

**BINDING TERM SHEET**

The Debtors would modify their existing plan (the "Plan") to provide for the following:

1. **Cash Flow Note in favor of the Unsecured Creditors (the "Note"):**

Face Amount: \$ 42 million

Interest Rate: 3.75%

Terms: Payments to commence immediately following the Effective Date of the Plan from Available Cash Flow (defined below). Interest shall accrue commencing on the Effective Date of the Plan. All payments will be made out of Available Cash Flow. 60% of the Available Cash Flow will be used to pay the Note. The Debtors shall retain the remaining 40% of the Available Cash Flow (the "Debtors' Payment"). The Debtors shall have the right to prepay the Note at any time without penalty, provided that the Unsecured Creditors shall have received at the time of the payment of the Note, payments in an amount equaling at least \$52 million, on account of the Note. In any event, the Note shall be all due and payable on or before December 31, 2024.

Interest accruing but not paid in years one and two will be capitalized and included in recalculated principal commencing in Year 3. Payments will be made on the amount due at the beginning of Year 3 following Plan Confirmation.

2. The Back-End Payment. The Unsecured Creditors shall receive a note in the principal amount of \$5 million (the "Second Note"). The Second Note shall not bear interest and shall be all due and payable on or before December 31, 2025. Payment of the Second Note is required whether or not the Debtors opt to make an early pay-off of the Cash Flow Note.

3. Reporting: To be determined, but intended to provide full transparency of management of the Portfolio (defined below). It is intended that the Portfolio will be managed using standard operating practices similar to those employed today. Reporting shall include review of and input into (but not approval rights over) an annual budget for operations effective January 1 of each year for those properties of the Portfolio managed by the Debtors as set forth on Exhibit A hereto, compared to prior year actual results, until such time as the Note has been repaid. It shall also include appropriate rights to verify monthly rent collections and expenditures attributable to the Portfolio as being consistent with the annual budget for operations. The parties will agree upon a budget for the following four (4) properties: a) Fountain Valley Senior Housing, L.P.; b) Placentia 422, LP; c) River Knolls, LP; and d) GVSC, LP (collectively, the "Control Assets") as of Plan Confirmation. Thereafter, as long as the aggregate expenses for the Control Assets in subsequent years are not more than 10 percent (10%) in excess of the prior year's aggregate expenses for the Control Assets, the Debtors may continue to operate the Control Assets without specific approval of the Trustee (defined herein). If the aggregate expenses for the Control Assets are more than ten (10%) percent in excess of the prior year's aggregate expenses for the Control Assets, the Trustee and the Debtors will meet and confer regarding such additional expenses. If the Trustee and the Debtors cannot agree upon such additional expenses, the resolution of such disputes will occur in accordance with paragraph 13 of this Term Sheet.  
Creditors' Trust: A Creditors' Trust shall be formed pursuant to the Plan in a form and substance satisfactory to the Committee and the Debtors. The person who shall be in charge

of the Creditors' Trust shall be chosen by the Committee (the "Trustee"). The Trustee shall have the ability, without limitation, to review claims, object to claims, commence avoidance actions and related matters, and to hire the professionals necessary to carry out such actions. All costs and expenses of the Trustee, including the hiring of professionals shall be borne exclusively by the Creditors' Trust. The Trustee shall be responsible for monitoring the performance of the Debtors under the Plan.

4. Negative Pledge: None of the Portfolio will be encumbered absent the consent of the Trustee, which consent will not be unreasonably withheld. Any of the assets in the Portfolio (including the real estate underlying the assets in the Portfolio) may be sold without the consent of the Trustee provided that the net proceeds of such sale are treated as Available Cash Flow. In the event of any dispute regarding the sale of an asset in the Portfolio, the parties will agree upon an abbreviated, binding procedure to resolve such disputes. The Negative Pledge discussed in this paragraph shall be in recordable form, with the form being satisfactory to the Committee in its reasonable discretion. The Negative Pledge discussed in this paragraph shall be an encumbrance against the assets in the Portfolio subject to (1) the best efforts of the Debtors to obtain the consent of the various lenders on the underlying real estate for said encumbrance, or (2) if the Debtors cannot obtain consent of the necessary lenders to encumber the Debtors' interests in the Portfolio, the Debtors shall provide for such encumbrances in their Plan and shall give notice to each lender affected by such encumbrance so that the said lender will have the opportunity to appear and be heard in connection with such encumbrance.

