

B10 (Official Form 10 (12/07))

UNITED STATES BANKRUPTCY COURT - CENTRAL DISTRICT OF CALIFORNIA		PROOF OF CLAIM
Name of Debtor: <input type="checkbox"/> JAMES C. GIANULIAS <input checked="" type="checkbox"/> CAMFO HOMES.		Case Number: 8:08-13150 RK 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): Hillcrest Contracting, Inc.		<input type="checkbox"/> Check this box to indicate that this claim amends a previously filed claim. Court Claim Number: _____ (If known) Filed on: _____
Name and address where notices should be sent: Monteleone & McCrory, LLP, c/o Gerald Mouzis 200 W. Santa Ana Boulevard, Suite 200, Santa Ana, CA 92701 Telephone No. 714/565-3170		<div style="border: 1px solid black; padding: 5px; text-align: center;"> FILED NOV 10 2008 <small>CLERK U.S. BANKRUPTCY COURT CENTRAL DISTRICT OF CALIFORNIA</small> </div>
Name and address where payment should be sent (if different from above): Hillcrest Contracting, Inc. 1467 Circle City Drive, Corona, CA 92879 Telephone No. _____		
1. Amount of Claim as of Date Case Filed: <u>\$242,697.46</u> 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. <input checked="" type="checkbox"/> Check this box if claim includes interest or other charges in addition to the principal amount of the claim. Attach itemized statement of all interest or charges.		<input type="checkbox"/> 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.
2. Basis for Claim: <u>Mechanic's Lien for work performed at property owned, (See instruction #2a on reverse side.) at least in part, by debtor.</u>		<input type="checkbox"/> Domestic support obligations under 11 U.S.C. § 507(a)(1)(A) or (a)(1)(B). <input type="checkbox"/> Wages, salaries, or commission (up to \$10,950*) earned within 180 days before filing of the bankruptcy petition or cessation of the debtor's business, which ever is earlier -- 11 U.S.C. § 507(a)(4). <input type="checkbox"/> Contributions to an employee benefit plan -- 11 U.S.C. § 507(a)(5). <input type="checkbox"/> 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). <input type="checkbox"/> Taxes or penalties owed to governmental units -- 11 U.S.C. § 507(a)(8). <input type="checkbox"/> Other -- Specify applicable paragraph of 11 U.S.C. § 507(a)(____).
3. Last four digits of any number by which creditor identifies debtor: _____ Ja. Debtor may have scheduled account as: _____ (See instruction #3a on reverse side.)		* Amounts are subject to adjustment on 4/1/20 and every 3 years thereafter with response to cases commenced on or after the date of adjustment.
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: <input checked="" type="checkbox"/> Real Estate <input type="checkbox"/> Motor Vehicle <input type="checkbox"/> Other Describe: See description in Mechanic's Lien attached hereto. Value of Property: \$ <u>unknown</u> Annual Interest Rate: <u>10</u> % (legal rate on amount due for work.) Amount of arrearage and other charges as of time case filed included in secured claim. if any: \$ <u>242,697.46</u> (amount due for work, plus interest) Basis for Perfection: <u>Mechanic's Lien</u> Amount of Secured Claim: \$ <u>242,697.46</u> Amount Unsecured: \$ _____		Amount entitled to priority: \$ _____
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 of 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 DOCUMENT MAY BE DESTROYED AFTER SCANNING. If the documents are not available, please explain:		
Date: <u>11/10/08</u> Signature: <u>[Signature]</u> 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.		FOR COURT USE ONLY

#123448 v1 - CameoProofOfClaimForm

ORIGINAL

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ATTACHMENT

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ATTACHMENT 1A (Interest Calculation)

Interest in the amount of \$6,974.64 was due to claimant as of the date this case was filed. Interest is calculated at the legal rate of 10% per year as follows:

Principal amount of claim	\$235,722.82
10% of principal amount	\$23,572.28
Per day rate (divide by 365)	\$64.58
108 days of interest	\$6,974.64 ¹

¹Interest from February 19, 2008, date identified in the Mechanics' Lien, and bankruptcy filing date of June 6, 2008.

DOC # 2008-0031368

02/20/2008 08:00A Fee: 12.00

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Recorded in Official Records

County of Riverside

Larry M. Ward

Assessor, County Clerk & Recorder

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

Hillcrest Contracting, Inc.

NAME

ADDRESS P.O. Box 1898

CITY, STATE Corona, California 92878-1898



S	R	U	PAGE	SIZE	DA	MISC	LONG	RFD	COPY
1			1			5			3
M	A	L	465	426	PCOR	NCOR	SMF	NCHG	EXAM 5/3

NOTICE SENT

15

MECHANIC'S LIEN (Claim of Lien)

C
513

The undersigned, Hillcrest Contracting, Inc., referred to in this Claim of Lien as the Claimant,

(FULL NAME OF PERSON OR FIRM CLAIMING MECHANIC'S LIEN)

claims a mechanic's lien for the labor, services, equipment and/or materials described below, furnished for a work of improvement upon that certain real property located in the County of Riverside, State of California,

and described as follows: Sweetwater Ranch Tr#31118 Leon Rd/Jean Nicholas Rd H.C. 1811
IP040195, Map Page 899 B5

(DESCRIPTION OF PROPERTY WHERE THE LABOR AND/OR MATERIALS WERE FURNISHED
ALTHOUGH THE STREET ADDRESS IS SUFFICIENT IT IS ADVISABLE TO GIVE BOTH THE STREET ADDRESS AND THE LEGAL DESCRIPTION.)

After deducting all just credits and offsets, the sum of \$ 235,722.82
together with interest thereon at the rate of 10% per cent per annum from 8/31/07

(AMOUNT OF CLAIM DUE AND UNPAID)

(SEE NOTE ON REVERSE SIDE)

2/19, 2008 is due Claimant for the following labor, services, equipment and/or materials furnished by

(DATE WHEN AMOUNT OF CLAIM BECAME DUE)

Claimant: Curb & Gutter, Street Improvements

(GENERAL DESCRIPTION OF THE WORK AND/OR MATERIALS FURNISHED)

The name of the person or company by whom Claimant was employed, or to whom Claimant furnished the labor, services, equipment and/or materials is Classic Pacific, LTD

3197B Airport Loop Drive Costa Mesa, CA 92626

(USUAL NAME OF PERSON OR FIRM WHO ORDERED FROM, OR CONTRACTED WITH CLAIMANT FOR THE WORK AND/OR MATERIALS)

The name(s) and address(es) of the owner(s) or reputed owner(s) of the real property is/are: Silver Oak 183, LLC A California LTD, G Companies Home Building LLC, Cameo Homes 1105 Quail St Newport Beach, CA 92660

(THIS INFORMATION CAN BE OBTAINED FROM THE COUNTY ASSESSOR'S OFFICE WHERE THE REAL PROPERTY IS LOCATED.)

SEE REVERSE SIDE FOR ADDITIONAL INSTRUCTIONS

Name of Claimant Hillcrest Contracting, Inc.

(SEE INSTRUCTIONS ON REVERSE SIDE FOR SIGNATURE REQUIREMENTS)

By Carol L. Cittadino
(SIGNATURE OF CLAIMANT OR AUTHORIZED AGENT AND TITLE)
Carol L. Cittadino, Credit Manager

VERIFICATION

I, the undersigned, declare: I am the President of Hillcrest Contracting, Inc.

(TITLE)

(NAME OF CLAIMANT)

the Claimant named in the foregoing claim of mechanic's lien; I am authorized to make this verification for the Claimant; I have read the foregoing claim of mechanic's lien and know the contents thereof, and the same is true to my own knowledge.

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

February 19 2008

(DATE OF SIGNATURE)

Glenn J. Salsbury, President

(SIGNATURE OF THE PERSONAL WHO VOUCHES THAT THE CONTENTS OF THE CLAIM OF MECHANIC LIEN ARE TRUE)

WDC0715 FORM 1074 Rev. 3-04 (prev. ed. 1074) 1994 WDC0715 FORM 1074 MECHANIC'S LIEN (Claim of Lien)

1994 WDC0715 FORM 1074



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CALIFORNIA PRELIMINARY NOTICE

IN ACCORDANCE WITH SECTION 3097 AND 3098, CALIFORNIA CIVIL CODE

THIS IS NOT A LIEN. THIS IS NOT A REFLECTION ON THE INTEGRITY OF ANY CONTRACTOR OR SUBCONTRACTOR

CONSTRUCTION LENDER or
Reputed Construction Lender, if any

BANK MIDWEST
1100 MAIN, SUITE 350
KANSAS CITY, MO 64105

OWNER or PUBLIC AGENCY
or Reputed Owner (on public work)
(on private work)

**SILVER OAKS 183, LLC A CALIFORNIA LTD
LIABILITY COMPANY, & COMPANIES
HOME BUILDING, LLC, CAMEO HOMES A
CALIFORNIA COPR, AND HESTER
DEVELOPMENT COMPANY**
1108 QUAIL STREET
NEWPORT BEACH, CA 92660

ORIGINAL CONTRACTOR or
Reputed Contractor, if any

CLASSIC PACIFIC, LTD
3187B AIRPORT LOOP DRIVE
COSTA MESA, CA 92626

SUBCONTRACTOR with whom
claimant has contracted

Hillcrest Contracting, Inc.
1467 Circle City Drive
Corona, California 92879

YOU ARE HEREBY NOTIFIED THAT:

Hillcrest Contracting, Inc.

