

more specifically with the roles and responsibilities stated within the policy."

3. Property managers shall have responsibility for the following duties:
 - a. Communicating in bid documents the Responsible Contractor Program Policy to contractors seeking to secure construction or building service contracts.
 - b. Communicating about the Policy to any interested party.
 - c. Ensuring there is a competitive bidding process, inclusive of potentially eligible Responsible Contractors.
 - d. Requiring that bidders provide to the property manager a Responsible Contractor self-certification on a form approved by The System.
 - e. Preparing and sending to advisors a contract listing for applicable service contracts for each property under management. The building trades and service trades and other potential bidders will have access to this list.
 - f. Providing advisors with a simplified bid summary for each contract.
 - g. Providing property level annual report information to advisors.
 - h. Maintaining documentation for successful bidders.
 - i. Seeking from trade unions/service unions input in the development of Responsible Contractor lists.
 - j. Maintaining a list of any interested Responsible Contractors. (Names, addresses and telephone numbers).
4. Contractors shall have the responsibility for the following duties:
 - a. Submitting a Responsible Contractor self-certification on a form approved by The System to the property manager. Communicating to subcontractors the Responsible Contractor Program Policy.
 - b. Providing the property manager with Responsible Contractor documentation.

5. Trade unions/service unions shall perform the following tasks:
 - a. Delivering to the property manager or advisor, lists of names and telephone numbers of Responsible Contractors.
 - b. Referring interested and qualified Responsible Contractors to the property manager.
 - c. Monitoring the local labor markets continually to update the lists.
 - d. Providing technical input as appropriate.
- F. Outreach - The System' Staff shall develop and maintain a list of all The System' properties. The list shall include the property name, address, advisor and property manager, and telephone number of the property manager and real estate advisors. The System' Staff shall provide this list to anyone who requests a copy. Actual contract expiration inquiries shall be referred to the property level. Property managers shall provide solicitation documents to any potential contractor who, has in writing, expressed an interest in bidding for the relevant contract.
- G. Minimum Contract Size - The Policy shall absolutely apply to all contracts of a minimum size of \$50,000. Minimum contract size refers to the total project value of the work contracted for and not to any desegregation by trade or task. For example, a \$50,000 contract to paint two buildings in a single office complex would not be treated as two \$25,000 contracts, each less than the minimum contract size. Desegregation designed to evade the requirements of the Policy is not permitted.
- H. Applicable Expenditures Categories - The Policy shall apply to tenant improvements, capital expenditures, and operational service contracts (such as cleaning).
- I. SDV/BE Policy - Satisfaction of the System' SDV/BE Policy is a necessary condition before the System, acting through its contractors, hires a Responsible Contractor. Advisors and Contractors shall provide a certification statement of SDV/BE compliance or documentation of good faith efforts. Advisors shall collect and retain adequate data documenting their compliance with this Policy and shall be prepared to produce this data for review by the Staff when requested.
- J. Fair Wage, Fair Benefits, Training - The Policy avoids a narrow definition of "fair wage", "fair benefits", and "training" that might not be practical in all markets. Furthermore, the Policy does not require a

"prevailing wage", as defined by government surveys. Instead, the Policy looks to local practices concerning type of trade and type of project. The Policy recognizes that practices and labor market conditions vary across the country and that flexibility in its implementation is very important.

In determining "fair wages" and "fair benefits" concerning a specific contract in a specific market, items that may be considered include local wage practices, state laws, prevailing wages, labor market conditions, and other items.

In place of a prevailing wage standard, the Policy requires a broad outreach and competitive bidding program, as described in Section IV, D, and VI. F. and L. This program is premised upon the availability of a list of Responsible Contractors in every market in which The System directly owns a property. While advisors, their property managers and contractors are responsible for gathering and analyzing information relevant in identifying and hiring a Responsible Contractor, compilation of this list does not depend solely on the advisors, property managers, or contractors. Instead, this Policy invites the various local trades to suggest contractors, which in their view, qualify as Responsible Contractors. Sources of information include local building and service trade councils, builders associations, and governments.

- K. **Annual Review and Data Forms** - A proposed Responsible Contracting annual report is required with this Policy. The annual review of Advisors' compliance with the Policy shall coincide with the SDV/BE review. Advisors shall present summary data in a format described and approved by the System. The annual review of advisor compliance shall provide The System' Staff with good faith evidence of monitoring and enforcement.

The annual review shall determine whether each advisor, property manager, and contractor conducted a good faith outreach program and a competitive bidding process that includes responsible contractors. If a potential, responsible contractor does not respond to the invitation to bid, then the advisor, property manager, or contractor has acted properly. For each bidder, the advisor, property manager, or contractor is obliged to gather appropriate responsible contracting information and make a judgment concerning the five initial requirements described in Section IV. If there are instances in which an advisor, property manager, or contractor failed to comply with this Policy, The System' review of the advisors, property managers, or contractors shall focus on the overall pattern of conduct and not any one specific incident.

- L. **Competitive Bidding** - Property managers and contractors shall give notice for applicable bids in local trade publications, bulletin boards, and

union building trades councils. Property managers shall seek input from building trades councils for developing lists of responsible contractors for inclusion in the bidding process.

Property managers may choose a reasonable number of contractors to invite to bid from the list of responsible contractors. Given the time and expense required to solicit and evaluate bids, it is not essential that advisors, property managers, and contractors invite all potential bidders.

The property manager must ensure that there is a competitive bidding process, which is inclusive of potentially eligible responsible contractors. Large numbers of bidders does not necessarily assure inclusion. Property managers must take care in ensuring those bidders include potentially eligible responsible contractors.

Although the Policy does not require hiring union workers, the trade unions will be invited to participate in the following:

1. Deliver to the property manager or advisor lists of names and telephone numbers of responsible contractors including those responsible contractors who expressed any interest in bidding.
2. Continually monitor the local markets, updating the lists. Property managers shall maintain these lists supplied by the trade unions.

M. **Neutrality** - The System supports a position of neutrality in the event there is a legitimate attempt by a labor organization to organize workers employed in the construction, maintenance, operation, and services at a System owned property.

Resolution of any interjurisdictional trade disputes shall be the responsibility of the trades and the various state and national building trades councils. This Policy does not call for any involvement by the advisors, property managers, or contractors in interjurisdictional trade disputes.

N. **Enforcement** - This System shall place a non-complying advisor or property manager on a probation watch list. If the advisor or property manager does not modify this pattern of conduct, even after discussions with The System' Staff, the System shall consider this pattern of conduct along with other information when it reviews the advisor or property manager contract for possible renewal. The key indicator is a pattern of conduct that is inconsistent with the provisions of the Policy.

Advisors, property managers, and contractors that have not hired responsible contractors in the past may still bid for contracts. However,

after the award of such contracts the System shall review its compliance with the Policy.

The System does not require that advisors, property managers, or contractors use any particular system for compliance. However, from time to time, The System' Staff may disseminate information and suggestions regarding efficient ways for complying with this Policy.

CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS

GENERAL INFORMATION	
Company Name _____	
Address _____	
City _____	
Telephone Number () _____	Fax Number () _____
Ownership Structure (Please check one)	
<input type="checkbox"/> Sole Proprietorship	<input type="checkbox"/> Partnership
<input type="checkbox"/> Corporation	<input type="checkbox"/> Joint Venture
<input type="checkbox"/> Other _____	
Description of Service(s) Provided _____	
Contractor's License # _____	

RESPONSIBLE CONTRACTOR STATUS
Please check one of the following:
1. <input type="checkbox"/> Meets all Responsible Contractor requirements
2. <input type="checkbox"/> Meets none of the Responsible Contractor requirements
3. <input type="checkbox"/> Meets certain of the Responsible Contractor requirements (provide explanation below)
If you have checked #3 above, please provide an explanation below (attach additional pages if necessary on questions 3, 4 and 5):
Explanation: _____
4. Has your firm ever been fined, received an adverse judgement, penalty, or received any mandated changes to its corporate policy in the past 18 months resulting from violations of State or Federal labor laws, including but not limited to the National Labor Relations Board, or Equal Opportunity Commission (i.e. sexual harassment and/or discrimination violations)? If yes, please explain.
Explanation: _____
5. Relative to question #4, are there any complaints that you are aware of that have been filed with your firm or any entities listed under question #4? If yes, please explain. (Affirmative answer(s) to the question will not necessarily disqualify the vendor from being the successful bidder. The level of investigation of the complaints listed in response to the question will be left to the judgement of the investment partner.)
Explanation: _____

TARGETED VENDOR STATUS
Does your firm meet the definition of service-disabled veteran business enterprise?
<input type="checkbox"/> Yes <input type="checkbox"/> No

OWNER'S CERTIFICATION OF RESPONSIBLE CONTRACTOR STATUS
On behalf of the above-named company, the undersigned certifies that the information and response provided herein are true, complete and accurate as of this date, and he/she is aware that any intentionally misrepresented or falsified information may result in disqualification from future contracting opportunities.
Signature _____
Date _____
Name (please print) _____
Title _____

This form was prepared for the use in compliance with the Responsible Contractor Program Policy of CalPERS. Any contractor or subcontractor with a minimum contract size of \$50,000 should complete this form.

INTRODUCTION: The California Public Employees' Retirement System ("CALPERS") has a deep interest in the condition of workers employed by the System and its advisors. The System, through the Responsible Contracting Policy, supports and encourages fair wages and fair benefits for workers employed by its contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on the System's real estate investments. The System endorses small business development, market competition and control of operating costs. The System supports many of the ideals espoused by labor unions and encourages participation by labor unions and their signatory contractors in the development and management of the System's real estate investments. The System believes that an adequately compensated and trained worker delivers a higher quality product and service. This policy is intended to complement and in no manner detract from existing System policy regarding service-disabled Californian veteran owned business enterprises.

DEFINITIONS:

Responsible Contractor: A contractor or subcontractor who pays workers a fair wage and a fair benefit as evidenced by payroll and employee records and who complies with CALPERS' service-disabled veteran business enterprise (SDV/BE) policy. "Fair Benefits" are defined as including, but not limited to, employer paid family health care coverage, pension benefits, and apprenticeship programs. What constitutes a "fair wage" and "fair benefit" depends on the wages and benefits paid on comparable real estate projects based upon local market factors, that include the nature of the project (e.g. residential or commercial, public or private) comparable job or trade classifications, and the scope and complexity of the services provided.

SDV/BE Policy: Contractors to the System shall make a good faith effort to comply with CALPERS annual contract participation goals by directing purchase of goods and services to 3% service-disabled veteran owned business enterprises. The definitions of these terms are as follows:

Service-Disabled Veteran. A veteran of the military, naval or air services of the United States with a service-connected disability.

Service-Disabled Veteran Business Enterprise. A business enterprise which is certified by the State of California Office of Small & Minority Business of the Department of General Services as meeting all of the following: (1) it is a business enterprise which is at least 51% owned by one or more disabled veterans, or, in the case of a publicly-owned business, at least 51% of the stock of which is owned by one or more disabled veterans. (2) the management and daily business operations are controlled by one or more disabled veterans (the disabled veterans who exercise management and control are not required to be the same disabled veterans as the owners of the business concern), and (3) it is a business concern with its home office in the United States and which is not a branch or subsidiary of a foreign corporation, firm or other business.