5. Secured Promissory Note: The Note shall be secured with a first priority security interest (the "Lien") against the Portfolio, subject to the following: The Debtors shall use their best efforts to secure the approval of the various lenders on the real estate assets underlying the Portfolio. However, if the Debtors cannot obtain consent of the necessary lenders to encumber the Portfolio, the Debtors shall provide for the Lien in their Plan and shall give notice to each lender affected by the Lien so that said lender will have the opportunity to appear and be heard in connection with the Lien. To the extent that the Lien is granted, it shall specifically provide that it does not prime or take priority over any tax liability that is generated as a result of the sale of any of the Portfolio or any of the real estate assets underlying the Portfolio. The Note shall otherwise contain normal terms and conditions typical of secured instruments of this nature and purpose.

6. Additional Remedy Upon Default: If the Debtors default under the Note, the security agreement or other documents relating to the Lien, the Plan and related documents (collectively, the "Plan Documents"), the Committee shall give the Debtors notice of the said default. The Debtors shall either (1) have 7 calendar days from receipt of said notice (which shall be presumed to occur upon transmission by expedited means or, if transmitted by U.S. Mail, within three days, Sundays excluded, of the deposit of said notice into the U.S. Mail at the address for the Debtors provided for in the agreements reached between the parties hereto) to cure said default, or (2) if the Debtors contest the assertion that they are in default under the Plan Documents, the parties shall agree upon an abbreviated procedure for resolution of the dispute, in which case the Debtors shall not be deemed to be in default unless and until the Debtors are found to be in default pursuant to the dispute resolution procedures and said default is not cured within 7 calendar days of said finding. If the Debtors are in default, the Debtors shall not be permitted to receive the Debtors' Payment

unless and until said default is cured. The prevailing party with respect to said default (or any other dispute) shall be entitled to recover its reasonable attorneys fees with respect to said default or dispute.

7. Compensation to Mesa Management and G Companies: G Companies Management is not to be compensated or receive fees from the Portfolio. Mesa Management shall be entitled to compensation for its services related to the Portfolio at the current management fee rate of 5.0% of actual gross collections, of which 0.5% is contractually due and payable to Robert Lucas, throughout the term of the Note.

8. Provisions Related to Tax Treatment: The parties will discuss certain tax provisions and issues that exist in connection with the Portfolio including Net Operating-Loss Carry forwards and Negative Capital Accounts. Generally stated, the Debtors will utilize their Net Operating-Loss Carry forwards to the fullest extent possible to offset any income earned by the Debtors related to the Portfolio following confirmation of the Plan. The Committee's tax expert and the Debtors' tax expert will meet, confer and agree upon terms and conditions to be inserted in the Plan that will accomplish this objective.

9. Conditions Precedent: The following conditions precedent apply to the Committee agreeing to the terms and conditions of this Term Sheet:

- A. Approval by any Board of Directors for any Committee Member
- B. Agreement between the Debtors and the Committee of a :1) Projection; and 2) budget for the Control Assets as referenced in paragraph 3.
- C. Approval by the Committee of the terms of the settlements of the pending § 523 actions between: 1) California National Bank ("CNB") and Jim Gianulias; and 2) Wachovia Bank ("WB") and Jim Gianulias and 3) Famille Holdings ("Famille") and Jim Gianulias which settlements specifically provide that CNB, WB and Famille will receive, among other things, allowed claims against the Debtors' estates in the amounts of \$23,500,000, not to exceed \$9,000,000, and \$TBD, respectively. If no settlement is reached between Jim Gianulias and Famille prior to confirmation of the Plan, the approval rights in this paragraph with respect to Famille of any settlement reached after confirmation of the Plan shall be in the Trustee.