(name of person or firm furnishing labor, services, equipment or material)

P.O. Box 1898

(address of person or firm furnishing labor, services, equipment or material)

Corona, CA 92778-1898

has furnished or will furnish labor, services, equipment or material

of the following general description:

Street Improvements

(general description of the labor, services, equipment or material furnished or to be furnished)

for the building, structure or other work of improvement located at:

SWEETWATER RANCH

TRNS1118

LEON ROAD / JEAN NICHOLAS ROAD

H.C. Job # 1811

(address or description of job site sufficient for identification)

The name of the person or firm who contracted for the purchase of such labor, services, equipment or material is:

CLASSIC PACIFIC HOMES, LTD

An estimate of the total price of the labor, services, equipment or material furnished or to be furnished is:

\$889,238.00

Trust Funds to which Supplemental Fringe Benefits are Payable:

(Material men not required to furnish)

name address

name address

name address

Notice to Property owner

If bills are not paid in full for the labor, services, equipment or materials furnished or to be furnished, a mechanic's lien resulting to the lien, through court foreclosure proceedings, of all or part of your property being so improved may be placed against the property even though you have paid your contractor in full. You may wish to protect yourself against this consequence by (1) requiring your contractor to furnish a signed release by the person or firm giving you this notice before making payment to your contractor or (2) any other method or device that is appropriate under the circumstances.

Dated: September 5, 2007

Signature: Amanda Cronbach

Title: Contract Administrator

Telephone Number: (951) 273-9800

lender / owner / contractor / sub

HILLCREST CONTRACTING, INC.

JC Billing by Job

02/28/2008 Page 1
System Date: 02/28/2008
System Time: 10:21 am

00-10-1811 CLASSIC PACIFIC

<u>Cat</u>	<u>Tran</u> <u>Date</u>	<u>Transaction</u> <u>Type</u>	<u>Invoice</u>	<u>Amount</u>
	09/30/2007	Work billed	FB15372	228,968.00
	08/31/2007	Work billed	21039	2,525.00
	12/31/2007	Work billed	21153	5,129.32
			Job Totals:	236,622.32
			Report Totals:	236,622.32

03/26/10 10:17:51
 System Date: 03/27/10
 System Time: 10:18:40

Report Detail: 6/ 001

Account: 1000000000
 Rating: 1000000000
 Unpaid: 0000000000

LINE	DATE	AMOUNT	COVER	COVER	COVER	COVER	COVER	COVER
			36	60	90	120	180	240
1000	03/30/2007	5,129.82						
1000	03/30/2007	22,804.80						
1000	03/30/2007	5,129.82						
Sub Totals			5,129.82	5,129.82	5,129.82	5,129.82	5,129.82	5,129.82
Report Totals			5,129.82	5,129.82	5,129.82	5,129.82	5,129.82	5,129.82

CLASSIC FAC FAX
 949-252-0645

HILCREST CONTRACTING, INC.

CN CO's by Contract Item

02/28/2008 Page 1
 System Date: 03/23/2008
 System Time: 10:59 am

CO Item Description	Original Contract	CO Item Amount	Revised Contract	Total Billed	Cash Receipt
8811 CLASSIC PACIFIC					
00-10-1811 SILVER OAKS 183	990,238.00		990,238.00		
00 CONTRACT					
00 INV#21039	2,525.00		2,525.00		
PO PO#200385	59,760.00		59,760.00		
PO PO#005409	5,129.82		5,129.82		
SILVER OAKS 183 Totals	1,057,652.82*	.00*	1,057,652.82*	.00*	.00*
CLASSIC PACIFIC Totals	1,057,652.82*	.00*	1,057,652.82*	.00*	.00*

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SUBCONTRACT AGREEMENT

Contract No: N/A

Cost Code: 4200

GENERAL DESCRIPTION OF WORK: Street Paving

THIS SUBCONTRACT is entered into this 28 day of August, 2007 by and between:

CLASSIC PACIFIC, LTD 20 Executive Park Suite 155 Irvine, CA 92614 Tel: (949) 252-0644 Fax: (949) 252-0645 Herein called the "Contractor"	And	HILLCREST CONTRACTING 1467 Circle City Drive Corona CA 91718-1898 Tel: (951) 273-9600 Fax: (951) 273-9608 Attn.: Justin Parsons Herein called the "Subcontractor"
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RECITAL

Contractor, pursuant to a contract with Silver Oaks 183, LLC a California Limited Liability Company, Owner of the Property, proposes to improve, develop and/or subdivide Tract No. 31118, Sweetwater Ranch, situated in the unincorporated area of the County of Riverside, State of California, legally described as follows:

Lots 1 through 133 of Tract 31118, located in the Murrieta area of the County of Riverside. (referred to in this Subcontract as "the Project").

FOR THE MUTUAL CONSIDERATION DESCRIBED HEREIN, CONTRACTOR AND SUBCONTRACTOR AGREE TO THE FOLLOWING:

1. **FINANCING CONDITION AND CANCELLATION:** This Subcontract is contingent upon Contractor obtaining sufficient construction loans for the Project. If Contractor is unable to obtain construction loans sufficient to continue or complete the work necessary for the Project as required by the Contractor, then Contractor may, upon written notification to Subcontractor, either:

- (a) immediately terminate this Subcontract; or
- (b) designate which portions of the work covered by this Subcontract shall be performed by Subcontractor.

In the event Contractor is unable to proceed with this Project, for any reason whatsoever, whether wholly or partially, Contractor may, at its sole discretion, cancel this Subcontract Agreement without recourse by Subcontractor. Subcontractor shall be paid in full for any and all contracted work completed through the date of cancellation.

2. **DOCUMENTS:** The Contract Documents include this Subcontract, Supplemental Schedules (INSERT APPLICABLE SCHEDULES) and the documents listed in Schedule "D (IF APPLICABLE)." The Contract Documents describe the work to be performed by the Subcontractor under this Subcontract. Subcontractor acknowledges that he has carefully examined and studied the Contract Documents in their entirety. Subcontractor

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Sweetwater Ranch

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further acknowledges that the work of the various subcontractors for the Project is interrelated, and Subcontractor fully understands the character of the work to be performed pursuant to the Contract Documents.

3. **WORK COVERED:** Subcontractor agrees to perform in good and workmanlike manner, and to furnish to the Project, all labor, materials, supplies, equipment, services, machinery, tools and other facilities of every description required for the prompt and efficient execution of the work (the "Job") as outlined in Schedule "B" attached hereto. All materials shall be new unless otherwise specified by Contractor. Subcontractor shall be obligated to perform the Job in strict compliance with the Contract Documents and all applicable Federal, State & local laws, ordinances, and regulations (including OSHA and all other safety and/or environmental protection laws) as well as with the provisions of this Subcontract.

4. **CONTRACT PRICE:** For the strict (not substantial) performance of all its obligations hereunder, Contractor shall pay to Subcontractor the amounts set forth in Schedule "C" attached hereto (the "Contract Price"). Except where a different notice period is provided herein for breaches of specific clauses of this Subcontract, Contractor shall have the absolute right to terminate this Subcontract without cause upon three (3) days prior written notice to the Subcontractor and payment to the Subcontractor of the portion of the Contract Price for the work completed as of the date of termination.

5. **PAYMENT:** So long as Subcontractor is not in default under any of the provisions of this Subcontract, payment will be made for the work completed at the unit price or prices specified in accordance with Schedule "C" when Contractor has received:

- (a) City and County inspections;
- (b) Material and labor releases as herein provided;
- (c) Receipts for payment of Health, Welfare and Pension funds, if applicable;
- (d) Satisfaction (in Contractor's sole discretion) that all legitimate complaints involving Subcontractor's work have been corrected by Subcontractor;
- (e) All additional insured endorsements and certificates as required under this subcontract, and
- (f) Written notice of the name, address and telephone number of the person designated by Subcontractor to address all issues relevant to the Project.