YOUR COMPANY LETTERHEAD

I certify that for the quarter ending _____
(Managing Member) and any agents and/or subcontractors hired by us, have complied, to
the best of my knowledge, with the Responsible Contractor policy and more specifically
with the roles and responsibilities stated within the policy.

(signed by officer of company)

RESPONSIBLE CONTRACTOR AND SDV/BE REPORT

FOR THE QUARTER ENDING: _____

PROJECT NAME: _____

TOTAL NUMBER OF CONTRACTS: _____

TOTAL DOLLAR AMOUNT OF CONTRACTS*: _____

\$ _____

RESPONSIBLE CONTRACTOR AND SDV/BE STATUS

	NUMBER OF CONTRACTS*	DOLLAR AMOUNT:	PERCENT OF PROJECT
1. DISABLED OWNED	_____	\$ _____	_____ %
2. RESPONSIBLE CONTRACTOR	_____	\$ _____	_____ %
3. OTHER	_____	\$ _____	_____ %
4. DO NOT KNOW/DID NOT RESPOND	_____	\$ _____	_____ %
TOTALS	_____	\$ _____	_____ %

* Includes contracts let project to date and in an amount over \$50,000.

EXHIBIT "E"

SCHEDULE OF DUE DILIGENCE EXPENSES

(See attached)

EXHIBIT E
SCHEDULE OF DUE DILIGENCE EXPENSES

	TOTAL BUDGET	63 AC. BUDGET	160 AC. BUDGET
NUMBER OF UNITS	550	390	160
EXPENSE			
A. Legal (JV Agrmt)	12,800	6,400	6,400
C. Legal (Land Use/CEQA)	7,000	3,500	3,500
D. Planning and Engineering	55,000	27,500	27,500
E. Public Workshop -160 Acs	15,000	2,000	13,000
F. Planning Consultant/Public Workshop	15,000	7,500	7,500
G. Biology	7,070	3,113	3,957
H. Cultural Resources	5,000	2,500	2,500
I. Soils/Geology-Field Investig & Rpt	27,600	8,560	19,040
K. CFD Analysis	5,500	2,750	2,750
L. Cost Estimates	12,000	6,000	6,000
M. Market Research	3,500	1,750	1,750
N. Traffic Studies	15,200	15,200	0
O. EIR, Initial Investigation	3,040	3,040	0
P. Utilities Consultants	1,500	750	750
Q. Contingency	5,000	2,500	2,500
TOTAL DUE DILIGENCE	190,210	93,063	97,147

EXHIBIT "F"

MEMORANDUM OF AGREEMENT

RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO:

Attention: _____

MEMORANDUM OF AGREEMENT

THIS MEMORANDUM OF AGREEMENT (this "**Memorandum**") is made effective as of the ____ day of _____, 200__, by and between _____, a _____ ("**Cameo**"), and _____, a _____ ("**L/S Partners**"), with reference to the following facts:

A. Cameo and L/S Partners have entered into that certain Limited Liability Company Agreement of South Banning Properties, LLC (the "**Project LLC**"), dated July __, 2005 (the "**Agreement**"), providing for, among other things, the terms upon which the Project LLC shall own the real property more particularly described on Schedule 1 attached hereto (the "**Property**").

B. Cameo and L/S Partners now desire to restate such Agreement and to set forth a memorandum of record thereof.

NOW, THEREFORE, in consideration of the foregoing and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, it is hereby agreed as follows:

1. **Agreement.** Cameo and L/S Partners have heretofore agreed, and do hereby agree, that the Project LLC shall own, manage, sell and otherwise use the Property upon the terms and subject to the conditions contained in the Agreement, all of which terms and conditions are hereby incorporated herein by this reference as though fully set forth herein.

2. **Purpose.** This Memorandum is prepared solely for the purpose of recordation, and it in no way modifies the provisions of the Agreement.

[SIGNATURES CONTINUED ON NEXT PAGE]

CAMEO:

L/S PARTNERS:

**ATTACH STATE OF CALIFORNIA NOTARIES AND
SCHEDULE 1 CONTAINING LEGAL DESCRIPTIONS**

CONTRIBUTION AGREEMENT

THIS CONTRIBUTION AGREEMENT (this "Agreement") is made and entered into as of the ~~28th~~ day of July, 2005 (the "Effective Date"), by and between 213 BANNING LLC, a California limited liability company ("Transferor"), and SOUTH BANNING PROPERTIES LLC, a Delaware limited liability company ("Project Venture"). Transferor and Project Venture are each sometimes referred to herein individually as a "Party," and collectively as the "Parties."

1. Transfer of Real Property. Transferor is the fee owner of that certain real property (the "Land") located in the County of Riverside, State of California, as more particularly described on Exhibit "A" attached hereto. Transferor and Laing/Sequoia Partners LLC, a Delaware limited liability company ("L/S Partners"), are all of the members of Project Venture, and as such, have entered into that certain Limited Liability Company Agreement of South Banning Properties LLC, a Delaware limited liability company, dated as of July ~~28~~, 2005 (the "LLC Agreement"). Transferor hereby agrees to transfer, and Project Venture hereby agrees to accept, upon the terms and conditions set forth in this Agreement, all of the following: the Land; all rights, privileges and easements appurtenant to the Land (collectively, the "Appurtenances"); all improvements and fixtures located upon the Land (collectively, the "Improvements"); all of Transferor's right, title and interest in and to all assignable warranties, guarantees, utility contracts, contract rights, permits and other intangible rights relating to the Land, the Appurtenances and/or the Improvements (collectively, the "Intangible Property"); and all tangible personal property located on or in, or used in the ownership, use, occupancy or operation of the Land, the Appurtenances and/or Improvements (the "Tangible Personal Property"). The obligations of Transferor under this Agreement and the LLC Agreement are guaranteed by Cameo Homes, a California corporation ("Guarantor"), pursuant to the terms of that certain Guaranty dated as of even date herewith, executed by Guarantor in favor of L/S Partners and Project Venture (the "Guaranty"). The Land, the Appurtenances, and the Improvements are sometimes referred to herein collectively as the "Real Property." The Real Property, the Intangible Property and the Tangible Personal Property are sometimes referred to herein collectively as the "Property".

2. Capital Contribution Credit. Transferor and Project Venture have agreed that the Property has a fair market value of Two Million One Hundred Eighteen Thousand Five Hundred Dollars (\$2,118,500) (the "Capital Contribution Credit"). Without limiting the generality of the foregoing or of any other provision of this Agreement, upon the occurrence of the Closing and the performance by Transferor of all of its obligations under this Agreement in connection therewith, Transferor shall be deemed to have made a capital contribution to Project Venture in an amount equal to the Capital Contribution Credit. For purposes of this Agreement, the term "Closing" means the recordation of the Deed (as hereinafter defined) conveying fee simple title to the Property to Project Venture in the Official Records of Riverside County, California (the "Official Records") occurring following satisfaction (or waiver in writing by Project Venture) of all of the conditions to Closing as set forth in Section 5(b) hereof.

3. Title to the Property. At the Closing, Transferor shall convey to Project Venture marketable and insurable fee simple title to the Property by duly executed and acknowledged grant deed in the form of Exhibit "B" attached hereto (the "Deed"). Evidence of delivery of

marketable and insurable fee simple title shall be the issuance by First American Title Insurance Company (the "**Title Company**") to Project Venture of an ALTA Extended Coverage Owner's Policy of Title Insurance (1970 Form B, rev. 10/17/70), in the amount of Four Million Two Hundred Thousand Dollars (\$4,200,000) (the "**Title Insurance Amount**"), insuring fee simple title to the Property in Project Venture, subject only to the Permitted Exceptions (as hereinafter defined) (the "**Title Policy**"). The Title Policy shall provide full coverage against mechanics' and materialmen's liens and shall contain such special endorsements as Project Venture may reasonably require (the "**Endorsements**"). Project Venture has approved each of the title exceptions listed in Exhibit "C" attached hereto (collectively, the "**Pre-Approved Exceptions**"). Transferor covenants to cause to be released and reconveyed from the Property, and to remove as exceptions to title prior to the Closing the following (the "**Pre-Disapproved Exceptions**"): any and all mortgages, deeds of trust, or other monetary encumbrances, assessments and/or indebtedness, with the sole exception of the then current installment of non-delinquent real property taxes and assessments payable as a part of the real property tax bill for the period after the Closing Date. The "**Permitted Exceptions**" shall include the following title exceptions: (a) the Pre-Approved Exceptions, (b) any title exceptions approved by Project Venture, in its sole discretion, during the Interim Period (as hereinafter defined), and (c) the then current installment of non-delinquent real property taxes and assessments payable as a part of the real property tax bill for the period after the Closing Date.

4. Transferor's Deliveries. Within ten (10) days after the Effective Date, Transferor shall make available to Project Venture for inspection and duplication if appropriate all materials in Transferor's possession, including but not limited to (i) copies of the most recent property tax bills and assessments for the Property; (ii) a copy of any and all leases, service contracts, easements, licenses, development approvals and/or other agreements related to the Property; (iii) any and all existing surveys of the Property; (iv) any and all soils reports, reports pertaining to hazardous materials or other environmental conditions or other reports relating to the physical condition of the Property; (v) any and all architectural or engineering documents relating to the Property; and (vi) any and all other correspondence, reports, studies, permits, approvals, or documents relating to the Property (collectively, the "**Documents**"). In addition, Transferor shall promptly deliver to Project Venture such other information relating to the Property that is specifically requested by Project Venture of Transferor during the term of this Agreement to the extent such information is in the possession or control of Transferor.

5. The Closing.

(a) The Closing Date. The Closing shall occur on the date which is the earlier of (i) the date which is seven (7) days after the date upon which all requisite governmental approvals have been obtained to the specific plan for the development of the "63 Acre Property" (as defined in the LLC Agreement), or (ii) October 1, 2006 (the "**Closing Date**").

(b) Project Venture's Conditions to Closing. Project Venture's obligation to accept the Property is subject to and conditioned upon the satisfaction of each of the following conditions (unless otherwise waived in writing by Project Venture) on or before the Closing Date which conditions are for the sole benefit of Project Venture:

3 of 3

(i) The Title Company shall have given Project Venture its unconditional and irrevocable commitment to issue the Title Policy to Project Venture.

(ii) Each and all of the representations and warranties made by Transferor in this Agreement shall be true and correct as of the Effective Date and the Closing Date.

(iii) Transferor shall have fully performed all of the covenants which Transferor, pursuant to the terms of this Agreement, has agreed to perform on or prior to the Closing Date, and Transferor shall not be in material breach or default under this Agreement.

If the conditions to Project Venture's obligation to consummate the transaction contemplated in this Agreement are not timely satisfied (or waived by Project Venture in writing), then, upon Project Venture's request, this Agreement shall terminate. The conditions set forth in this Section 5(b) are for the sole benefit of Project Venture.

(c) Closing Statement. The Parties shall mutually agree, in their reasonable discretion, on a closing statement (the "Closing Statement") at least five (5) business days prior to the Closing Date. The Closing Statement shall set forth in reasonable detail the portion of the fees, costs, expenses and prorations related to the Closing payable by each Party, all as determined in accordance with the terms of this Agreement.

(d) Deliveries at Closing.