10. Condition Subsequent: Preparation of acceptable forms of agreement and the Plan in form and substance acceptable to the Committee.

11. Waiver of Section 1127(e). In exchange for the consideration provided for herein, the Plan will include a provision which waives creditors' rights under section 1127(e).

12. Dispute Resolution. In the event of any dispute regarding the terms or interpretation of this Term Sheet, the parties agree that Judge Goldberg will attempt to mediate any such dispute. Failing a resolution via mediation, the parties agree that Judge Goldberg will have the sole and exclusive binding authority to resolve said dispute.


Available Cash Flow means the cash distributed (including the proceeds of any sales of any of the Portfolio or the real estate underlying the Portfolio) to the Debtors on account of the assets in the Portfolio net of: 1) payment of all taxes associated with said distributions and ownership of the Portfolio as set forth in the approximate amounts set forth on the Projection based upon the assumptions made today regarding tax laws and rates in the future; 2) payment of all allowed administrative expense and priority claims incurred in the Debtors' cases; 3) in years 1 and 2 following the Effective Date of the Plan, the payment of \$1,800,000 in each year to the Debtors; and 4) the following payments to Marilyn Robbins:

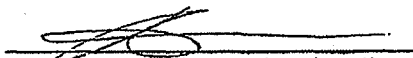
- a. Year 1: \$1,000,000
- b. Year 2: \$1,200,000
- c. Year 3: \$1,200,000
- d. Year 4: \$1,200,000

Year 5: remaining balance of Robbins claim (approx. \$1,200,639). Attached hereto is a projection estimating the payments on account of the Note (the "Projection"). The Projection is intended as a guide only and is not a guarantee of any specific payment stream. The parties agree that if an issue with respect to the definition of Available Cash Flow arises which either party did not contemplate as of the execution of this Term Sheet, that issue will be resolved in accordance with paragraph 13 of this Term Sheet.

Portfolio means the list of assets previously provided to the Committee which is attached hereto as Exhibit "A" and fully incorporated herein by this reference.

THE FOREGOING IS ACCEPTED AND AGREED TO:

  
James C. Gianulias

  
Camero Homes by David Gianulias, its president

\_\_\_\_\_  
Official Committee of Unsecured Creditors  
by Lance Jurich, its Chairperson

APPROVED AS TO FORM AND CONTENT:

Available Cash Flow means the cash distributed (including the proceeds of any sales of any of the Portfolio or the real estate underlying the Portfolio) to the Debtors on account of the assets in the Portfolio net of: 1) payment of all taxes associated with said distributions and ownership of the Portfolio as set forth in the approximate amounts set forth on the Projection based upon the assumptions made today regarding tax laws and rates in the future; 2) payment of all allowed administrative expense and priority claims incurred in the Debtors' cases; 3) in years 1 and 2 following the Effective Date of the Plan, the payment of \$1,800,000 in each year to the Debtors; and 4) the following payments to Marilyn Robbins:

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- d. Year 4: \$1,200,000

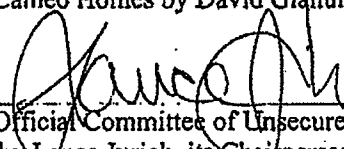
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THE FOREGOING IS ACCEPTED AND AGREED TO:

\_\_\_\_\_  
James C. Gianulias

\_\_\_\_\_  
Cameo Homes by David Gianulias, its president

  
\_\_\_\_\_  
Official Committee of Unsecured Creditors  
by Lance Jurich, its Chairperson, not in  
individual capacity, but  
capacity as authorized  
committee chair

APPROVED AS TO FORM AND CONTENT:

Available Cash Flow means the cash distributed (including the proceeds of any sales of any of the Portfolio or the real estate underlying the Portfolio) to the Debtors on account of the assets in the Portfolio net of: 1) payment of all taxes associated with said distributions and ownership of the Portfolio as set forth in the approximate amounts set forth on the Projection based upon the assumptions made today regarding tax laws and rates in the future; 2) payment of all allowed administrative expense and priority claims incurred in the Debtors' cases; 3) in years 1 and 2 following the Effective Date of the Plan, the payment of \$1,800,000 in each year to the Debtors; and 4) the following payments to Marilyn Robbins:

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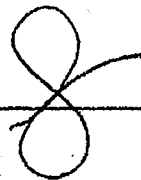
THE FOREGOING IS ACCEPTED AND AGREED TO:

\_\_\_\_\_  
James C. Gianulias

\_\_\_\_\_  
Cameo Homes by David Gianulias, its president

\_\_\_\_\_  
Official Committee of Unsecured Creditors  
by Lance Jurich, its Chairperson

APPROVED AS TO FORM AND CONTENT:

\_\_\_\_\_  


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Exhibit  
Page

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Irell & Manella, LLP, counsel for the Debtors



SulmeyerKupetz, counsel for the Committee



Hon. Mitchel Goldberg, (Ret.), mediator

**Exhibit "A"**

List of Portfolio properties:

East Coast Properties (Country Gardens)	[managed by third party]
East Coast Properties (Grenadier Village)	[managed by third party]
East Coast Properties (Valenti's Country Estate)	[managed by third party]
East Coast Properties (Wood Wind Gardens)	[managed by third party]
Fountain Valley Senior Housing, LP (Palm Island)	[managed by Mesa]
LG Parkewood Village, LP	[managed by Mesa]
Park Glen, LP (Brooklake)	[managed by Mesa]
Park Mesa, LP	[managed by Mesa]
Piccadilly Square, LP	[managed by Mesa]
Placentia 422, LP (Emerald Isle)	[managed by Mesa]
River Knolls, LP	[managed by Mesa]
Villa Buena, LP	[managed by Mesa]
Coast Business Center	[managed by Mesa]
Crown Building	[managed by Mesa]
Dana Centre (GP)	[managed by Mesa]
Dana Center, LP	[managed by Mesa]
Greenhaven Plaza	[managed by Mesa]
GVSC, LP (Grass Valley)	[managed by Mesa]
Lahaina Cannery Mall, LLC	[managed by third party]
Lucas-Gianulias	[managed by Mesa]
Sunrise Village, LP	[managed by third party]



In re:  
James C. Gianulias and Cameo Homes

Debtor(s).

CHAPTER 11

CASE NUMBER 8:08-bk-13150-RK

### PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is:  
840 Newport Center Drive, Suite 400, Newport Beach, CA 92660-6324

The foregoing document described as **THIRD AMENDED DISCLOSURE STATEMENT FOR DEBTORS' THIRD AMENDED PLAN OF REORGANIZATION (DATED: MAY 12, 2010)** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner indicated below:

**I. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING ("NEF")** – Pursuant to controlling General Order(s) and Local Bankruptcy Rule(s) ("LBR"), the foregoing document will be served by the court via NEF and hyperlink to the document. On May 12, 2010, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following person(s) are on the Electronic Mail Notice List to receive NEF transmission at the email address(es) indicated below:

☒ Service information continued on attached page

**II. SERVED BY U.S. MAIL OR OVERNIGHT MAIL** (indicate method for each person or entity served):

On May 12, 2010 I served the following person(s) and/or entity(ies) at the last known address(es) in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States Mail, first class, postage prepaid, and/or with an overnight mail service addressed as follows. *Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.*

☒ Service information continued on attached page

**III. SERVED BY PERSONAL DELIVERY, FACSIMILE TRANSMISSION OR EMAIL** (indicate method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on May 12, 2010, I served the following person(s) and/or entity(ies) by personal delivery, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. *Listing the judge here constitutes a declaration that personal delivery on the judge will be completed no later than 24 hours after the document is filed.*

**SERVED VIA PERSONAL DELIVERY**

Chambers of Honorable Robert W. Kwan  
United States Bankruptcy Court  
411 W. Fourth Street  
Santa Ana, CA 92701

Office of the United States Trustee  
Attn: Michael Hauser, Esq.  
411 W. Fourth Street, #9041  
Santa Ana, CA 92701-4593

☐ Service information continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

5/12/2010  
Date

Lori Gauthier  
Type Name

/s/ Lori Gauthier  
Signature

In re:  
James C. Gianulias and Cameo Homes

Debtor(s).