Any payments or advances made by Contractor prior to full completion and final acceptance of the Job shall not be construed as evidence of acceptance of any Subcontractor's work. If construction loan funds are deposited in a joint control account, Subcontractor agrees to accept payments from that account and any order given by Contractor to Subcontractor shall be deemed payment on the part of Contractor and a release of Contractor in the amount of any such order. Contractor shall have the right to make payments to Subcontractor hereunder by checks payable jointly to Subcontractor and Subcontractor's suppliers and laborers, or any of them. SUBCONTRACTOR AGREES TO FURNISH TO CONTRACTOR, AND CONTRACTOR MAY REFUSE PAYMENT TO SUBCONTRACTOR HEREUNDER UNLESS AND UNTIL SUBCONTRACTOR FURNISHES TO CONTRACTOR, RELEASES OF CLAIMS OF SUBCONTRACTORS, LABORERS, MATERIALMEN, ANY TRUST FUND WHICH MAY ACQUIRE A LIEN ON THE PROPERTY PURSUANT TO CIVIL CODE SECTION 3111 AND OTHER SUBCONTRACTORS EXCEPT AT CONTRACTOR'S OPTION.

6. **ADDITIONS, CHANGES AND MODIFICATIONS TO SUBCONTRACT:** The terms and conditions of this Subcontract are not subject to addition, modification or change, unless they are made in writing by a duly authorized representative of Contractor. Except upon written notification by Contractor to Subcontractor, the only representatives of Contractor authorized to make such written addition, modification or change are those set forth in Schedule "A" attached hereto. All authorizations for additions, changes or modifications shall be attached to and be made a part of this Subcontract. No addition, change or modification made pursuant to this section shall void this Subcontract. If Subcontractor is requested to perform services or furnish materials over and above his contract provisions, Subcontractor must first obtain written approval and a Change Order number from Contractor. All other instructions, responses to requests for information, and/or directions whether verbal or written, that the

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Subcontractor may receive in the normal course of business shall be deemed part of the Original Contract and no additional compensation shall be given to Subcontractor.

7. **ADHERENCE TO PLANS AND SPECIFICATIONS:** Information regarding the site of the work given in drawings and specifications is believed to be reasonably correct, but the Contractor does not warrant either the completeness or accuracy of such information, and it is the responsibility of the Subcontractor to verify all such information, independently, and to make such other examination of the site as shall reasonably be necessary to satisfy himself of the conditions to be encountered during construction. In any case of discrepancy, either in the figures, in the drawings, or in the specifications, the matter shall be promptly submitted to the Contractor, who shall promptly make a determination in writing.

Unless otherwise instructed by Contractor, in writing, Subcontractor shall make no changes to, nor in any manner deviate from the Contract Documents, and he shall be responsible and liable for any and all damage of any kind, including without limitation, tort, contract and equitable damages, as well as economic and non-economic damages, that may result from such changes or deviations. In addition, Contractor may require Subcontractor, at Subcontractor's own cost and expense, to cause any of his work to conform strictly to the Contract Documents, unless a written authorization of Contractor executed in accordance with Section 6 of this Subcontract, addressed to Subcontractor, shall be given setting forth in detail what specific changes may be made.

For purposes of interpreting the Contract Documents, should the plans vary from the specifications, then the specifications shall govern. Should there be any discrepancy between the plans or the specifications, or both, and any governmental laws or regulations, then those which are more stringent and/or maximum shall govern. Contractor assumes no responsibility for failure of the plans or specifications to comply with governmental laws or regulations, and it is conclusively presumed that Subcontractor is familiar with all relevant governmental laws or regulations, regardless of the provisions of the Contract Documents. Subcontractor agrees that should any change be required by any governmental authority, such change shall be made by Subcontractor without increase in the Contract Price, Contractor agreeing only that it will use its best efforts to have the Contract Documents meet with the requirement of governmental authority. If any of the Contract Documents provide for work contrary to any such laws and regulations, Subcontractor must notify Contractor in writing prior to proceeding with any work and Subcontractor shall not perform any such work until the corrected Contract Documents have been approved in writing by Contractor.

8. **EXTRAS:** All labor, materials and equipment furnished by Subcontractor are included within the Contract Price, even though the labor, materials and equipment are not specified in the Contract Documents. Contractor, at any time during the progress of this Project, may order in writing changes, additions or modifications to the Contract Documents in accordance with Section 6 of this Subcontract, and these changes shall not void this Subcontract, but the value of the changes, as designated by Contractor in the written authorization shall be added to or deducted from the Contract Price as the case may be.

9. **TAXES:** The Contract Price includes the payment by Subcontractor of any tax under California Sales or Use Tax Law, or any amendments thereto, or any law now existing, or which may be adopted by Federal, State, local or other governmental authority, taxing materials, services required, or labor furnished, or any other tax levied by reason of the work performed or to be performed pursuant to this Subcontract.

10. **COMMENCEMENT AND COMPLETION OF THE JOB:** On or before seven (7) days prior to the time Subcontractor will be required to commence the Job or a portion of the Job, Contractor will deliver to Subcontractor a "Construction Sequence Schedule". Thereafter Contractor shall give Subcontractor three (3) days written notice of the exact date upon which Subcontractor shall commence the performance of his obligations hereunder. Subcontractor shall commence the Job on the date specified in the notice and shall complete the Job within the times as specifically set forth in said "Construction Sequence Schedule." Before fabrication and/or placing orders for non-standard or special materials, Subcontractor shall contact Project Superintendent to confirm starting date, production and scheduling.

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Upon receipt of the "Construction Sequence Schedule", Subcontractor shall procure and prepare materials and manufactured products so as to be ready to begin work on the Project. Subcontractor agrees to perform work in a prompt and diligent manner, in conjunction with the other trades working on the Project, to assure the uninterrupted progress of the Project. If Contractor's work schedule should be changed, Subcontractor will proceed in strict accordance with Contractor's directions. Any changes in the schedule shall be made in writing as specified in Section 6. Subcontractor will cooperate with other subcontractors installing related work and will not interfere in any manner with the work of the Contractor or other subcontractors. If there are any conflicts in the work schedule of the Subcontractor and Contractor or any other Subcontractor, Contractor shall decide which work shall have precedence, and the Contractor's decision shall be final.

11. **MATERIAL ORDERS, NOTIFICATION AND STORAGE:** Subcontractor is required to place orders for all equipment, supplies and materials in time to prevent any delay in the construction schedule or completion of the Project. Should Subcontractor fail to place an order for any equipment, supplies and/or materials in a timely manner, causing delays, then any and all additional charges, fees, and/or penalties incurred by Subcontractor to meet the construction schedule shall be borne by this Subcontractor. These costs may include, but are not limited to, additional charges by supplier to provide materials in time to meet the construction schedule, special handling charges, rush charges or premium freight charges.

Subcontractor shall within ten (10) days of execution of the subcontract provide in writing a list of names and addresses of all suppliers who will supply materials and labor to Subcontractor for the Job. The written list of suppliers shall, upon receipt by Contractor, be attached to this Subcontract and shall be made a part hereof. Subcontractor shall have the right to change the suppliers without first obtaining written permission of Contractor provided, however, that Subcontractor must notify Contractor within 24 hours of any such change. Subcontractor warrants that the list of suppliers who will supply Subcontractor shall be the only suppliers for Subcontractor for the Job.

If Subcontractor requires an area for prefabrication and/or storage of materials, Contractor shall provide to Subcontractor a location only if one is available. If one or more garages is/are used by Subcontractor for storage of materials, equipment, etc., then Subcontractor shall provide to the Project Superintendent a key or combination for the lock(s) used to these secure site(s). Any stored materials are to be kept clear of any posted building permit.

No Toxic Or Hazardous Materials Or Substances Shall Be Stored On The Jobsite At Any Time.

12. **LINE, GRADES AND MEASUREMENTS:** Subcontractor assumes full responsibility for the proper interpretation and interpolation of all lines, levels and measurements and their relation to bench marks, property lines, reference lines and the work of the Contractor or other subcontractors. In all cases where dimensions are governed by conditions already established, the responsibility for correct knowledge of the conditions shall rest entirely on Subcontractor. No variation from specified lines or grades or dimensions shall be made except on written authority of Contractor. All work shall be made to conform to actual, final conditions as they develop in the course of construction.

13. **RELATED WORK:** By beginning his work at the Project, Subcontractor acknowledges that all related, adjacent or dependent work, services, utilities or materials are acceptable to him. Unless prior damage is reported in writing by the Subcontractor to the Contractor, Subcontractor hereby waives any and all claims for damages or extras with respect to defects in or failure of such work, services, utilities or materials. Subcontractor shall not cover over, hide or fail to disclose to Contractor any shoddy, incomplete, inadequate, nonconforming or otherwise inferior work at the Project, whether performed by Subcontractor or any other entity, and will immediately report such discovery to Contractor. If Subcontractor fails to comply with this provision, Subcontractor shall be responsible for all damages, costs, expenses, warranty work, consequential damages, or other liability arising directly or indirectly from such actions.