(i) At least one (1) business day prior to the Closing Date, Transferor shall deliver to Title Company an original of the Deed executed and acknowledged by Transferor, as grantor.

(ii) On the Closing Date, Transferor shall deliver the following documents to Project Venture:

(A) An original of the bill of sale of all Tangible Personal Property and assignment of all Intangible Property, in the form attached hereto as Exhibit "D" (the "Bill of Sale and Intangible Assignment"), executed by Transferor, as assignor;

(B) The originals of all Documents pertaining to the Property and all files pertaining to the Property;

(C) An affidavit directed to Project Venture giving Transferor's taxpayer identification number and confirming that Transferor is not a "foreign person," which affidavit shall be, in form and substance, sufficient to relieve Project Venture of any withholding obligation under §1445 of the Internal Revenue Code ("Transferor's Foreign Person Affidavit"), together with a duly executed California Franchise Tax Board Form 593-W, which affidavit shall be, in form and substance, sufficient to relieve Project Venture of any withholding obligation under any applicable laws of the State of California (the "Cal FIRPTA"); and

(D) Any other instruments or agreements necessary to consummate the transaction contemplated hereby.

(iii) At least one (1) business day prior to the Closing Date, Transferor and Project Venture shall each deliver to Title Company funds sufficient to pay such Party's share of any taxes, fees, costs and expenses related to the Closing, all as more particularly set forth in the Closing Statement.

(e) Recordation of Deed; Issuance of Title Policy. Upon receipt of written instructions from Project Venture that all conditions to the Closing have been satisfied, Title Company shall:

(i) Cause the Deed to be recorded in the Official Records;

(ii) Pay from Project Venture's funds, Project Venture's share of fees, costs and expenses incurred in connection with the Closing, as shown on the Closing Statement;

(iii) Pay from Transferor's funds, all fees, costs and expenses incurred by Transferor in connection with the Closing, if any, as shown on the Closing Statement;

(iv) Remit to Project Venture and Transferor any funds delivered by such Party in excess of such Party's share of any closing costs;

(v) Deliver an original Title Policy to Project Venture; and

(vi) Deliver an original recorded Deed (or if unavailable, a conformed copy of the Deed) to Project Venture.

6. Costs and Prorations.

(a) Costs. Costs of the Closing shall be allocated as follows:

(i) Project Venture shall pay the costs of recording the Deed.

(ii) Project Venture shall pay all documentary transfer taxes imposed in connection with recording the Deed.

(iii) Project Venture shall pay the premium for the Title Policy and the cost of any Endorsements that it may request.

(b) Customary Apportionment. All other costs, if any, shall be apportioned in the customary manner for real estate transactions in Riverside County, California.

(c) Prorations. All items of income and expense (including, without limitation, taxes), other than interest on any deed of trust or other lien to be paid off at or prior to the Closing, premiums on any policy of insurance which shall not continue after the Closing, or other expenses which shall not continue after the Closing, shall be prorated between Project Venture and Transferor as of the Closing in the customary manner for real estate transactions in Riverside County, California. On the Closing Date, each Party shall pay directly to the other Party any amount owed in connection with the prorations provided in this subsection (c).

(d) Post-Closing Adjustments. Any statements from governmental agencies for real property taxes, bonds and assessments relating to the Property for periods prior to the Closing that are delivered to Project Venture after the Closing shall be paid by Transferor within ten (10) days from written notice from Project Venture. If any such statements from governmental agencies for real property taxes, bonds or assessments for periods prior to the Closing indicate an overpayment of any taxes or assessments relating to the Property for periods prior to the Closing, such overage shall be paid to Transferor by Project Venture within ten (10) days after Project Venture's receipt of any refund or notice of reassessment.

(e) Project Venture's Instructions. In the event that Title Company or any other person receives instructions from one or more parties in connection with the acquisition of the Property by Project Venture pursuant to this Agreement, Title Company and such other persons are hereby instructed to rely on the instructions provided by L/S Partners as the sole and exclusive instructions of Project Venture hereunder, and prior to taking any instruction from any other party on behalf of Project Venture, Title Company and/or such other persons are instructed to confirm such instructions with L/S Partners.

7. Operation of the Property Prior to Closing.

(a) Transferor's Obligations. During the period from the Effective Date to the Closing Date (the "Interim Period"), Transferor shall maintain the Property in the same condition as of the Effective Date and shall take such actions to protect the Property as a commercially reasonable property owner would take with respect to similar property in the area in which the Property is located. Transferor shall not enter into, modify or terminate any lease, agreement, contract, easement, covenant, condition or restriction relating to the Property or otherwise encumber the Property during the Interim Period without the prior written consent of Project Venture, which consent may be withheld in its sole discretion. Transferor shall not take any action which would adversely affect the zoning, entitlements, tentative or final tract maps affecting the Property or the processing by Project Venture of any plans or necessary approvals for the contemplated development of the Property. Transferor shall promptly deliver to Project Venture any written notices, inquiries or other documents received by Transferor relating to the Property and shall promptly notify Project Venture of any verbal notices, inquiries or other communications regarding the Property.

(b) Project Venture's Entitlement Work. During the Interim Period, Project Venture shall have the exclusive right, at its sole cost and expense, to contact and meet with any governmental or quasi-governmental agencies, to attend and make presentations at city and county council meetings, to solicit support in the surrounding neighborhood and to prepare, process and seek all final and non-appealable zoning changes, permits, licenses, variances, entitlements, subdivision maps and other approvals in order for Project Venture to develop the Property in a manner consistent with the Business Plan (as defined in the LLC Agreement) (collectively, the "Project Approvals"), including, without limitation, obtaining a specific plan, a general plan amendment, a zone change, a parcel map, a tentative map, a site plan, backbone engineering plans, one or more services agreement, any requisite environmental clearances, any requisite Army Corps of Engineers permits and any and all other agreements, permits and/or approvals required by any applicable governmental or quasi-governmental agency, which Project Approvals shall be subject to such conditions and contain such terms as are acceptable to Project

Venture in its sole discretion. In addition, during the Interim Period, Project Venture shall have the exclusive right, at its sole cost and expense, to petition for and form one or more community facility districts in connection with the development of the Project and related off-site improvements (collectively, the "CFD's"), which CFD's shall be in such amounts, subject to such conditions and contain such terms as are acceptable to Project Venture in its sole discretion. Transferor shall cooperate with and do all acts as may be reasonably required or requested by Project Venture, with regard to the processing of the Project Approvals and CFD's, including, without limitation, executing, acknowledging and delivering any documents required in connection therewith. Transferor shall not take any action which would adversely affect Project Venture's ability to obtain the Project Approvals or form any CFD's.

(c) Investigations. Project Venture may conduct such feasibility studies, inspections, environmental audits (including, without limitation, invasive testing), soils and geological studies, engineering studies, topographic and other surveys and other investigations of the Property (collectively, the "Investigations") as Project Venture deems appropriate. Transferor shall permit Project Venture, its engineers, contractors, consultants, employees and agents, to enter onto the Property and conduct, at Project Venture's expense, such Investigations. Project Venture and all other parties entering the Real Property pursuant to the license granted to Project Venture hereunder shall maintain (or Project Venture shall maintain on behalf of such parties) reasonably adequate commercial general liability insurance policies to cover the activities of such parties on the Real Property. In the event the Closing fails to occur for any reason other than the default of Transferor, Project Venture shall repair any damage to the Property caused by the Investigations in order to restore the Property to substantially the same condition which it was in prior to the conduct of such Investigations. Project Venture agrees to indemnify and hold harmless Transferor from any actual damages, liabilities, losses, costs or expenses (including, without limitation, reasonable attorneys' fees) which result from any damage to persons or property caused directly by Project Venture's Investigations, and such indemnity obligation shall survive the termination of this Agreement.

8. Transferor's Representations, Warranties and Covenants. Transferor represents, warrants and covenants as follows and such representations, warranties and covenants shall survive the Closing:

(a) There are no suits, actions or proceedings at law or in equity pending or, to its actual knowledge, threatened against Transferor or Guarantor that could have a material adverse impact upon their ability to perform their obligations in this Agreement, the LLC Agreement, the Guaranty or any other instruments or documents executed in connection herewith, as applicable.

(b) The execution and delivery of this Agreement, the LLC Agreement and all documents executed pursuant to this Agreement have been authorized by all requisite action and are in accordance with the governing documents of Transferor and constitute the duly authorized, valid and binding obligation of Transferor, enforceable in accordance with their terms. No consent, authorization, permit or approval is required for the due, prompt and complete delivery and performance by Transferor of this Agreement, the LLC Agreement and all instruments and documents executed in connection herewith.

(c) To the actual knowledge of Transferor, neither Transferor nor Guarantor is in breach or default (nor would be in breach or default but for the requirements of notice or the passage of time or both) under any agreement, contract, indenture, covenant, note, deed of trust, mortgage, security agreement or other instrument or document which would have a material, adverse impact upon the Property, the financial strength of Transferor or Guarantor or Transferor's and Guarantor's ability to perform their respective obligations contained in this Agreement, the LLC Agreement, the Guaranty or any instruments and documents executed in connection herewith.

(d) To Transferor's actual knowledge, no violation of any applicable law, ordinance, order, rule or regulation exists with respect to the Property.

(e) Other than the Pre-Approved Exceptions and such other matters as may have been caused by or consented to in writing by Project Venture, Transferor knows of no lien, encumbrance, restriction, defect, security interest, adverse claim or right, or other matter or condition of title to the Property or any of the assets to be acquired by Project Venture.

(f) There is no litigation pending or, to Transferor's actual knowledge, threatened in writing against Transferor arising out of the ownership or operation of the Property or that might detrimentally affect the development, value or use of the Property as contemplated by Project Venture or the ability of Transferor to perform its obligations under this Agreement. Transferor shall notify Project Venture promptly of any such proceedings or litigation of which Transferor becomes aware.

(g) There are no outstanding written or oral contracts made by Transferor for any improvements to the Property which have not been fully paid for, except to the extent the same may have been caused or consented to in writing by Project Venture. There are no outstanding mechanic's or materialman's liens affecting the Property, except to the extent the same may have been caused or consented to in writing by Project Venture.

(h) There are no existing or, to the best of Transferor's knowledge, proposed easements, covenants, restrictions, agreements or other documents which affect title to the Property and which are not disclosed by the preliminary title report provided by Title Company to Project Venture prior to the Effective Date, except to the extent the same may have been caused or consented to in writing by Project Venture. There are no existing or, to the best of Transferor's knowledge, proposed leases or occupancy agreements affecting the Property.

Each of the representations and warranties of Transferor contained in this Section 8: (i) is true in all material respects as of the date hereof, and (ii) shall be deemed remade by Transferor, and shall be true in all material respects, as of the date of Closing (provided, however, that the representation contained in Section 8(f) above shall not be deemed remade as of the Closing).

9. Casualty and Condemnation.

(a) Casualty. If any portion of the Property is damaged or destroyed by fire or other casualty at any time, Transferor shall pay to Project Venture on the Closing Date any and all insurance proceeds previously received by Transferor as a result of such loss, damage or other casualty, and from and after the Closing Date, Project Venture shall have the right to receive

(and on the Closing Date, Transferor shall assign to Project Venture its right to receive) any and all insurance proceeds payable as a result of such loss, damage or other casualty. Transferor shall not submit, process, settle or adjust any and all claims for insurance proceeds without obtaining the prior consent of Project Venture, as determined in its sole discretion. Transferor's obligations in this subsection (a) shall survive the Closing.