CHAPTER 11

CASE NUMBER 8:08-bk-13150-RK

**SERVED VIA NOTICE OF ELECTRONIC FILING ("NEF")**

- John B Acierno ecfcacb@piteduncan.com
- Jess R Bressi jbreffi@luce.com
- Frank Cadigan frank.cadigan@usdoj.gov
- Jon M Chatalian efile@pbgc.gov, chatalian.jon@pbgc.gov
- Sean T Cork scork@ssd.com
- Paul J Couchot pcouchot@winthropcouchot.com,  
pj@winthropcouchot.com; sconnor@winthropcouchot.com
- Melissa Davis mdavis@shbllp.com
- Susan S Davis sdavis@coxcastle.com
- Daniel Denny ddenny@gibsondunn.com
- Lei Lei Wang Ekvall lekvall@wglp.com
- David K Eldan malvarado@pmcos.com, rpinal@pmcos.com
- Alan J Friedman afriedman@irell.com
- Jose A Garcia ecfcacb@piteduncan.com
- Beth Gaschen bgaschen@wglp.com
- Robert P Goe kmurphy@goeforlaw.com, rgoe@goeforlaw.com; mforsythe@goeforlaw.com
- Michael J Hauser michael.hauser@usdoj.gov
- Whitman L Holt wholt@stutman.com
- Marsha A Houston mhouston@reedsmith.com
- John J Immordino john.immordino@wilsonelser.com, raquel.burgess@wilsonelser.com
- Lance N Jurich ljurich@loeb.com, kpresson@loeb.com
- Bradford Klein brad.e.klein@gmail.com
- Donna L La Porte dlaporte@wrightlegal.net, bkgroup@wrightlegal.net
- Daniel A Lev dlev@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com
- Kerri A Lyman klyman@irell.com
- David F Makkabi cmartin@pprlaw.net
- Robert C Martinez rmartinez@mclex.com
- Andrew K Mauthe mauthelaw@attglobal.net
- Elissa Miller emiller@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com
- Randall P Mroczynski randym@cookseylaw.com
- Mike D Neue mneue@thelobelfirm.com, csolorzano@thelobelfirm.com
- Penelope Parmes pparmes@rutan.com
- Steven G Polard spolard@perkinscoie.com
- Timothy R Pomeroy tpomeroy@klinedinstlaw.com
- Hamid R Rafatjoo hrafatjoo@psjlaw.com, hrafatjoo@psjlaw.com
- Cassandra J Richey cmartin@pprlaw.net
- Christopher O Rivas crivas@reedsmith.com
- Martha E Romero Romero@mromerolawfirm.com
- Anthony J Rothman anthony@arothmanlaw.com
- Victor A Sahn vsahn@sulmeyerlaw.com
- John D Schlotter bkmail@mrdefault.com
- Mark C Schnitzer mschnitzer@rhlaw.com
- Leonard M Shulman lshulman@shbllp.com

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

In re:  
James C. Gianulias and Cameo Homes

CHAPTER 11

Debtor(s).

CASE NUMBER 8:08-bk-13150-RK

- Timothy J Silverman tim@sgsslaw.com
- Derrick Talerico dtalerico@loeb.com, kpresson@loeb.com;ljurich@loeb.com
- James E Till jtill@milbank.com, CSolorzano@thelobelfirm.com
- James E Till jtill@thelobelfirm.com, CSolorzano@thelobelfirm.com
- United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov
- Matthew S Walker matthew.walker@pillsburylaw.com,  
sue.hodges@pillsburylaw.com;pamela.breeden@pillsburylaw.com
- Joshua D Wayser joshua.wayser@kattenlaw.com
- Steven Werth swerth@sulmeyerlaw.com, asokolowski@sulmeyerlaw.com
- John H Wunsch sandra.g.mcmasters@wellsfargo.com

**SERVED BY U.S. MAIL**

Securities Exchange Commission  
Attn: Authorized Agent  
5670 Wilshire Boulevard, 11th Floor  
Los Angeles, CA 90036