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14. **INTERRUPTION OF WORK:** If, as a result of fire, earthquake, act of God, war, strikes, picketing, boycott, lockouts or other causes or conditions beyond the control of Contractor, Subcontractor discontinues the Job prior to its completion, then Subcontractor shall resume work as soon as conditions permit, or if Subcontractor shall discontinue work because Contractor considers it inadvisable to proceed with the Job, then Subcontractor will resume the job promptly upon receiving written notice from Contractor to do so, and Subcontractor shall not be entitled to any damages or compensation on account of cessation of work as a result of any of the causes mentioned above.

15. **LICENSES, PERMITS, INSPECTION AND APPROVALS:** Before beginning any portion of the Project, Subcontractor shall obtain, at his expense, any and all certifications, permits and licenses required for his work on the Project. Subcontractor shall comply with all laws, ordinances, rules, regulations, orders and requirements of the applicable city and county governments, the State and Federal governments, and of any board or commission or any other duly qualified body having jurisdiction, which shall or might affect or apply to the Project. Subcontractor shall exhibit each such required permit or license to Contractor upon its request. Any fines, penalties or judgments incurred at the Project which are due to the Subcontractor's failure to obtain a required certification or permit shall be borne and paid solely by Subcontractor.

The Job or any portion of the Job is subject to inspection and approval by all applicable governmental authorities, Contractor and Contractor's representatives. Subcontractor shall be required to furnish for the approval of all governmental authorities, Contractor and Contractor's representatives such samples, shop drawings and patterns as may be required for the Job. Subcontractor shall provide sufficient, safe and proper facilities during the progress of the Job for all such inspections in the field, at shops or any place where materials required hereunder are in the course of preparation, manufacture, treatment or storage. It is agreed that any change or correction required as a result of any such inspections shall be made by Subcontractor without additional charge, unless otherwise specifically agreed upon by Contractor in writing.

16. **AIR QUALITY AND STORM WATER RUNOFF REQUIREMENTS:**

A. **Air Quality:** Subcontractor acknowledges that the South Coast Air Quality Management District ("SCAQMD") has requirements regarding job site emissions into the air and other requirements related to air quality. All Subcontractors and/or Suppliers that work on Contractor's projects are required to meet specific certification requirements set by the SCAQMD, and may be required to obtain permits, licenses and certifications required by the SCAQMD. It is the Subcontractor's sole responsibility to obtain any and all relevant permits, licenses and certifications required by the SCAQMD. Additional information may be available at the AQMD website at www.aqmd.gov.

B. **Storm Water And Construction Site Run-Off:** Where construction projects disturb one or more acres of soil or disturb less than one acre but are part of a larger common plan of development that in total disturbs one or more acres, Contractor or Owner will obtain a General Permit for Discharges of Storm Water Associated with Construction Activity Construction ("Construction General Permit"). All such projects and the activities of the contractors and subcontractors who work on them are subject to this permit. The construction activities include but are not limited to clearing, grading and disturbances to the ground such as stockpiling, or excavation. The Construction General Permit requires the development and implementation of a Storm Water Pollution Prevention Plan (SWPPP). The SWPPP contains site map(s) which show the construction site perimeter, existing and proposed buildings, lots, roadways, storm water collection and discharge points, general topography both before and after construction, and drainage patterns across the project. The SWPPP lists Best Management Practices (BMPs) used to protect storm water runoff and the placement of the BMPs. Additionally, the SWPPP contains a visual monitoring program; a chemical monitoring program for "non-visible" pollutants to be implemented if there is a failure of BMPs, and a sediment monitoring plan if the site discharges directly to an identified water body.

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Subcontractor acknowledges his obligations to read and understand the SWPPP for the Project, and to ensure that the activities of all of his employees, sub-sub-contractors and suppliers conform to the requirements of the SWPPP. All Subcontractors/Suppliers that work on Contractor's projects are required by law to be SWPPP "certified". For information regarding certification subcontractor should contact the State Water Resources Control Board, Division of Water Quality at 916-341-5538 or visit their website at www.swrcb.ca.gov/stormwr/index.html

C. **Responsibility For Fines And Orders:** Subcontractor is solely responsible for the payment of any fines or the imposition of any conditions and/or Orders by the SCAQMD and/or the Air Quality Management District ("AQMD") relating in any manner to the work performed by the Subcontractor at the Project. Subcontractor agrees to defend and indemnify Contractor regarding any fine imposed or cost incurred as the result of Subcontractor's work at the Project which is made by the SCAQMD or the AQMD against Contractor.

17. **SURETY:** If required in Schedule "A" attached to this Subcontract, at the option of Contractor, within ten (10) days after the execution of this Subcontract, Subcontractor shall file with Contractor, to the satisfaction of Contractor, a Surety Faithful Performance Bond in the standard form in an amount equal to one hundred percent (100%) of the Contract Price, and a Surety Labor and Materials Bond in the standard form in an amount equal to one hundred percent (100%) of the cost of labor and materials to be incurred by Subcontractor hereunder, each bond to be executed by a corporate surety company licensed to do business in the State of California. Subcontractor, by its execution hereof, warrants that it can obtain said bonds at a cost of not more than one percent (1%) of the principal amount thereof. If Subcontractor fails, for any reason, to so file, Contractor may at its option, terminate this Subcontract, giving Subcontractor two (2) days written notice of termination. In the event Contractor may require Subcontractor to post either of said bonds as provided above, Contractor shall pay the cost thereof and the amount of said premium shall not be included within Subcontractor's bid. It is agreed that no change, alterations or modifications in or deviation from this Subcontract or the Contract Documents, whether made in the manner herein provided for or not, shall release or exonerate in whole or in any part, any surety on any bond given in connection with this Subcontract, and each and every surety bond required hereunder shall so provide.

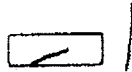
18. **FAILURE TO ADEQUATELY PERFORM:** Upon written or oral notification from the Contractor that Subcontractor's performance is in any respect unsatisfactory, needs correction or that Subcontractor has failed to comply fully with the terms of this Subcontract or the Contract Documents, or that the Job has been damaged, Subcontractor shall, within twenty-four (24) hours of such notification, take all action (including the furnishing of sufficient materials, equipment, and men to perform) which is necessary to correct or repair the Job in accordance with this Subcontract or the Requirements of the Contractor. Should Subcontractor fail to do so within twenty-four (24) hours after written notification, Contractor may terminate this Subcontract.

19. **CORRECTION AND REMOVAL OF DEFECTS IN MATERIAL OR WORK:** All defects in material used or work performed under this Subcontract as designated by City or County inspectors or Contractor, upon inspection and brought to the attention of Subcontractor shall immediately be corrected by Subcontractor to the satisfaction of the Contractor and the designating person. If any workmanship or materials are declared in writing by Contractor or any other applicable governmental authority to be unsound or improper, then Subcontractor shall, within twenty-four (24) hours after service upon him of written notice from Contractor or the appropriate governmental authority to that effect, proceed with due diligence to remove from the site all such materials, whether worked or unworked, and shall take down all such portions of the unsound or improper work and shall make good all work in other trades damaged by such a removal. In the event that all or any portion of such work shall be of such a nature, or the time available to complete the whole work shall be so limited, that in the judgment of Contractor it would be expedient to order the same replace or corrected, Contractor, at its option, may deduct from the payment due or to become due to Subcontractor an amount that shall represent the difference between the fair and reasonable value of such work and its value had it been executed in conformity with the Contract Documents.

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20. **DAMAGE TO RELATED WORK:** Should Subcontractor damage the work or installation of Contractor or any other subcontractor, Subcontractor shall promptly pay to Contractor or such subcontractor, as the case may be, all costs incurred in repairing the damage. Subcontractor and his suppliers shall not be permitted to drive any vehicle over any curb or sidewalk on the Project at any time by any means. Subcontractor shall take all action necessary to ensure that his suppliers comply fully with the requirements of this Paragraph and shall be fully responsible for all damage to curbs and sidewalks caused by his vehicles or those of his suppliers. All damage to the Job prior to full completion and final acceptance of the Project as a whole regardless whether such damages were caused in whole or in part by Subcontractor and regardless of any other person's or party's negligence, shall be promptly repaired or replaced by Subcontractor at his own cost and expense, except that this shall not apply to damages caused by the sole negligence or willful misconduct of Contractor or any other party directly responsible.