(b) Condemnation. In the event a governmental entity commences eminent domain proceedings to take any part of the Property during the Interim Period, Project Venture shall have the right to either (i) terminate this Agreement, or (ii) proceed with the Closing as scheduled notwithstanding such proceeding. If Project Venture elects to proceed with the Closing, Transferor shall obtain Project Venture's consent, as determined in its sole discretion, in connection with the prosecution, settlement and administration of such proceedings. Transferor shall pay to Project Venture on the Closing Date any and all proceeds from any eminent domain proceedings previously received by Transferor, and from and after the Closing Date, Project Venture shall have the right to receive (and on the Closing Date, Transferor shall assign to Project Venture its right to receive) any and all proceeds payable in connection with any eminent domain proceedings. Transferor's obligations in this subsection (a) shall survive the Closing.

10. Possession. Possession of the Property shall be delivered to Project Venture as of Closing free of any and all other tenancies and/or occupancy rights.

11. Intentionally deleted.

12. Miscellaneous.

(a) Assignment; Successors and Assigns. Project Venture may assign its rights under this Agreement, in whole or in part, to one or more wholly-owned subsidiaries. Except as provided in this subsection (a), neither this Agreement nor the rights of either Party hereunder may be assigned by either Party. This Agreement shall be binding upon, and inure to the benefit of, the Parties hereto and their respective successors, heirs, administrators and permitted assigns.

(b) Entire Agreement. This Agreement and the LLC Agreement embody the entire agreement between the Parties relative to the subject matter hereof, and there are no oral or parol agreements existing between Transferor and Project Venture relative to the subject matter hereof which are not expressly set forth herein and covered thereby.

(c) Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof.

(d) Notices. All notices required or permitted by this Agreement shall be in writing and may be delivered in person to either party or may be sent by registered or certified mail, with postage prepaid, return receipt requested, or delivered by Express Mail of the U.S. Postal Service or Federal Express or any other courier service guaranteeing overnight delivery, charges prepaid, or may be transmitted by facsimile and addressed:

In the case of L/S Partners:

c/o IHP Capital Partners
19800 MacArthur Boulevard, Suite 700

Irvine, California 92612
Attention: Douglas C. Neff
Telephone: (949) 655-7003
Facsimile: (949) 851-8284

With a copy to:

IHP Capital Partners
19800 MacArthur Boulevard, Suite 700
Irvine, California 92612
Attention: General Counsel
Telephone: (949) 655-7009
Facsimile: (949) 655-9038

In the case of Cameo:

213 Banning LLC
1105 Quail Street
Newport Beach, California 92658
Attention: Vic Mahony
Telephone: (949) 955-3832
Facsimile: (949) 250-8574

With a copy to:

Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
East Tower, Suite 1300
2603 Main Street
Irvine, California 92614
Attention: Robert C. Ihrke, Esq.
Telephone: (949) 851-7265
Facsimile: (949) 851-1554

or such other address as shall, from time to time, be supplied in writing by any party to the others. If any notice or other document is sent by registered or certified mail, postage prepaid, with return receipt requested, addressed as above provided, the same shall be deemed served or delivered within forty eight (48) hours after deposit in the United States mail. Notices delivered by overnight service shall be deemed to have been given twenty four (24) hours after delivery of the same, charges prepaid, to the U.S. postal service or private courier. If any notice is sent by facsimile transmission the same shall be deemed served or delivered within twenty four (24) hours after confirmation of the transmission thereof. Any notice or other document sent or delivered in any other manner shall be effective only if and when received. Rejection or other refusal to accept delivery, or the inability to deliver because of a changed address of which no notice was given, shall be deemed to constitute receipt of notice or other communication sent.

(e) Brokers. Transferor and Project Venture each represents to the other that it has employed no broker or finder in connection with the transaction contemplated hereby and agrees to indemnify the other and its successors hereunder against, and hold such indemnified party and its successors hereunder harmless from, any and all actions, suits, claims, demands, debts, losses, liabilities or expenses (including without limitation reasonable attorneys' fees and costs of investigation and defense) arising from or in connection with any brokerage or finder's fees, charges or commissions which are (or are claimed to be) payable in connection with the transaction contemplated hereby by reason of the actions (or alleged actions) of such

indemnifying party. The provisions of this Section 12(e) shall survive the Closing or termination of this Agreement.

(f) California Law. This Agreement shall be construed under and in accordance with the laws of the State of California. The parties further agree that venue shall be proper in the Superior Court or federal district court for Orange County, California, in the event of any litigation between the parties with respect to this Agreement. In connection thereto, the parties hereby waive any claim of proper venue in any other jurisdiction and any objection to venue as described herein, and personally and unconditionally submit to the jurisdiction of the Superior Court or federal district court for Orange County, California.

(g) Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereto, and the remainder of the provisions of this Agreement shall continue in full force and effect without impairment.

(h) Waiver. The waiver by either party of a breach of any provision of this Agreement shall not be deemed a waiver of any subsequent breach whether of the same or another provision of this Agreement.

(i) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

(j) Third-Party Beneficiaries. L/S Partners shall be deemed a third-party beneficiary of this Agreement. Except as provided in this subsection (j), the execution and delivery of this Agreement shall not be deemed to confer any rights upon, nor obligate either of the Parties to, any person or entity not a party to this Agreement.

(k) Amendments in Writing. The provisions of this Agreement may not be amended or altered except by a written instrument duly executed by each of the Parties.

(l) Interpretation. Whenever the context hereof shall so require, the singular shall include the plural, the male gender shall include the female gender and the neuter, and vice versa. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation hereof. As used herein, the term "Person" shall mean and refer to any individual, corporation, partnership, limited liability company, limited partnership, limited liability partnership, trust, governmental entity, or quasi-governmental entity.

(m) Attorneys' Fees. If legal action is commenced to enforce or to declare the effect of any provision of this Agreement, the prevailing Party shall be entitled to recover from the non-prevailing Party reasonable attorneys' fees and other litigation costs. In addition to the foregoing award of attorneys' fees and other litigation costs to the prevailing Party, the prevailing Party in any lawsuit on this Agreement shall be entitled to its attorneys' fees and other litigation costs incurred in any post-judgment proceedings to collect or enforce the judgment. This provision is separate and several and shall survive the merger of this Agreement into any

judgment on this Agreement. This provision shall survive Closing or termination of this Agreement.

(n) Further Acts. Each of the Parties shall execute such other and further documents and do such further acts as may be reasonably required to effectuate the intent of the Parties and carry out the terms of this Agreement.

(o) Time for Performance. Wherever the time for performance of any obligation hereunder or if, pursuant to this Agreement, a party must act by a particular time, or an act is effective only if done by a particular time, and the last date for the performance of such obligation or the doing or effectiveness of such act falls upon a day other than a business day, the time for the performance of such obligation or the doing or effectiveness of such act shall be extended to the next succeeding business day. If the Closing Date shall fall on a business day that does not immediately follow a business day, the Closing Date shall be postponed to the next succeeding business day that immediately follows a business day. As used herein, the term "business day" shall mean any day which is not a Saturday, Sunday, national or state holiday, or day on which the Official Records is closed or otherwise not accepting documents for recording. Time is expressly made of the essence of this Agreement.

(p) Exclusivity. Until the Closing or the date that this Agreement is terminated, Transferor shall not enter into any contract, or enter into or continue any negotiations, to sell or transfer the Property to any person or entity other than Project Venture.

(q) Related Party Contract. As indicated above, Transferor and L/S Partners are all of the members of Project Venture. L/S Partners, acting alone, shall have the sole right on behalf of Project Venture, to send any appropriate notice of default or termination, to make any election, to institute legal proceedings and/or to take such other action as may be necessary or appropriate to enforce the rights and remedies and protect the interests of Project Venture pursuant to this Agreement, whether or not L/S Partners is then the managing member or manager of Project Venture. Transferor, in its capacity as member of Project Venture, has authorized, and hereby authorizes, L/S Partners to take all or any actions described in this subsection (q).

(r) Joint and Several Liability. In the event that Transferor is comprised of more than one person or entity, the obligations of each and every person or entity comprising Transferor under this Agreement shall be joint and several.

(s) Exculpation and Waiver. Transferor acknowledges that the State of California Public Employees Retirement System (the "System") is a limited partner in a member of L/S Partners. Notwithstanding any other term or provision of this Agreement, System's liability under the LLC Agreement is solely that of a limited partner in a member of L/S Partners and no personal or direct liability shall at any time be asserted or enforceable against System, its Board, any member thereof, or any employee or agent of System on account of or arising out of any obligations arising out of or related to this Agreement and/or the LLC Agreement. Transferor hereby waives any claim against the members of L/S Partners and the partners of its members including the System, irrespective of the compliance or noncompliance now or in the

future with any requirements relating to the limitation of liability of members or limited partners under the LLC Agreement.

(t) Waiver of Trial by Jury. EACH OF TRANSFEROR AND PROJECT VENTURE WAIVES TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT OR THE CONDUCT OF THE RELATIONSHIP BETWEEN TRANSFEROR AND PROJECT VENTURE. BOTH TRANSFEROR AND PROJECT VENTURE HAVE OBTAINED THE ADVICE OF THEIR RESPECTIVE LEGAL COUNSEL BEFORE SIGNING THIS AGREEMENT AND ACKNOWLEDGE THAT THEY VOLUNTARILY AGREED TO THIS WAIVER OF THEIR RIGHT TO A TRIAL BY JURY WITH FULL KNOWLEDGE OF ITS SIGNIFICANCE AND LEGAL CONSEQUENCE.

IN WITNESS WHEREOF, the Parties hereto have set their hands on the day and year first above written.

PROJECT VENTURE:

SOUTH BANNING PROPERTIES, LLC, a
Delaware limited liability company

By: Laing/Sequoia Partners LLC, a
Delaware limited liability company, its
Managing Member

By: WL Land LLC, a Delaware
limited liability company, its
Managing Member

By  _____

By _____

TRANSFEROR:

213 BANNING LLC, a California limited
liability company

By _____

Name: _____

Title: _____

By _____

Name: _____

Title: _____

IN WITNESS WHEREOF, the Parties hereto have set their hands on the day and year first above written.

PROJECT VENTURE:

SOUTH BANNING PROPERTIES, LLC, a
Delaware limited liability company

By: Laing/Sequoia Partners LLC, a
Delaware limited liability company, its
Managing Member

By: WL Land LLC, a Delaware
limited liability company, its
Managing Member

By _____

By _____

TRANSFEROR:

213 BANNING LLC, a California limited
liability company

By Caneo Homes, a California corporation

Name: _____

Title: Manager

By 

Name: _____

Title: _____

EXHIBIT "A"

LEGAL DESCRIPTION

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33384 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

LOT 9 OF ALMCOT TRACT, AS SHOWN BY MAP ON FILE IN BOOK 18 PAGE 3 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-190-006

EXHIBIT A-1

First American Title

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33383 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

PARCELS 1 THROUGH 8, INCLUSIVE AND LETTERED LOTS A THROUGH S, INCLUSIVE, OF PARCEL MAP 28972, RECORDED IN BOOK 204 PAGES 31 AND 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-200-031, 537-200-032, 537-200-033, 537-200-034, 537-200-035, 537-200-036, 537-200-037, 537-200-038

EXHIBIT A-2

First American Title

EXHIBIT "B"

DEED

RECORDING REQUESTED BY
CHICAGO TITLE COMPANY
AND WHEN RECORDED MAIL TO

Escrow No.
Order No.