21. **INDEMNITY/WAIVER:** To the fullest extent permitted by law, any and all portions of the Job covered by this Subcontract at the Project or in preparing or delivering materials or equipment to the Project, shall be at the sole risk of Subcontractor exclusively, regardless of whether the work contemplated under the Subcontract is characterized as "residential" or "commercial." Subcontractor shall, with respect to all work which is covered by or incidental to this Subcontract, indemnify and hold Contractor, Owner, Classic Pacific Ltd., Silver Oaks, 183 LLC, a California Limited Liability Corporation, Cameo Homes a California Corporation, Hester Development Company, LLC a California Limited Liability Company and G Companies Homebuilding, LLC their officers, directors, agents, servants, employees, divisions, subsidiaries, joint ventures, members, partners, shareholders and affiliated companies (hereinafter "Indemnitites" and/or "The Group") harmless from and against all of the following:

Any claim, liability, loss, damage, cost, liability for taxes, expenses, including reasonable attorneys' fees, awards, fines or judgments ("Claim") arising by reason of the death or bodily injury to persons, injury to property, design defects (if design originated by Subcontractor or Subcontractor's work contributed to Claim), loss of use or other loss, damage or expense, including any result of Indemnitites alleged or actual negligent act or omission, regardless of whether such act or omission is active or passive. However, Subcontractor shall not be obligated under this Subcontract to indemnify Indemnitites with respect to the sole negligence or willful misconduct of Indemnitites, their agents or servants or independent contractors who are directly responsible to Indemnitites, excluding Subcontractor herein.

Subcontractor shall, at its own cost and expense, defend any such Claim and/or any suit, action or proceeding which may be commenced thereunder, and the Subcontractor shall pay any and all judgments, which may be rendered in any suit, action, arbitration or proceeding and any and all expense, including but not limited to costs, attorneys' fees, the amount paid in settlement and settlement expenses which are incurred therein.

Notwithstanding the foregoing, Contractor and Subcontractor agree that the right of Indemnitites to seek equitable indemnity and/or contribution is in no way diminished or precluded by Subcontractor's agreement to provide express contractual indemnity and contribution to Indemnitites.

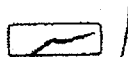
Subcontractor understands and acknowledges that the indemnification obligations set forth herein are intended to extend to and include Claims arising from the strict liability, breach of warranty and the active or passive negligence of, the Indemnitites. This paragraph shall be intended to provide for the broadest possible indemnification of the Indemnitites allowed by applicable law, with only those words or provisions declared inapplicable as required by applicable law. Subcontractor further understands and agrees that it shall immediately fulfill all of its indemnification obligations upon written notice by any Indemnitite without any order of any court regardless of whether such Indemnitite has made any payment as to the Claim, including, without limitation, payment for attorneys' fees, investigative costs, consultants and other expenses related to or associated with the Claim.

Subcontractor shall pay any attorney's fees, legal costs and other costs incurred by Indemnitites in defending against any claim actually or potentially encompassed by this section. Subcontractor shall pay any attorney's fees, legal costs and other costs incurred by Contractor in pursuing Subcontractor to enforce any right or obligation enumerated in this Section 21.

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The scope of the defense and indemnity obligations described in this section also include any and all costs incurred by Contractor to repair any Work not in compliance with the standards set forth in the Right to Repair Act (California Civil Code sections 895 et seq. and more particularly described in Schedule "E" to this Subcontract) or to have the repair made by a contractor other than the Subcontractor, pursuant to the Right to Repair Act."

Subcontractor waives all of its rights, claims, losses, damages, costs and expenses against Contractor, Owner, their officers, directors, shareholders, members, joint venturers, and their affiliates arising out of this Agreement or otherwise except for claims for payment of the Contract Price under this Agreement and any mechanics or materialman's lien, if any, that Subcontractor is entitled to under applicable law with respect to such payment.

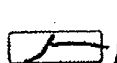
22. **INSURANCE:** The Subcontractor and all suppliers to which portions of the work under the Subcontract are subcontracted (herein called "Subcontractors") shall, during the continuance of the work under said Subcontract, including extra work in connection therewith, maintain the following insurance coverage:

- A. ALL INSURANCE MUST BE PLACED WITH A COMPANY WHOSE LATEST BEST'S FINANCIAL STRENGTH RATING IS "A" OR BETTER, AND WHOSE FINANCIAL SIZE CATEGORY IS 9 OR BETTER.
 - i. Worker's Compensation Employer's Liability Insurance, and any and all insurance required by Employee Benefit Acts or other statutes applicable where the work is to be performed. Such insurance shall be in amounts sufficient, in the opinion of the Contractor, to protect the Subcontractor and its subcontractor(s) from any liability for bodily injury, sickness or disease (including death resulting at any time therefrom) or any of their employees, including any liability or damage which may arise by virtue of any statute or law in force which may hereinafter be enacted, but in no event shall such policy provide less than \$1,000,000 of coverage.
 - ii. Comprehensive General Liability & Property Damage Insurance with minimum liability requirements in the amounts of \$1,000,000 Combined Single Limit for each occurrence, and a \$2,000,000 Aggregate, unless higher limits are specified in Schedule "A." Said policies to include Broad Form and Completed Operations coverage with separate Completed Operations limits of \$1,000,000 per occurrence and an Aggregate of \$2,000,000. Such insurance policy is to be written on ISO Form No. CG 00 01 1001 or its equivalent, provided however that Contractor has provided prior written approval of such an equivalent insurance policy.
 - iii. Comprehensive Auto: Automobile Liability Insurance, including Property Damage covering all owner or rented equipment used in connection with the work, with minimum liability requirements in the amount of \$1,000,000 per occurrence for bodily injury (including death resulting at any time therefrom) and property damage.
- B. All insurance policies shall contain appropriate endorsements extending the coverage thereof to include the liability assumed by the Subcontractor under this Subcontract Agreement. All insurance policies must be on an "occurrence basis" and absolutely shall not be on a "claims made" basis.
- C. Subcontractor will procure and forward to the Contractor, prior to commencement of work or within ten (10) days of signing this Agreement, whichever is first, Certificates of insurance verifying it has met the insurance requirements specified in this section. Upon request, Subcontractor shall also provide a full and complete copy of the operative insurance policy, including the Declaration Page and all endorsements. Subcontractor shall provide written

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documentation, including but not limited to Certificates of Insurance, that equivalent renewal or replacement insurance has been procured prior to the time that any previously existing insurance policy that Subcontractor is required to maintain pursuant to the terms of this Agreement terminates. Upon request contractor retained by Subcontractor shall also provide a full and complete copy of the operative insurance policy, including the Declaration Page and all endorsements.

- D. Subcontractor shall procure and forward to the Contractor, prior to commencement of work or within ten (10) days of signing this Agreement, whichever is first, endorsements to each insurance policy identified in this section naming each member of The Group as additional insureds under each policy. Relevant to naming each member of The Group as an Additional Insured, the wording shall be as follows:

"It is understood and agreed that coverage afforded by this policy shall also apply to Claude Pacific, Ltd., Silver Oaks 183, LLC, a California Limited Liability Corporation, Cameo Homes a California Corporation, Hester Development Company, LLC a California Limited Liability Company and G Companies Homebuilding, LLC their officers, directors, agents, servants, employees, divisions, subsidiaries, joint venturers, members, partners, shareholders and affiliated companies (collectively referred to in the underlying Subcontract as "The Group") as additional insureds. This insurance is primary and any other insurance maintained by such additional insured is non-contributing with this insurance as respects claims or liability arising out of or resulting from the acts or omissions of the named insured, or of other performed on behalf of the named insured."

If required by any Lender for the Project, Subcontractor shall also name that Lender as an additional insured under the aforementioned insurance policy or policies and any and all references to "The Group" shall apply equally to Lender throughout paragraph 22.

Such policy of insurance shall also provide that any losses shall be payable to the insureds (or any mortgages as to the insurance in Section 22(A)(ii) as their interests may appear, notwithstanding any act or failure to act or negligence of Subcontractor, or any other person or entity. Such insurance shall provide that any waiver of subrogation rights by the insured does not void the coverage otherwise provided, and Subcontractor and Contractor hereby waive any and all rights of recovery against the other for loss or damage to such waiving party or others under its control or any of their property, to the extent and only to the extent that such loss or damage is covered by the insurance policies required to be provided under this Agreement, which insurance policies are in force at the time of such loss.

- E. The additional insured endorsements required by this section whether they be ISO form or manuscript, blanket, blanket contractual or specific, shall provide broad form and completed operations coverage for The Group (and Lender if so required by this Agreement), and must provide equivalent or better coverage to that contained in ISO Form CG 2010 11/85, or Form G17957A, if available, and such endorsements shall waive any right of subrogation against the Group with regard to any loss or damages arising out of or incidental to the perils insured against by the policy of insurance described herein.
- F. All insurance policies procured hereunder shall provide that no material change or cancellation in insurance shall be made by the Subcontractor or its subcontractor without thirty (30) days written notice to the Contractor and the Contractor's written approval thereof.
- G. Compliance or failure to comply by the Subcontractor with the foregoing insurance requirements as to carrying insurance and furnishing certificates shall not relieve the Subcontractor of his

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liabilities and obligations under this clause, nor shall it relieve Subcontractor from its indemnification and warranty obligations to the Group arising out of this Subcontract or otherwise.