SPACE ABOVE THIS LINE FOR RECORDER'S USE

GRANT DEED

THE UNDERSIGNED GRANTOR(S) DECLARE(S)

DOCUMENTARY TRANSFER TAX IS \$

☐ unincorporated area ☐ City of

☒ computed on the full value of the interest or property conveyed, or is

☐ computed on the full value less the value of liens or encumbrances remaining at time of sale, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

hereby GRANT(S) to

the following described real property in the
County of

, State of California:

Dated

STATE OF

COUNTY OF

On _____ } SS.
before me,

a Notary Public in and for said County and State, personally appeared

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

WITNESS my hand and official seal.

Signature of Notary

Date My Commission Expires

FOR NOTARY SEAL OR STAMP

MAIL TAX STATEMENTS TO PARTY SHOWN ON FOLLOWING LINE: IF NO PARTY SO SHOWN, MAIL AS DIRECTED ABOVE

Name

Street Address

City, State & Zip

EXHIBIT "C"

PRE-APPROVED EXCEPTIONS

Update 1



PERMITTED EXCEPTIONS

First American Title Company

3625 Fourteenth Street
Riverside, CA 92501

Kim Berry
Cameo Homes
1105 Quail Street
Newport Beach, CA 92660-2705
Phone: (949) 955-3832
Fax:

Customer Reference: TTM 33383
Order Number: NHRV-1787442 (03)
Title Officer: Melissa Williams
Phone: (951) 787-1700
Fax No.: (866) 207-2029
E-Mail: mmwilliams@firstam.com
Buyer:
Property: Banning, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of July 07, 2005 at 7:30 A.M.

The form of Policy of title insurance contemplated by this report is:

ALTA EXTENDED OWNER'S POLICY 1970 FORM B

~~EAGLE Protection Owner's Policy (6/98) (CLTA/ALTA Homeowner's Policy of Title Insurance) if the land described is an improved residential lot or condominium unit on which there is located a one-to-four family residence, or ALTA Residential Title Insurance Policy (6-1-87) if the land described is an unimproved residential lot or condominium unit; ALTA Loan Policy (10-17-92) with ALTA Endorsement Form 1 Coverage with EAGLE Protection Added.~~ (10/17/70)

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

213 Banning, LLC, a California Limited Liability Company

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2005-2006, a lien not yet due or payable.

~~(Pursuant to Government Code 66493 of the State of California the Subdivision Map Act requires that during the period from January 1 through October 1 when real property taxes are an assessed lien not yet due and payable that a tax bond be filed with the clerk of the board of supervisors to secure payment of said taxes. A tax bond estimate should be requested from this office at least two months prior to the date scheduled for recordation of the map.)~~

2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code, *due to events occurring on or after the date of this Policy.*
3. Pursuant to Government Code 66492 of the State of California the Subdivision Map Act requires that all real property taxes due and payable must be paid in full prior to processing said map through government agencies. Please contact this office for specific assessors parcel numbers and amounts to be paid.

~~(Pursuant to Government Code 66493 of the State of California the Subdivision Map Act requires that during the period from January 1 through October 1 when real property taxes are an assessed lien not yet due and payable that a tax bond be filed with the clerk of the board of supervisors to secure payment of said taxes. A tax bond estimate should be requested from this office at least two months prior to the date scheduled for recordation of the map.)~~

4. An easement for pipelines and incidental purposes, recorded August 9, 1933 as book 131, page 516 of Official Records.
In Favor of: The Metropolitan Water District of Southern California
Affects: As shown on said parcel map

A document recorded December 7, 1939 as book 437, page 483 of Official Records provides that the interest of the easement holder was transferred to Nevada California Electric Corporation.
5. An easement for pipelines and incidental purposes, recorded October 11, 1933 as book 141, page 596 of Official Records.
In Favor of: The Metropolitan Water District of Southern California
Affects: A portion of the land

A document recorded December 7, 1939 as book 437, page 483 of Official Records provides that the interest of the easement holder was transferred to Nevada California Electric Corporation.
6. The effect of a Declaration of Dedication as shown by the owners certificate on said map, purporting to Irrevocably dedicate in perpetuity for public road purposes, public utility and public services, the property described therein.
7. An easement for pipelines and incidental purposes, recorded February 18, 1971 as instrument no. 15792 of Official Records.
In Favor of: Southern California Gas Company and Southern California Gas Company of California
Affects: The land
8. An easement for public utilities and incidental purposes, recorded December 20, 1973 as instrument no. 164092 of Official Records.
In Favor of: American Telephone and Telegraph Company
9. The effect of a Resolution, approving the establishment of the San Geronio Pass Memorial Hospital District, by document recorded May 23, 1995 as instrument no. 165576 of Official Records of Riverside County, California. Assessments, if any, at this time, are collected through the real property taxes.
10. An easement for maintenance of pipelines and utility line for the transportation of water and incidental purposes, recorded January 15, 1998 as instrument no. 98-15510 of Official Records.
In Favor of: the City of Banning

The location of the easement cannot be determined from record information.

11. An easement shown or dedicated on the Map as referred to in the legal description
For: Private water line and incidental purposes.

(Affects Parcel A)

12. Abutter's rights of ingress and egress to or from Bobcat Road have been dedicated or
relinquished on the filed Map.

(Affects Parcel A)

13. The effect of an environmental constraint note affecting said map on file in the office of the
Riverside County Surveyor, in E.C.S. book 33 page(s) 75.

(Affects Parcel A)

14. The effect of a recital on said map stipulating that the areas designated as drainage easement
must be kept free of all dwelling units, obstructions and encroachments by land fill.

(Affects Parcel A)

- ~~15. An option in favor of Cameo Homes, Inc. as contained in or disclosed by a document
recorded November 12, 2003 as Instrument No. 03-893360 of Official Records~~

16. A deed of trust to secure an original indebtedness of \$6,240,000.00 recorded April 13,
2004 as Instrument No. 04-266996 of Official Records.

Dated: April 7, 2004

Trustor: 213 Banning, LLC, a California Limited Liability Company

Trustee: First American Title Company

Beneficiary: MW Housing Partners III, L.P., a California Limited Partnership

Affects: The land and other property.

17. This report is preparatory to the issuance of a subdivision guarantee and is intended solely for
the use of those parties directly involved in the preparation and checking of said map.

Note: Prior to issuing a subdivision guarantee, we require that a copy of the final map be
provided to our office for review at least one month prior to scheduled approval by the governing
body.

Order Number: NHRV-1787442 (03)
Page Number: 8

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33383 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

PARCELS 1 THROUGH 8, INCLUSIVE AND LETTERED LOTS A THROUGH S, INCLUSIVE, OF PARCEL MAP 28972, RECORDED IN BOOK 204 PAGES 31 AND 32 OF PARCEL MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-200-031, 537-200-032, 537-200-033, 537-200-034, 537-200-035, 537-200-036, 537-200-037, 537-200-038

Order Number: NHRV-1787446 (07)
Page Number: 1

Update 1



First American Title Company

3625 Fourteenth Street
Riverside, CA 92501

Kim Berry
Cameo Homes
1105 Quail Street
Newport Beach, CA 92660-2705
Phone: (949) 955-3832
Fax:

Customer Reference: TTM 33384
Order Number: NHRV-1787446 (07)
Title Officer: Melissa Williams
Phone: (951) 787-1700
Fax No.: (866) 566-3977
E-Mail: mmwilliams@firstam.com
Buyer:
Property: Banning, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

First American Title

Dated as of July 7, 2005 at 7:30 A.M.

The form of Policy of title Insurance contemplated by this report is:

ALTA EXTENDED OWNERS FORM-B
EAGLE Protection Owner's Policy (6/98) (CLTA/ALTA Homeowner's Policy of Title Insurance) if the land described is an improved residential lot or condominium unit on which there is located a one-to-four family residence, or ALTA Residential Title Insurance Policy (6-1-87) if the land described is an unimproved residential lot or condominium unit; ALTA Loan Policy (10-17-92) with ALTA Endorsement - Form 1 Coverage with EAGLE Protection Added *1970 (10/17/70)*

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

213 Banning, LLC, a California Limited Liability Company

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2005-2006, a lien not yet due or payable.

2. ~~Supplemental taxes for the year 2005-2006 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.~~

~~First Installment: \$1,785.56, OPEN~~

~~Penalty: \$178.56~~

~~Second Installment: \$1,785.56, OPEN~~


~~Penalty: \$198.56~~

~~Tax Rate Area: 001-000~~

~~A.P. No.: 032-121-618-2~~

- MUST BE PAID PRIOR TO CLOSE

~~(Pursuant to Government Code 66493 of the State of California the Subdivision Map Act requires that during the period from January 1 through October 1 when real property taxes are an assessed lien not yet due and payable that a tax bond be filed with the clerk of the board of supervisors to secure payment of said taxes. A tax bond estimate should be requested from this office at least two months prior to the date scheduled for recordation of the map.)~~

3. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code, *due to events occurring on or after the date of this Policy.*
4. ~~Pursuant to Government Code 66493 of the State of California the Subdivision Map Act requires that all real property taxes due and payable must be paid in full prior to processing said map through government agencies. Please contact this office for specific assessors parcel numbers and amounts to be paid.~~
~~(Pursuant to Government Code 66493 of the State of California the Subdivision Map Act requires that during the period from January 1 through October 1 when real property taxes are an assessed lien not yet due and payable that a tax bond be filed with the clerk of the board of supervisors to secure payment of said taxes. A tax bond estimate should be requested from this office at least two months prior to the date scheduled for recordation of the map.)~~
5. An easement shown or dedicated on the map filed or recorded April 16, 1930 as Book 18, Page 3 of Maps
For:  Road and incidental purposes.
6. An easement for pipelines and incidental purposes, recorded October 11, 1933 as book 141, page 596 of Official Records.
In Favor of: The Metropolitan Water District of Southern California
Affects: A portion of the land
7. An easement for pipelines and incidental purposes, recorded February 18, 1971 as Instrument no. 15792 of Official Records.
In Favor of: Southern California Gas Company and Southern California Gas Company of California
Affects: The land
8. An offer of dedication for Public Road including public utility and public services and incidental purposes, recorded January 29, 1973 as Instrument No. 73-12208 of Official Records.
To:
9. An easement for public utilities and incidental purposes, recorded December 20, 1973 as Instrument no. 164092 of Official Records.
In Favor of: American Telephone and Telegraph Company
10. The effect of a Resolution, approving the establishment of the San Geronio Pass Memorial Hospital District, by document recorded May 23, 1995 as Instrument no. 165576 of Official Records of Riverside County, California. Assessments, if any, at this time, are collected through the real property taxes.
11. An easement for maintenance of pipelines and utility line for the transportation of water and incidental purposes, recorded January 15, 1998 as Instrument no. 98-15510 of Official Records.
In Favor of: the City of Banning

The location of the easement cannot be determined from record information.