- H. No acceptance of insurance certificates or additional insured endorsements by Contractor shall in any way limit or relieve Subcontractor of its duties and responsibilities under this Subcontract.
- I. Subcontractor hereby waives any right of subrogation which it may have against the Group with regard to any loss or damages arising out of or incidental to the perils insured against by the policy of insurance described herein. A waiver of subrogation shall be effective as to a person or entity even though that person or entity would otherwise have a duty of indemnification, contractual or otherwise or did not pay the insurance premium directly or indirectly, whether or not such person or entity had an insurable interest in the property damaged.

23. DAMAGES TO CONTRACTOR FOR DELAY: Inasmuch as Subcontractor is only one of many subcontractors performing services and providing materials to the Project, and since the timely performance of Subcontractor's work is essential to the coordination with and completion of the various other subcontractors' work, it is mutually recognized that Contractor will suffer substantial damage if Subcontractor fails to perform its work in a timely manner. However, it would be impracticable or extremely difficult to fix the actual damage to Contractor in the event of a breach of this Subcontract by Subcontractor which causes a delay in the performance of the work described herein. Therefore, the parties hereby agree that, pursuant to a liquidated damages provision of Section 1671 of the California Civil Code, the amount of \$500, for each and every calendar day of delay caused by a breach of the Subcontract by Subcontractor shall be presumed to be the amount of damages sustained by Contractor as a result of any such breach. The aforementioned amount of liquidated damages shall be valid, binding and enforceable only if Contractor and Subcontractor have initialed the specified boxes, below. In the event of such failure or delay in the timely performance of work, the damages affixed as herein provided above may, at the option of Contractor, be applied against any amount due Subcontractor hereunder. The remedy provided for in this section is to compensate Contractor for Subcontractor's failure or delay in the timely performance of the Job. It is understood and agreed that this remedy is not applicable to any breach or default by Subcontractor which results in something other than a delay in performance, and that Contractor has the additional right to pursue any and all remedies as might be available to him in the event Subcontractor fails in the performance of any of the terms of this Subcontract.

Need Approval schedule agreed to by both parties

I have reviewed paragraph 23 in its entirety and understand that this agreement contains a liquidated damage amount set forth in this paragraph. By initialing this paragraph, I am agreeing to the liquidated damage amount as stated above.

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CONTRACTOR

24. RIGHTS OF CONTRACTOR ON TERMINATION: In the event of termination of the Subcontract by Contractor as provided herein, Subcontractor hereby authorizes Contractor to perform and complete the Job, and in connection therewith, Contractor may:

- (a) eject Subcontractor from the Project;
- (b) take possession of all materials, and appliances, already on the site, as well as all materials in the course of preparation wherever located, and have any and all rights under all subcontracts of Subcontractor, and/or

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(c) go into the open market and secure materials and employ men necessary to complete the Job, at Subcontractor's expense.

Subcontractor shall not be entitled to receive any further payment until acceptance of the entire Project by the appropriate governmental authority and then only after the direct and indirect costs incurred by Contractor to complete Subcontractor's work, plus a reasonable allowance for profit for Contractor, have been determined. The direct and indirect costs and the allowances for profit shall apply against the Contract Price, and, if in excess of the balance due Subcontractor, the amount of the excess shall be a debt immediately due and owing from Subcontractor to Contractor. If the balance of the Contract Price exceeds Contractor's direct and indirect costs, plus a reasonable allowance for profit, that excess shall be paid to Subcontractor at the time of acceptance of the entire Project.

25. **DEFENSE OF PATENTS:** The Subcontractor shall defend all suits or claims for infringement by him of any patent right that may be brought against Contractor, the owner or the architect arising out of Subcontractor's work at the Project, and shall hold Contractor, the owner or the architect harmless from a loss on account thereof, except that Subcontractor shall not be responsible for such loss when a particular process or product of a particular manufacturer or manufacturers is specified.

26. **CUTTING, FITTING AND PATCHING WORK OF OTHERS:** Subcontractor shall do all cutting, fitting, sealing and patching of his work that may be required to make its parts come together properly and to fit it to receive or be received by the work of other subcontractors, known or reasonably implied by the Contract Documents. Subcontractor agrees to protect the work of others from damage as a result of his operations. Should Subcontractor cause damage to any separate subcontractor's work which is related to Subcontractor's performance its work at the Project, then Subcontractor agrees to compensate promptly such other subcontractor to the extent of his damage.

27. **CLAIMS OF SUBCONTRACTOR FOR DELAY OR DAMAGE:** Subcontractor expressly waives any and all rights to claim or receive any compensation or damages for failure of Contractor or other subcontractors to have related portions of the Job completed in time for the work of Subcontractor to proceed.

28. **WARRANTY:** In addition to such other warranties and guarantees required in this Subcontract pertaining to the quality and fitness of the labor, materials, services and/or equipment to be furnished hereunder, Subcontractor hereby warrants and guarantees that all labor, materials, services and equipment to be furnished and provided hereunder shall be performed, installed, and operated in compliance with all applicable local, state and federal statutes and regulations pertaining to health, safety and structural requirements. This warranty and guaranty is for the express benefit of The Group and Lenders, which may now or hereafter have security interest in the real property upon which such improvements are to be constructed and shall further be for the benefit of Purchasers of the improvements to be constructed hereunder only to the extent so required by California Civil Code, Section 895 et seq., (also know as SB 800). Further, Subcontractor hereby indemnifies and agrees to hold the Group and lenders harmless from any and all claims, demands, damages, liabilities, costs and expenses, either of a punitive or compensatory nature (including attorney's fees) arising from the failure by Subcontractor to comply with any applicable local, state or federal statute or regulations pertaining to such health, safety, or structural requirements.

29. **INDEPENDENT CONTRACTOR RELATIONSHIP:** The relationship of Subcontractor during the term of this Subcontract shall be that of an independent contractor. Subcontractor shall take any and all actions necessary to maintain said independent contractor relationship throughout the term of this Subcontract, and Subcontractor shall at no time be considered an employee borrowed employee, or agent of Contractor.

30. **CLEAN-UP AND STORAGE:** Subcontractor shall maintain, to the satisfaction of Contractor, all work sites in a clean, neat and safe condition and shall comply promptly with any instructions from Contractor with respect thereto. As the Job is completed, Subcontractor shall remove from the site all of Subcontractor's rubbish, debris, materials, tools and equipment and, if Subcontractor fails to do so promptly, Contractor may remove the same to any place of storage or any dumping ground at Subcontractor's risk and expense and without incurring any

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responsibility to Subcontractor for loss, damage or theft. All storage and removal costs thus incurred by Contractor shall be deductible from any payment or balance due Subcontractor hereunder.

31. **USEABLE EXCESS MATERIALS:** To the extent applicable, Subcontractor shall move, as the Job or any portion thereof is completed, from the Site thereof to the site or sites of the next work to be completed by Subcontractor, all useable excess materials, particularly materials supplied by Contractor. All materials supplied by Contractor shall be considered useable, unless Contractor advises Subcontractor to the contrary in writing. All excess costs suffered by Contractor by reason of Subcontractor's failure to use such useable materials in succeeding work shall be charged against, and paid for by Subcontractor and may be deducted from any payment or balance due Subcontractor hereunder.

32. **USE OF CONTRACTOR'S EQUIPMENT:** The use of any of Contractor's equipment, rigging, blocking, hoist or scaffolding by Subcontractor given, loaned or rented to Subcontractor by Contractor shall be upon the distinct understanding that Subcontractor use the equipment, rigging, blocking or scaffolding at his own risk and takes the same "as is." Nothing herein contained shall be deemed to permit any such use by Subcontractor without the prior written consent of Contractor.

33. **PERMITS AND LAWS:** Before beginning any portion of the Job, Subcontractor shall obtain, at his expense, all certifications, permits and licenses required for his work on the Job. Subcontractor shall comply with all laws, ordinances, rules, regulations, orders and requirements of the applicable city, county, State and Federal governments, and of all boards, commissions or any other duly qualified body having jurisdiction, which effects or applies to the Job, or may effect or apply to the Job. Subcontractor shall exhibit each such required certification, permit or license to Contractor upon its request. Any fines, penalties or judgments incurred at the Project which are due to the Subcontractor's failure to obtain a required certification, license or permit shall be borne and paid solely by Subcontractor.

34. **FINAL ACCEPTANCE:** Any and all work shall be considered complete and final only after final inspection and official acceptance by all pertinent governing agencies and Contractor has occurred. Final inspection and acceptance shall not be construed as an acceptance by Contractor or a waiver or release of any claims, demands or causes of action of or from any known or unknown, patent or latent, defects or unsatisfactory workmanship or materials.


35. **ASSIGNMENT:** Subcontractor shall not assign or subcontract all or any portion of this Subcontract without first obtaining in each and every instance permission in writing from Contractor, and then only subject to, and upon the same terms and conditions, as the provisions of this Subcontract. Any permission granted by Contractor shall not be deemed permission to any subsequent assignment or subcontract. Any assignment or subcontract that Subcontractor made without the consent of Contractor as herein provided shall be null and void and shall at the option of Contractor be grounds for termination of this Subcontract, and Contractor shall have the right to elect to terminate the contract or, at Contractor's sole discretion, to proceed in accordance with the provisions of this Subcontract. Any such assignment or subcontract shall contain all of the provisions of this Subcontract and shall require the assignee or subcontractor thereafter to be directly liable to Contractor in all respects as therein required of Subcontractor. Any assignment of this Subcontract or assignments of payments permitted by Contractor shall be submitted to the Contractor for its prior written approval and shall not be binding upon Contractor until so approved. No assignment shall relieve Subcontractor from his duties, obligations and liability hereunder, unless specifically relieved in writing by Contractor.

36. **LIENS:** Subcontractor shall pay when due all claims for labor or materials incurred by him in the performance of this Subcontract. If any lien of mechanics, materialmen or a trust fund pursuant to *Civil Code* Section 3111 or attachments, garnishments, or suits affecting title to real property are filed against the property, or any portion of it, Subcontractor shall within ten (10) days after written demand by Contractor, cause the effect of such lien, attachment or suit to be removed from the Property, or any portion thereof, and in the event Subcontractor shall fail to do so, Contractor is hereby authorized to use whatever means it may deem best to cause the lien.

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attachment or suit, together with its effect upon title, to be removed, discharged, satisfied, compromised or dismissed, and the cost thereof, including reasonable attorneys' fees incurred by Contractor, shall become immediately due from Subcontractor to Contractor. Subcontractor may contest any such lien, attachment or suit, provided that first he shall cause the effect to be removed from the Property, or any part thereof, and shall do such further things as is necessary to cause an owner of any portion of the Property not to withhold, by reason of such liens, attachments or suits, monies due to Contractor from such owner.

37. **INSOLVENCY OR BANKRUPTCY:**

- A. In the event of an appointment of a receiver for Subcontractor or in the event Subcontractor makes an assignment for the benefit of creditors, Contractor may terminate this Subcontract by giving three (3) working days written notice to Subcontractor and its surety, if any. If an order for relief is entered under the Bankruptcy Code with respect to Subcontractor, Contractor may terminate this Subcontract by giving three (3) working days written notice to Subcontractor, its trustee and its surety, if any, unless the Subcontractor, the surety, or the trustee: (i) promptly cures all defaults, (ii) provides Contractor with adequate assurances of its future performance, (iii) compensates Contractor for any actual pecuniary loss resulting from such defaults, and (iv) assumes the obligations of Subcontractor within the statutory time limits.
- B. If Subcontractor is not performing the Job in accordance with this Subcontract at the time of entering an order for relief, or at any subsequent time, Contractor, while awaiting the decision of Subcontractor or its trustee to accept or reject and provide adequate assurances of its ability to perform hereunder, may immediately avail itself of such remedies as are reasonably necessary to maintain the progress of the Project. Contractor may offset against the Contract Sum all costs incurred in pursuing any of the remedies provided hereunder, including, but not limited to, reasonable profit, overhead and attorneys' fees and expenses. Subcontractor shall be liable for the payment of any amount by which such expense may exceed the unpaid balance of the Contract Sum.
- C. In the event that Subcontractor has proceeded to file a petition with the Bankruptcy Court under the applicable Bankruptcy Laws during the pendency of any dispute between them, Subcontractor agrees, that upon request by Contractor, it shall immediately stipulate to an order granting relief from the automatic stay then in effect so as to allow Contractor to proceed against any insurance carrier covering Subcontractor for the Job and/or any obligations described in this Subcontract as well as any insurance carrier having issued certificates or additional insured endorsements to Contractor, its parent, subsidiaries and/or affiliates as additional insureds.

If insolvency or bankruptcy causes Subcontractor not to perform its obligations under this Subcontract, this Subcontract may be terminated at the option of Contractor upon twenty-four (24) hours written notice to Subcontractor, and Contractor shall have all the rights or remedies provided at law or in equity, including those specified in Paragraph 17. Subcontractor hereby authorizes all financial institutions, materialmen and individuals to disclose to Contractor Subcontractor's financial status, credit and manner of meeting obligations.

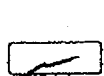
38. **DEATH OF SUBCONTRACTOR:** If Subcontractor is a sole proprietor, his death shall, at Contractor's sole option, automatically terminate this Subcontract.

39. **JOBSITE SUPERINTENDENT:** During the performance of the Job, Subcontractor shall furnish to the jobsite a qualified superintendent or foreman to act as the representative of Subcontractor on the Project with the right and power to obligate Subcontractor. Such superintendent or foreman shall at all times be satisfactory to, and shall not be changed without the written consent of Contractor. Upon oral or written notice from Contractor that

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such superintendent or foreman is unsatisfactory to Contractor, Subcontractor shall promptly replace him with a person satisfactory to Contractor.

40. **GOVERNMENTAL AND JURISDICTIONAL COMPLIANCE:** Subcontractor shall comply with all governmental laws, rules, orders and requirements. In the event that fine(s) are levied against Contractor for Subcontractor's non-compliance, said fine(s) shall be back charged to Subcontractor. In the event that the fine(s) exceed the contract amount, Subcontractor agrees to compensate Contractor, in full, no later than ten (10) calendar days from notification.

41. **ATTORNEYS' FEES:** In the event of any dispute or litigation to enforce any of the provision of this Agreement, or to declare any right of either party hereto, the non-prevailing party shall pay all costs and expenses, including reasonable attorney's fees, incurred therein by the prevailing party, all of which may be included in and as a part of the judgment rendered in such dispute or litigation.

42. **TIME OF ESSENCE AND WAIVER:** All time limits stated in this Subcontract are of the essence to this Subcontract. A waiver by Contractor of any breach of any one of the terms or conditions herein contained shall not be construed as a waiver of any subsequent breach. Any consent by Contractor to the delay in the performance of the Subcontractor of any obligations to be performed by Subcontractor shall be applicable only to the particular transaction to which it relates, and it shall not be applicable to any other obligation or transaction. Delay in the enforcement of any remedy by Contractor in the event of a breach of any term or condition hereof, or the exercise by Contractor of any right hereunder, shall not be construed as a waiver.

43. **ARBITRATION:**

A. All claims, disputes and other matters in question between the parties to this Agreement, arising out of or relating to said Agreement or the breach thereof, and related to disputes arising during the course of construction and before the Notices of Completion are filed, shall be decided by arbitration in accordance with the Construction Industry Arbitration Rules of the American Arbitration Association before a single Arbitrator, unless said parties mutually agree otherwise in writing. No arbitration arising out of or relating to this Agreement shall include, by consolidation, joinder or in any other manner, any additional person or persons not a party to this Agreement except by written consent, containing specific reference to this Agreement and signed by the Contractor, the Subcontractor, and any other person sought to be joined. Any consent to arbitration involving any additional person or persons shall not constitute consent to arbitration of any dispute not described therein. This agreement to arbitrate and any Agreement to arbitrate with an additional person or persons duly consented by the parties hereto shall be specifically enforceable under the California arbitration statutes.

B. In no event shall the demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim, dispute or other matter in question would be barred by the applicable statute of limitations.

C. The award rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

44. **TEMPORARY POWER, WATER SECURITY, FENCING, ETC.:** Subcontractor shall provide his own temporary power (drop cords, etc.), water, security, security fencing, and any other items necessary for performance of contracted work.

45. **DATA FURNISHED BY SUBCONTRACTOR:** Subcontractor at his own expense shall furnish promptly, when requested by Contractor, any number of prints of his shop drawings, schedules, reports or any other

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Exhibit B
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data that may be necessary for distribution among other subcontractors and to Contractor for proper performance or clarification of work.