12. An easement for roadway, utilities, ingress, egress and incidental purposes, recorded January 30, 2003 as Instrument no. 03-71879 of Official Records.

In Favor of: City of Banning
Affects: Said Land

- ~~13. An option in favor of Cameo Homes, Inc. as contained in or disclosed by a document recorded November 12, 2003 as Instrument No. 03-893360 of Official Records.~~

14. A deed of trust to secure an original indebtedness of \$6,240,000.00 recorded April 13, 2004 as Instrument No. 04-266996 of Official Records.

Dated: April 7, 2004
Trustor: 213 Banning, LLC, a California Limited Liability Company
Trustee: First American Title Company
Beneficiary: MW Housing Partners III, L.P., a California Limited Partnership

~~Affects: The land and other property.~~

- ~~15. This report is preparatory to the issuance of a subdivision guarantee and is intended solely for the use of those parties directly involved in the preparation and checking of said map.~~

~~Note: Prior to issuing a subdivision guarantee, we require that a copy of the final map be provided to our office for review at least one month prior to scheduled approval by the governing body.~~

INFORMATIONAL NOTES

1. General and special taxes and assessments for the fiscal year 2004-2005.

First Installment:	\$2,388.94, Paid
Penalty:	\$238.89
Second Installment:	\$2,388.94, Payable
Penalty:	\$258.89
Tax Rate Area:	001-000
A. P. No.:	537-190-006-7

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

Order Number: NHRV-1787446 (07)
Page Number: 6

WIRE INSTRUCTIONS
for
**First American Title Company, Sub-Escrow Deposits
Riverside County, California**

**First American Trust Company
Santa Ana Branch
421 North Main Street
Santa Ana, California 92701**

**ABA 122241255
Credit to First American Title Company Special Trust Account
Account No. 18012
Reference Title Order Number NHRV-1787446, and Title Officer Melissa Williams**

Please wire the day before recording. Also, notify the Title Officer of your intent to wire.

Order Number: NHRV-1787446 (07)
Page Number: 7

LEGAL DESCRIPTION

Real property in the unincorporated area of the County of Riverside, State of California, described as follows:

TENTATIVE TRACT MAP 33384 BEING A SUBDIVISION OF THE FOLLOWING DESCRIBED PROPERTY:

LOT 9 OF ALMCOT TRACT, AS SHOWN BY MAP ON FILE IN BOOK 18 PAGE 3 OF MAPS, RECORDS OF RIVERSIDE COUNTY, CALIFORNIA.

APN: 537-190-006

EXHIBIT "D"

BILL OF SALE AND ASSIGNMENT OF INTANGIBLE PROPERTY

THIS BILL OF SALE AND ASSIGNMENT OF INTANGIBLE PROPERTY ("Assignment"), is made as of the _____ day of _____, _____, by and between _____, a _____ ("Assignor"), and _____, a _____ ("Assignee").

WITNESSETH:

WHEREAS, Assignor and Assignee have entered into that certain Contribution Agreement, dated July __, 2005 ("Agreement"), for the purchase and sale of the "Property" (as defined in the Agreement).

WHEREAS, this Assignment is being made pursuant to the terms of the Agreement for the purpose of conveying and assigning to Assignee all of Assignor's rights, title and interest in any "Tangible Personal Property" and "Intangible Property" (each as defined in the Agreement).

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Conveyance and Assignment. Assignor hereby grants, assigns, transfers and conveys to Assignee all of Assignor's right, title and interest in the Tangible Personal Property and the Intangible Property.

2. Governing Law. This Assignment shall be governed by, interpreted under, and construed and enforceable in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this instrument as of the date first written above.

ASSIGNOR:

213 BANNING LLC, a California limited liability company

By Carco Homas, a California corporation

Name: _____

Title: Manager

By [Signature]

Name: _____

Title: _____

GUARANTY

THIS GUARANTY ("Guaranty") is executed as of July 28, 2005, by CAMEO HOMES, a California corporation ("Guarantor"), for the benefit of LAING/SEQUOIA PARTNERS LLC, a Delaware limited liability company ("L/S Partners"), and SOUTH BANNING PROPERTIES LLC, a Delaware limited liability company ("Company"), with reference to the following facts:

A. Concurrently herewith, L/S Partners is becoming a member of the Company pursuant to that certain Limited Liability Company Agreement of South Banning Properties LLC, a Delaware limited liability company, of even date herewith (the "LLC Agreement"). Unless otherwise defined herein, all capitalized terms used in this Guaranty shall have the same meanings as set forth in the LLC Agreement.

B. L/S Partners and the Company require as a condition to the formation of the Company that the undersigned guaranty (a) the full and timely performance of any and all of the obligations of 213 Banning LLC, a California limited liability company ("213 Banning"), as the member of the Company, and (b) the full and timely performance of any and all of the obligations of 213 Banning as transferor under that certain Contribution Agreement (the "Contribution Agreement") of even date herewith, by and between 213 Banning and the Company.

C. It is for the benefit of all of the undersigned that L/S Partners and 213 Banning form the Company because such formation will increase the availability of capital and financial stability for the undersigned.

NOW, THEREFORE, in consideration of L/S Partners' admission to the Company and the resulting availability of capital and financial stability to the undersigned and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Guarantor hereby (a) unconditionally guaranties to L/S Partners and their successors and assigns, without deduction by reason of setoff, defense or counterclaim, the full and punctual payment, and the performance and observance by 213 Banning of all the sums, terms, covenants, conditions, representations, warranties and indemnities in the LLC Agreement and the Contribution Agreement to be paid, kept, performed or observed by 213 Banning, (b) unconditionally agrees to assume and perform all of 213 Banning's duties and obligations under the LLC Agreement and the Contribution Agreement, and (c) agrees that the provisions of the LLC Agreement and the Contribution Agreement making reference to obligations or requirements of Guarantor are hereby incorporated herein by reference and constitute obligations of Guarantor hereunder. Guarantor acknowledges that it has been provided a copy of the LLC Agreement and the Contribution Agreement and has read and understands same. Without in any way limiting the generality of the foregoing, (i) Guarantor acknowledges that it has reviewed the representations and warranties contained in the LLC Agreement and the Contribution Agreement relating to 213 Banning and Guarantor and hereby confirms the accuracy thereof and its understanding that, among other things, it is obligated to notify L/S Partners and the Company of

any change in such representations and warranties, (ii) as obligations separate and independent from any obligation of 213 Banning, Guarantor unconditionally agrees to fund all monetary obligations of 213 Banning and to make any and all capital contributions required to be made by 213 Banning or for which 213 Banning has agreed to cause the Guarantor to make pursuant to the terms and conditions of the LLC Agreement and the Contribution Agreement, (iii) Guarantor hereby agrees to protect, indemnify, defend and hold harmless the Company and L/S Partners on the same terms and conditions as applied to 213 Banning in the LLC Agreement and the Contribution Agreement, and (iv) Guarantor acknowledges the default provisions set forth in the LLC Agreement and the Contribution Agreement, and Guarantor agrees not to permit 213 Banning to commit a default under the LLC Agreement or the Contribution Agreement and further acknowledges that any default by Guarantor or any other Affiliate of 213 Banning or Guarantor under any agreement with the Company or relating to the Project shall constitute a default by 213 Banning under the LLC Agreement and a default hereunder by Guarantor.

2. If 213 Banning shall at any time default in the performance or observance of any of the terms, covenants, conditions, representations, warranties, or indemnities of the LLC Agreement or the Contribution Agreement to be kept, performed or observed by 213 Banning, Guarantor, upon notice from L/S Partners or the Company (but the delay or failure to notify Guarantor of such default shall not serve to relieve Guarantor of any of its obligations hereunder), will keep, perform and observe same, as the case may be, in the place and stead of 213 Banning. Guarantor has the right to cure any default of 213 Banning, provided such cure is performed in accordance with the terms and within the time periods set forth in the LLC Agreement or the Contribution Agreement, as applicable.

3. Any act of L/S Partners, the Company, or of their successors or assigns, consisting of a waiver of any of the terms or conditions of the LLC Agreement or the Contribution Agreement, or the giving of any consent on any matter or thing relating to the LLC Agreement or the Contribution Agreement, or the granting of any indulgences or extensions of time to 213 Banning, may be done without notice to Guarantor and without releasing Guarantor from any of its obligations hereunder.

4. The obligations of Guarantor hereunder shall not be released by any modification of the LLC Agreement or the Contribution Agreement, regardless of whether Guarantor consents thereto or receives notice thereof; but such modification shall not serve to extend or increase the obligations or liability of Guarantor hereunder unless Guarantor has expressly consented to such LLC Agreement and Contribution Agreement modification or to the provisions of such modification which would give rise to the increased obligation or liability.

5. The liability of Guarantor hereunder shall in no way be affected by (a) the release or discharge of 213 Banning in any creditor's receivership, bankruptcy or other proceeding; (b) the impairment, limitation or modification of the liability of 213 Banning or the estate of 213 Banning in bankruptcy, or of any remedy for the enforcement of 213 Banning's liability under the LLC Agreement or the Contribution Agreement resulting from the operation of any present or future provision of any federal or state bankruptcy or insolvency law or other statute or from the decision of any court; (c) the rejection or disaffirmance of the LLC Agreement or the Contribution Agreement in any such proceedings; (d) the assignment or transfer of the LLC Agreement or the Contribution Agreement by 213 Banning or of all or any portion of its interests

thereunder; (e) any disability or other defense of 213 Banning; (f) the cessation from any cause whatsoever of the liability of 213 Banning; or (g) the exercise by L/S Partners or the Company of any of their respective rights or remedies reserved under the LLC Agreement, the Contribution Agreement or by law.

6. Guarantor further agrees that it may be joined in any action against 213 Banning in connection with the obligations of 213 Banning and recovery may be had against Guarantor in any such action. L/S Partners and/or the Company may enforce the obligations of Guarantor hereunder without first taking any action whatsoever against 213 Banning or its successors and assigns, or pursue any other remedy or apply any security L/S Partners and/or the Company may hold. Guarantor hereby waives its rights of subrogation, reimbursement, indemnification, and contribution and any other rights and defenses that are or may become available to Guarantor by reason of California Civil Code Sections 2787 to 2855, inclusive. Guarantor waives all rights and defenses that Guarantor may have because 213 Banning's obligations may be secured by real property. This means, among other things (a) L/S Partners and the Company may collect from Guarantor without first foreclosing on any real or personal property collateral pledged by 213 Banning, (b) if L/S Partners and/or the Company forecloses on any real property collateral pledged by 213 Banning: (i) the amount of the debt or obligation may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (ii) L/S Partners and the Company may collect from Guarantor even if L/S Partners and the Company, by foreclosing on the real property collateral, has destroyed any right Guarantor may have to collect from 213 Banning. This is an unconditional and irrevocable waiver of any rights and defenses Guarantor may have because 213 Banning's obligations may be secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580(a), 580(b), 580(d) or 726 of the Code of Civil Procedure. Guarantor waives all rights and defenses arising out of an election of remedies by L/S Partners and/or the Company, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed Guarantor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise.

7. Guarantor hereby waives presentment, demand, protest demand, notice of protest, demand and of dishonor and non-payment of this Guaranty, and all other demands and notices in connection with the delivery, acceptance, performance, default, or enforcement of this Guaranty.

8. Until all the covenants and conditions in the LLC Agreement and the Contribution Agreement on 213 Banning's part to be performed and observed are fully performed and observed, (a) Guarantor shall have no right to enforce or receive any payment by way of subrogation against 213 Banning by reason of any payments or acts of performance by Guarantor hereunder, and (b) any liability or indebtedness of 213 Banning now or hereafter held by Guarantor shall be subordinate to the obligations of 213 Banning to L/S Partners and the Company under the LLC Agreement and the Contribution Agreement.

9. This Guaranty shall apply to the LLC Agreement and the Contribution Agreement, and to any extension, renewal, modification or amendment thereof.

10. In the event of any litigation between Guarantor, L/S Partners and/or the Company with respect to the subject matter hereof, the unsuccessful party to such litigation agrees to pay to the successful party all fees, costs and expenses thereof, including actual attorneys' fees and expenses.

11. No delay on the part of L/S Partners and/or the Company in exercising any right hereunder or under the LLC Agreement or the Contribution Agreement shall operate as a waiver of such right or of any other right of L/S Partners and/or the Company under the LLC Agreement, the Contribution Agreement or hereunder, nor shall any delay, omission or waiver on any one occasion be deemed a bar to or a waiver of the same or any other right on any future occasion.

12. This instrument constitutes the entire agreement between L/S Partners, the Company and Guarantor with respect to the subject matter hereof, superseding all prior oral or written agreements or understandings with respect thereto and may not be changed, modified, discharged or terminated orally or in any manner other than by an agreement in writing signed by Guarantor, L/S Partners and the Company.

13. This Guaranty shall be governed by and construed in accordance with the laws of the State of California. The parties further agree that venue shall be proper in the Superior Court or federal district court for Orange County, California, in the event of any litigation between the parties with respect to this Guaranty. In connection thereto, Guarantor hereby waives any claim of proper venue in any other jurisdiction and any objection to venue as described herein, and personally and unconditionally submit to the jurisdiction of the Superior Court or federal district court for Orange County, California.

14. All notices or other communications required or permitted hereunder shall be in writing, and shall be personally delivered or sent by registered or certified mail, postage prepaid, return receipt requested, telegraphed, delivered or sent by telex, telecopy or cable and shall be deemed received upon the earlier of (a) if personally delivered, the date of delivery to the address of the person to receive such notice; (b) if mailed, four (4) business days after the date of posting by the United States Post Office; (c) if given by telegraph or cable, when delivered to the telegraph company with charges prepaid; or (d) if given by telex or telecopy, when sent. Any notice, request, demand, direction or other communication sent by cable, telex, or telecopy must be confirmed within forty eight (48) hours by letter mailed or delivered in accordance with the foregoing. The addresses for notices are as follows:

"L/S Partners" and "Company": c/o IHP Capital Partners
19800 MacArthur Boulevard, Suite 700
Irvine, California 92612
Attention: Douglas C. Neff
Telephone: (949) 655-7003
Facsimile: (949) 851-8284

With a copy to:

IHP Capital Partners
19800 MacArthur Boulevard, Suite 700
Irvine, California 92612
Attention: General Counsel
Telephone: (949) 655-7009
Facsimile: (949) 655-9038

With a copy to:

Cox, Castle & Nicholson LLP
2049 Century Park East, Suite 2800
Los Angeles, CA 90067
Attention: Mathew A. Wyman, Esq.
Telephone: (310) 284-2266
Facsimile: (310) 277-7889

"Guarantor":

Cameo Homes
1105 Quail Street
Newport Beach, California 92658
Attention: Vic Mahony
Telephone: (949) 955-3832
Facsimile: (949) 250-8574

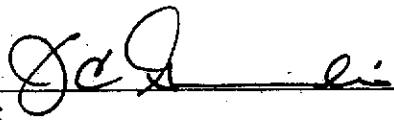
With a copy to:

Palmieri, Tyler, Wiener, Wilhelm & Waldron LLP
East Tower, Suite 1300
2603 Main Street
Irvine, California 92614
Attention: Robert C. Ihrke, Esq.
Telephone: (949) 851-7265
Facsimile: (949) 851-1554

15. L/S Partners and the Company may assign this Guaranty without in any way affecting Guarantor's liability hereunder. The terms and provisions contained within this Guaranty shall inure to the benefit of L/S Partners, the Company and their respective successors and assigns, and shall bind Guarantor and its heirs, executors, administrators, successors and assigns.

IN WITNESS WHEREOF, Guarantor has executed this Guaranty as of the date first above written.

CAMEO HOMES, a California corporation

By: 
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Project Budget and Commitment Analysis

Print date (07/29/2008 15:31:39)

Object Displayed in	Object	592,623.00	349,530.00	942,153.00	351,170.08	0.00	808,503.75	808,503.75	133,649.25	14.19	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	592,623.00	349,530.00	942,153.00	351,170.08	0.00	808,503.75	808,503.75	133,649.25	14.19	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	72,450.00	89,290.00	161,740.00	176,780.08	0.00	141,325.79	141,325.79	20,414.21	12.62	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	22,000.00	33,006.00	55,006.00	4,810.00	0.00	45,835.60	45,835.60	9,170.40	16.67	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	22,000.00	33,006.00	55,006.00	4,810.00	0.00	45,835.60	45,835.60	9,170.40	16.67	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	4,700.00	32,000.00	36,700.00	0.00	0.00	35,302.73	35,302.73	1,397.27	3.81	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	15,000.00	11,800.00	26,800.00	0.00	0.00	22,692.50	22,692.50	4,107.50	15.33	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	36,000.00	25,710.00	61,710.00	0.00	0.00	0.00	0.00	10,290.00	100.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	36,000.00	25,710.00	61,710.00	0.00	0.00	0.00	0.00	10,290.00	100.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	39,500.00	44,005.00	83,505.00	0.00	0.00	77,580.00	77,580.00	5,925.00	7.10	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	39,500.00	44,005.00	83,505.00	0.00	0.00	77,580.00	77,580.00	5,925.00	7.10	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	19,028.00	13,272.00	32,300.00	597.50	0.00	19,772.04	19,772.04	12,527.96	38.79	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	19,028.00	13,272.00	32,300.00	597.50	0.00	19,772.04	19,772.04	12,527.96	38.79	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	123,882.00	64,665.00	188,547.00	4,556.00	0.00	163,790.25	163,790.25	24,756.75	13.13	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	1,475.00	1,475.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	0.00	13,300.00	13,300.00	0.00	0.00	12,046.90	12,046.90	1,253.10	9.42	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	0.00	41,285.00	41,285.00	0.00	0.00	40,342.50	40,342.50	942.50	2.28	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	7,597.00	10,147.00	17,744.00	0.00	0.00	17,744.01	17,744.01	0.01	0.01	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	2,000.00	9,270.00	12,200.00	0.00	0.00	3,983.93	3,983.93	8,216.07	67.34	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	21,470.00	5,165.00	22,635.00	1,256.00	0.00	22,685.00	22,685.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	17,500.00	5,165.00	22,665.00	0.00	0.00	66,987.91	66,987.91	11,845.09	15.03	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	65,300.00	115,020.00	180,320.00	7,475.50	0.00	288,592.34	288,592.34	44,672.66	13.40	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	217,563.00	3,300.00	220,863.00	242.00	0.00	24,200.00	24,200.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	27,500.00	12,450.00	39,950.00	1,551.00	0.00	53,813.00	53,813.00	16,447.00	23.41	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	12,000.00	70,260.00	82,260.00	0.00	0.00	194,296.84	194,296.84	20,058.16	9.36	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	178,063.00	36,292.00	214,355.00	5,652.50	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	30,000.00	30,000.00	0.00	0.00	0.00	13,612.50	13,612.50	387.50	2.77	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	12,500.00	1,500.00	14,000.00	0.00	0.00	13,612.50	13,612.50	387.50	2.77	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	12,500.00	1,500.00	14,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	111,150.00	111,150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	111,150.00	111,150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	111,150.00	111,150.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	7,125.00	0.00	7,125.00	0.00	0.00	2,276.88	2,276.88	4,848.12	68.04	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	7,125.00	0.00	7,125.00	0.00	0.00	2,276.88	2,276.88	4,848.12	68.04	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	7,125.00	0.00	7,125.00	0.00	0.00	2,276.88	2,276.88	4,848.12	68.04	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	168,000.00	0.00	168,000.00	0.00	0.00	168,000.00	168,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	168,000.00	0.00	168,000.00	0.00	0.00	168,000.00	168,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	120,000.00	0.00	120,000.00	0.00	0.00	120,000.00	120,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	120,000.00	0.00	120,000.00	0.00	0.00	120,000.00	120,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	48,000.00	0.00	48,000.00	0.00	0.00	48,000.00	48,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	48,000.00	0.00	48,000.00	0.00	0.00	48,000.00	48,000.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	897,140.00	154,530.00	1,051,670.00	0.00	0.00	159,172.41	159,172.41	893,497.59	78.57	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	897,140.00	154,530.00	1,051,670.00	0.00	0.00	159,172.41	159,172.41	893,497.59	78.57	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	84,280.00	20,030.00	104,310.00	0.00	0.00	0.00	0.00	64,250.00	100.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	84,280.00	20,030.00	104,310.00	0.00	0.00	0.00	0.00	64,250.00	100.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	32,000.00	38,000.00	70,000.00	0.00	0.00	15,000.00	15,000.00	55,000.00	78.57	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	32,000.00	38,000.00	70,000.00	0.00	0.00	15,000.00	15,000.00	55,000.00	78.57	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	6,700.00	10,000.00	16,700.00	0.00	0.00	210.00	210.00	16,490.00	96.87	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	6,700.00	10,000.00	16,700.00	0.00	0.00	210.00	210.00	16,490.00	96.87	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	89,000.00	15,000.00	104,000.00	0.00	0.00	0.00	0.00	74,000.00	100.00	0.00	0.00	0.00	0.00
	WS 0203A.00.01.SCF.531000	89,000.00	15,000.00	104,000.00	0.00	0.00	0.00	0.00	74,000.00	100.00	0.00	0.00	0.00	0.00

Original Budget
 Project Budget
 Total Budget
 Total PO
 Net PO
 Total Costs
 Total as
 Balance
 Remaining

Project Budget and Commitment Analysis

Current Date (07/29/2008 15:31:39)