46. **SUBCONTRACTOR'S REPRESENTATIONS:** As a material inducement to Contractor to enter into this Subcontract, Subcontractor represents as follows:

- (a) Subcontractor is familiar with all requirements of the Subcontract and Contract Documents.
- (b) Subcontractor has investigated the Project and has satisfied himself regarding the character of the work and local conditions that may affect it or its performance.
- (c) Subcontractor is satisfied that the Job can be performed and completed as required in this Subcontract.
- (d) Subcontractor warrants that in entering into this Subcontract he has not been influenced by any statement or promise of Contractor or its representatives but only by the Contract Documents.
- (e) Subcontractor is financially solvent.
- (f) Subcontractor is experienced and competent to perform this Subcontract
- (g) Subcontractor is qualified, properly licensed, and in good standing and authorized to do business as a contractor in the State of California.
- (h) Subcontractor is familiar with all general and special laws, ordinances, and regulations that may affect the Job, its performance, or those persons employed therein.
- (i) Subcontractor is familiar with the tax and labor regulations and with rates of pay that will affect the work hereunder.

47. **PUBLICITY:** Subcontractor shall not disclose or make public to any news media or any persons associated with the news media or by advertisement or by public release of any kind or nature the fact that Subcontractor has entered into this Subcontract with Contractor, unless such public release is first approved in writing by Contractor.

48. **CONFLICT OF LAW:** The laws of the State of California shall govern the interpretation, validity and construction of the terms and conditions of this Subcontract.

49. **SEVERABILITY:** Should any of the provisions of this Subcontract prove to be invalid or otherwise ineffective, the other provisions of this Subcontract shall remain in full force and effect.

50. **SUBCONTRACT DRAFTED BY BOTH PARTIES:** The language of this Subcontract shall be construed as a whole, according to its fair meaning and intent. Unless a word is expressly defined, it has been used in its ordinary sense. No presumption or inference shall be drawn against the person principally responsible for the drafting of this Subcontract or any specific portion of this Subcontract. It is acknowledged that all parties to this Subcontract have had an opportunity to consult with their respective attorneys concerning the terms and conditions of this Subcontract. Both parties have had the opportunity to request and negotiate changes to the Subcontract. As a consequence, this Subcontract shall be deemed to have been drafted by all parties to the Subcontract and neither Subcontractor nor Contractor shall maintain otherwise.

51. **PLACE OF PERFORMANCE:** Execution of this Subcontract shall be at Contractor's place of business in the City of Costa Mesa, County of Orange, State of California, and the County of Orange, State of California shall be deemed the place of performance of all this Subcontract for all legal purposes.

52. **HEIRS AND ASSIGNS:** This Subcontract shall inure to the benefit of and be binding on the heirs, administrators and successors of the respective parties hereto, and the assigns of Contractor.

53. **NOTICES:** Any notices or statements required or designed to be given under this Subcontract, unless otherwise provided herein, shall be personally served, served by facsimile, or sent by United States mail to the address as set forth on the first page of this Subcontract, until notice of a different address be given. Notices not

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personally served shall be deemed given one (1) day after facsimile transmission or five (5) days after deposit in The United States mail, properly addressed and with postage prepaid.

54. **SUPPLEMENTAL SCHEDULE:** Supplemental Schedules A, B, C, D, and E attached to this Subcontract are hereby incorporated herein by this reference as wholly set forth at length.

55. **SAFETY REGULATIONS:** Subcontractor shall comply with all applicable safety regulations, including, but not limited to regulations and orders of all Federal, State and local agencies and the State of California Department of Industrial Relations Division of Industrial Safety and any regulations issued by any governmental agency in connection therewith, and shall hold Contractor free and harmless from any and all claims by reason of Subcontractor's failure to comply with such laws, acts, or regulations.

56. **ACCIDENT REPORTS:** Within 10 days of occurrence, Subcontractor shall report to Contractor all accidents occurring at or related to the Project which result in death or injury to persons or in damage to property.

57. **RESERVED GATE SYSTEM:**
(a) Contractor may from time to time and at any time establish a Reserved Gate System. Upon receipt of notification by Contractor, Subcontractor agrees to honor the terms from such Reserved Gate System and to take all reasonable steps necessary to insure the peaceful operation of the Reserved Gate System.

Subcontractor shall advise Contractor of the union affiliation, if any, of each supplier who will supply Subcontractor for the Job and shall use his best efforts to insure that all his suppliers cooperate with and honor the terms of the Reserved Gate System.

58. **ABSENCE OF LIQUIDATED DAMAGE AMOUNT IN SUBCONTRACT:** If the parties have not entered a Liquidated Damage amount in paragraph 23 and if both parties have not initialed the appropriate boxes where indicated on the page bottom following paragraph 23, there shall be no entitlement to Liquidated Damages by Contractor under the terms of this agreement.

59. **OWNER IS ONLY THIRD PARTY BENEFICIARY OF THIS AGREEMENT, UNLESS OTHERWISE EXPRESSLY PROVIDED HEREIN:** Contractor and Subcontractor herein agree that OWNER IS THE INTENDED THIRD PARTY BENEFICIARY of this Agreement and, except as otherwise expressly required by the terms of this agreement, no other person or entity is intended to be a Third Party Beneficiary of the Agreement.

Contractor:

Classic Pacific, Ltd.

20 Executive Park Suite 155
Irvine, CA 92614

DATED: 9/16/07

By: [Signature]

Title: Chief Operating Officer

Subcontractor:

HILLCREST CONTRACTING

DATED: 9/16/07

By: [Signature]
Principal's Name

Title: president

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California State License No.

California State License No.
License Verified on
Current and Active
Business Entity is a
License Expires
Type of License
Bond No.
Bond Amount:

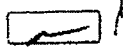
INDEX OF SUBCONTRACT SCHEDULES

- A. SUPPLEMENT TO SUBCONTRACT
- B. SCOPE OF WORK SCHEDULE
- C. CONTRACT DISBURSEMENTS/OPTIONS AND ALTERNATIVES
- D. PLANS AND RELATED DOCUMENTS
- E. RIGHT TO REPAIR REQUIREMENTS

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SCHEDULE "A"
SUPPLEMENT TO SUBCONTRACT AGREEMENT

SUBCONTRACTOR: HILLCREST CONTRACTING
CONTRACT: N/A
PROJECT/TRACT NO.: Tract 31118

This Supplement to Subcontract Agreement is incorporated by this reference in the Subcontract between Contractor and Subcontractor. "Subcontract" as used throughout these documents includes the Subcontract Agreement and all attached Schedules and Exhibits.

If there is any conflict between the Subcontract Agreement and this Supplemental Schedule, the terms and provisions of this Supplemental Schedule shall supercede those existing in the Subcontract Agreement.

1. **CONTRACT TERM:** All terms, conditions and prices shall remain firm throughout the completion of the project.
2. **DESIGNATED REPRESENTATIVE:** Contractor designates John Patterson or Doug Steiner as the only individuals authorized to make additions, changes or modifications to the Subcontract and/or the Project Documents. All additions, changes or modifications to the Subcontract and/or the Project Documents must be in writing.
3. **WORKING HOURS:** No work or equipment maintenance shall be performed within one-half mile of any residence between the hours of 8:00 p.m. and 7:00 a.m.
4. **SAFETY:** Subcontractor shall obtain required permits as specified by the appropriate governmental agencies prior to commencing work in trenches or excavations, which are five (5) feet or greater in depth, into which a person is required to descend. Subcontractor shall provide and have readily available at the construction site a "jobsite" copy of each required safety permit(s) for review by the Project Superintendent. Project Superintendent shall review these safety permits before any workmen will be allowed to enter trenches or excavations.

Subcontractor acknowledges that fires of every sort are prohibited and violators will be subject to any and all fines imposed by the governing agencies.

Subcontractor shall notify his subordinates that all children and pets are banned from all construction sites. Failure to comply will be grounds for the revocation of this Subcontract.

Subcontractor shall notify his subordinates that the playing of amplified broadcast music or recordings will not be permitted on the job site at any sound level. Failure to comply shall result in the individual's removal from construction site and/or revocation of this Subcontract, at the sole discretion of the Contractor.

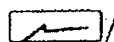
5. **DRUGS AND/OR ALCOHOLIC BEVERAGES:** No drugs or alcoholic beverages of any kind are to be in the possession of or consumed by Subcontractor's employees while on the job site. Subcontractor agrees to impose and strictly enforce a regulation to this effect. It is Subcontractor's responsibility to inform all of his employees that said regulation shall be strictly enforced. Any employee found to have violated said regulation is to be immediately removed from the job site and replaced. Any breach of this provision will be grounds for immediate termination of the Subcontract by Subcontractor.

6. **LIMITS OF INSURANCE:** Paragraph 22 of the Subcontract Agreement is hereby modified to require minimum policy limits of \$1,000,000 per occurrence and \$2,000,000 aggregate for the general liability and property damage coverages which shall include the broad form and completed operations coverage.

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