Object Displayed in	Original Budget	Revised Budget	Total Budget	Total Commit	Net PO 1 USD	Value 1 USD	Balance Remaining	Variance 1 USD	Pur Req 1 USD	PO Comm 1 USD	PO Neg 1 USD	Total C 1 USD
WBS 0203B.00.01.SCF.531710	Environmental Engine	69,000.00	15,000.00	74,000.00	0.00	0.00	74,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.531800	LANDSCAPE ARCHITECTURE	64,500.00	25,000.00	39,500.00	0.00	0.00	39,500.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.531810	US Arch - Design	64,500.00	25,000.00	39,500.00	0.00	0.00	39,500.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.531900	REPROGRAPHICS	20,000.00	3,000.00	17,000.00	0.00	0.00	17,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.531921	Reprographics - Misc	20,000.00	3,000.00	17,000.00	0.00	0.00	17,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532000	OTHER DEV'T CONSULTA	223,013.00	500.00	223,513.00	0.00	0.00	223,513.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532100	MR CONSULTANT	12,500.00	0.00	12,500.00	0.00	0.00	12,500.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532140	Political Consultant	1,475.00	0.00	1,475.00	0.00	0.00	1,475.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532150	Traffic Consultant	16,000.00	0.00	16,000.00	0.00	0.00	16,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532300	Palaeontologist	19,945.00	0.00	19,945.00	0.00	0.00	19,945.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532310	Biologist	16,093.00	0.00	16,093.00	0.00	0.00	16,093.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532510	Utility Consultants	2,000.00	0.00	2,000.00	0.00	0.00	2,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532590	Market Research	26,500.00	4,500.00	31,000.00	0.00	0.00	31,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532610	Budget/Data Consulta	17,500.00	10,000.00	27,500.00	0.00	0.00	27,500.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.532995	Other Development Co	111,000.00	20,000.00	131,000.00	0.00	0.00	131,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536100	ENTIREMENT FEES	322,147.00	95,000.00	417,147.00	0.00	0.00	417,147.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536130	Tentative Map Fees	39,000.00	0.00	39,000.00	0.00	0.00	39,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536135	Final Map Fees	21,000.00	0.00	21,000.00	0.00	0.00	21,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536195	Local Agency Fees	50,000.00	0.00	50,000.00	0.00	0.00	50,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536290	Other Dev't Fees	212,147.00	45,000.00	257,147.00	0.00	0.00	257,147.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536300	DEV'T PLAN/PERMIT/IN	45,000.00	0.00	45,000.00	0.00	0.00	45,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.536560	Landscaping Plan Check	45,000.00	0.00	45,000.00	0.00	0.00	45,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.537000	IMPROVEMENT FEES	10,500.00	0.00	10,500.00	0.00	0.00	10,500.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.01.SCF.537110	Sewer Fees	83,850.00	0.00	83,850.00	0.00	0.00	83,850.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.02.OFF.531000	SB 160 Acre Offsite	83,850.00	0.00	83,850.00	0.00	0.00	83,850.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.02.OFF.980120	OFF - Contingency	83,850.00	0.00	83,850.00	0.00	0.00	83,850.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.03.OCC.900000	SB 160 Acre Site Fin	5,375.00	0.00	5,375.00	0.00	0.00	5,375.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.03.OCC.907000	OTHER CARRY COSTS	5,375.00	0.00	5,375.00	0.00	0.00	5,375.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.03.OCC.907010	ACCOUNTING & TAX	5,375.00	0.00	5,375.00	0.00	0.00	5,375.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.900000	Audit	168,000.00	0.00	168,000.00	0.00	0.00	168,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.931000	SB 160 Acre Site Mgm	168,000.00	0.00	168,000.00	0.00	0.00	168,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.931010	DEVELOPER COSTS/FEES	120,000.00	0.00	120,000.00	0.00	0.00	120,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.934000	WT Mgmt Fee	48,000.00	0.00	48,000.00	0.00	0.00	48,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.934050	EQUITY PPR COSTS/FEES	48,000.00	0.00	48,000.00	0.00	0.00	48,000.00	100.00	0.00	0.00	0.00	0.00
WBS 0203B.00.04.OCC.934050	PR Mgmt Fee	48,000.00	0.00	48,000.00	0.00	0.00	48,000.00	100.00	0.00	0.00	0.00	0.00
Result		2033263.00	0.00	2033263.00	35117.08	0.00	1309326.66	723936.32	35.60	0.00	0.00	0.00

Original Budget
Revised Budget
Total Budget
Total Commit
Net PO
Value
Balance Remaining

PROOF OF SERVICE AND CERTIFICATION

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 2049 Century Park East, 28th Floor, Los Angeles, California 90067-3284.

☐ (FOR MESSENGER) My business address is Nationwide Legal, 316 West 2nd Street, Suite 705, Los Angeles, CA 90012.

On **September 22, 2008**, I served the foregoing document(s) described as **PROOF OF CLAIM** on ALL INTERESTED PARTIES in this action by placing ☐ the original ☒ a true copy thereof enclosed in a sealed envelope addressed as follows:

PLEASE SEE ATTACHED SERVICE LIST.

On the above date:

☒ (BY ☒ U.S. MAIL/☐ EXPRESS MAIL) The sealed envelope with postage thereon fully prepaid was placed for collection and mailing following ordinary business practices. I am aware that on motion of the party served, service is presumed invalid if the postage cancellation date or postage meter date on the envelope is more than one day after the date of deposit for mailing set forth in this declaration. I am readily familiar with Cox, Castle & Nicholson LLP's practice for collection and processing of documents for mailing with the United States Postal Service and that the documents are deposited with the United States Postal Service the same day as the day of collection in the ordinary course of business.

☐ (BY FEDERAL EXPRESS OR OTHER OVERNIGHT SERVICE) I deposited the sealed envelope in a box or other facility regularly maintained by the express service carrier or delivered the sealed envelope to an authorized carrier or driver authorized by the express carrier to receive documents.

☐ (BY FACSIMILE TRANSMISSION) On September ____, 2008, at ____ a.m./p.m. at Los Angeles, California, I served the above-referenced document on the above-stated addressee by facsimile transmission pursuant to Rule 2.306 of the California Rules of Court. The telephone number of the sending facsimile machine was (____) ____-____, and the telephone number of the receiving facsimile number was (____) ____-____. A transmission report was properly issued by the sending facsimile machine, and the transmission was reported as complete and without error. Copies of the facsimile transmission cover sheet and the transmission report are attached to this proof of service.

☐ (BY E-MAIL OR ELECTRONIC TRANSMISSION) - On ____, at ____ a.m./p.m. at Los Angeles, California, I served the above-referenced document by electronic mail to the e-mail address of the addressee(s) pursuant to Rule 2.260 of the California Rules of Court. The transmission was complete and without error and I did not receive, within a reasonable time after the transmission, any electronic message or other indication that the transmission was unsuccessful.

☐ (BY PERSONAL DELIVERY) By causing a true copy of the within document(s) to be personally hand-delivered to the office(s) of the addressee(s) set forth above, on the date set forth above.

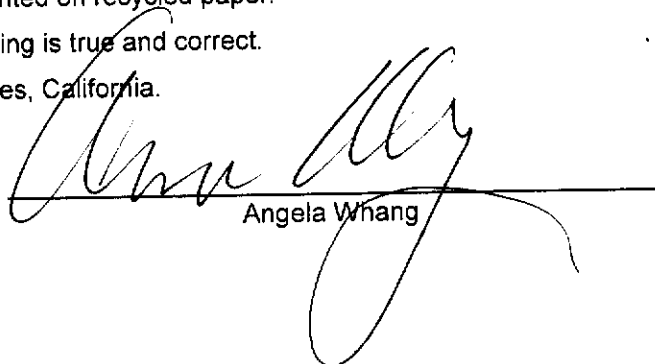
☐ (BY PERSONAL SERVICE) I delivered such envelope by hand to the offices of the addressee.

☒ (FEDERAL ONLY) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

I hereby certify that the above document was printed on recycled paper.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on **September 22, 2008**, at Los Angeles, California.


Angela Whang

SERVICE LIST

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Counsel for the U.S. Trustee

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Debtor

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Attorneys for Housing Capital Company

Creditors' Committee

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Bend, OR 97702-1384

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Attention: Lou Ann Frederick
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Irvine, CA 92602-1301

Housing Capital Company
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Attorneys for Wachovia Bank NA

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Reed Smith LLP
355 S. Grand Ave., Ste. 2900
Los Angeles, CA 90071

Requests for Special Notice

Weiland, Golden, Smiley, Wang Ekvall & Strok,
LLP

Attention: Lei Lei Wang Ekvall, Esq.
650 Town Center Dr., Ste. 950
Costa Mesa, CA 92626

Michael W. Immell and Charlene H. Immell, as
trustees of the M and C Immell Revocable Trust
dated March 30, 1992
% Michael W. Immell
611 Anton Blvd., 14th Fl.
Costa Mesa, CA 92626

Phillip D. Hamilton and Janet L. Hamilton, as co-
trustees of the Hamilton Family Trust u/d/t dated
07/11/90
% Phillip D. Hamilton
760 W. 16th St., Ste. C
Costa Mesa, CA 92627

M.W. Housing Partners III, L.P.
Attention: Julie MacHale
Weyerhaeuser Realty Investors
8105 Irvine Center Dr., Ste. 420
Irvine, CA 92618

Attorneys for Marilyn Robbins Gianulias

Penelope Parmes, Esq.
Rutan & Tucker LLP
611 Anton Blvd., Ste. 1400
Costa Mesa, CA 92626-1931

PROOF OF SERVICE AND CERTIFICATION

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 2049 Century Park East, 28th Floor, Los Angeles, California 90067-3284.

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On the above date:

☒ (BY ☒ U.S. MAIL/☐ EXPRESS MAIL) The sealed envelope with postage thereon fully prepaid was placed for collection and mailing following ordinary business practices. I am aware that on motion of the party served, service is presumed invalid if the postage cancellation date or postage meter date on the envelope is more than one day after the date of deposit for mailing set forth in this declaration. I am readily familiar with Cox, Castle & Nicholson LLP's practice for collection and processing of documents for mailing with the United States Postal Service and that the documents are deposited with the United States Postal Service the same day as the day of collection in the ordinary course of business.

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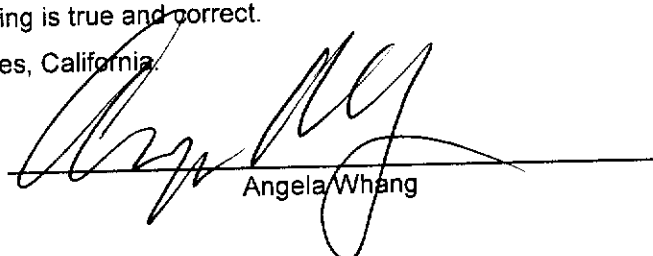
☐ (BY PERSONAL SERVICE) I delivered such envelope by hand to the offices of the addressee.

☒ (FEDERAL ONLY) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

I hereby certify that the above document was printed on recycled paper.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on **September 22, 2008**, at Los Angeles, California.


Angela Whang

SERVICE LIST

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Central District Of California Claims Register

8:08-bk-13151-RK Cameo Homes CASE CONVERTED on 07/02/2008

Judge: Robert N. Kwan


Chapter: 11

Office: Santa Ana

Last Date to file claims:

Trustee:

Last Date to file (Govt):

<i>Creditor:</i> (20818822) Laing/Sequoia Partners LLC and South Banning Properties LLC Cox Castle & Nicholson LLP 2049 Century Park East 28th Fl Los Angeles, CA 90067-3284	Claim No: 4 <i>Filed:</i> 09/22/2008 <i>Entered:</i> 09/26/2008	<i>Status:</i> <i>Filed by:</i> CR <i>Entered by:</i> Daniels, Sally <i>Modified:</i>
Unsecured claimed: \$1309326.68 Total claimed: \$1309326.68		
<i>History:</i>  4-1 09/22/2008 Claim #4 filed by Laing/Sequoia Partners LLC and , total amount claimed: \$1309326.68 (Daniels, Sally)		
<i>Description:</i>		
<i>Remarks:</i>		

Claims Register Summary