

PROMISSORY NOTE

\$5,000,000.00 U.S.

_____, 2010

FOR VALUE RECEIVED, each of **JAMES C. GIANULIAS**, an individual ("Gianulias"), James C. Gianulias, as Trustee of **THE JAMES CHRIS GIANULIAS TRUST** (the "Trust"), and **CAMEO HOMES**, a California corporation ("Cameo") (Gianulias, the Trust and Cameo are sometimes individually referred to herein as a "Debtor" or "Maker", and collectively referred to herein as "Debtors" or "Makers"), located at _____, promises to pay to the order of Tom Seaman, as Trustee of **THE CREDITORS TRUST** (the "Creditors' Trust") formed for the benefit of the holders of Allowed General Unsecured Claims against **JAMES C. GIANULIAS AND CAMEO HOMES** (the Creditors' Trust, together, with any and all successor and assigns thereof, the "Payee" or "Holder"), c/o _____, or at such other place as Holder may designate to Maker in writing from time to time, the principal sum of Five Million and 00/100 Dollars U.S. (\$5,000,000.00), without interest, plus any and all costs and expenses as provided herein (the "Debt"), subject to the terms and conditions hereof.

1. Plan of Reorganization and Plan Agreement.

(a) On June 6, 2008, three creditors of Gianulias commenced an involuntary case against him under Chapter 7 of Title 11 of the United States Code, as such may be amended from time to time (the "Bankruptcy Code"), thereby commencing case number 8:08-bk-13150-RK (the "JG Case"). Concurrently, the same three creditors commenced an involuntary Chapter 7 case against Cameo, thereby commencing case number 8:08-bk-13151-RK (together with the JG Case, the "Cases"). On July 2, 2008 (the "Petition Date"), the United States Bankruptcy Court for the Central District of California, Santa Ana Division (the "Bankruptcy Court") entered Orders for Relief and converted the Cases to Chapter 11 proceedings.

(b) Gianulias is both the trustor and trustee of the Trust, and the Trust is part of Gianulias' bankruptcy estate and subject to the Cases. Gianulias owns 100% of the ownership interests in and to Cameo. On December 11, 2008, the Bankruptcy Court entered an order substantively consolidating Cameo's Chapter 11 estate into Gianulias' estate, effective as of June 6, 2008. Since the commencement of the Cases, the Debtors have managed their affairs as debtors and debtors-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

(c) On May 27, 2010, Debtors filed (1) Debtors' Fourth Amended Plan of Reorganization, which sets forth the manner in which claims against and interests in Debtors will be treated, and (2) the Fourth Amended Disclosure Statement for Debtors' Fourth Amended Plan of Reorganization (the "Disclosure Statement"), which describes certain aspects of the Plan, the Debtors' business and related matters.

(d) Makers and the Official Committee of Unsecured Creditors (the "Committee") negotiated and entered into a "Binding Term Sheet" agreement (the "Term Sheet Agreement") in connection with the Plan, which formed the basis for this Note and the other Security Documents.

(e) The Creditors' Trust is established pursuant to the terms and conditions of the Plan to provide for the orderly payment of amounts due to the holders of Allowed General Unsecured Claims in the Cases.

(f) This Promissory Note (the "Note") is being delivered to the Creditors' Trust pursuant to the terms and conditions of the Plan and Term Sheet Agreement with respect to the payment of the obligations due from Makers to Holder pursuant to the terms and conditions set forth herein.

2. **Definitions.** Unless otherwise provided herein, all capitalized terms will have the meanings as set forth in the Cash Flow Note:

- (a) **"Bankruptcy Code"** shall have the meaning as set forth in Section 1(a) above.
- (b) **"Bankruptcy Court"** shall have the meaning as set forth in Section 1(a) above.
- (c) **"Business Day"** means any day other than a Saturday, a Sunday or a "legal holiday" (as defined in Bankruptcy Rule 9006(a)).
- (d) **"Cameo"** shall have the meaning as set forth in the initial paragraph of this Note, and includes successors and assigns thereof.
- (e) **"Cases"** shall have the meaning as set forth in Section 1(a) above.
- (f) **"Cash Flow Note"** shall mean that certain Secured Promissory Note in the principal amount of \$42,000,000, subject to adjustment as set forth therein, made by Debtors in favor of Holder.
- (g) **"Committee"** shall have the meaning as set forth in Section 1(d) of this Note.
- (h) **"Confirmation Order"** shall have the meaning as set forth in the Security Agreement.
- (i) **"Creditors' Trust"** shall have the meaning as set forth in the initial paragraph of this Note, and shall include, without limitation, all successors and assigns thereof.
- (j) **"Debt"** shall have the meaning as set forth in the initial paragraph of this Note.
- (k) **"Debtor"** or **"Maker"** shall have the meaning as set forth in the initial paragraph of this Note and shall include, with respect to Gianulias, the estate of Gianulias upon his death, and, with respect to Cameo and the Trust, any successors and assigns thereof.
- (l) **"Disclosure Statement"** shall have the meaning as set forth in Section 1(c) above.
- (m) **"Effective Date"** shall mean the first Business Day following the date the Confirmation Order becomes a Final Order.
- (n) **"Event of Default"** shall have the meaning as set forth in Section 6 below.
- (o) **"Gianulias"** shall have the meaning as set forth in the initial paragraph of this Note and shall include the estate of Gianulias upon his death.

(p) **"Maturity Date"** shall have the meaning as set forth in Section 3 below.

(q) **"Payee"** or **"Holder"** shall have the meaning as set forth in the initial paragraph of this Note, and include, without limitation, any successors and assigns thereof.

(r) **"Person(s)"** shall mean any individual, corporation, limited liability company, joint venture, association, organization, estate, trust or other entity or any Governmental Authority.

(s) **"Petition Date"** shall have the meaning as set forth in Section 1(a) above.

(t) **"Plan"** means Debtors' Fourth Amended Plan of Reorganization dated May 27, 2010, as such may be amended, and as confirmed by the Bankruptcy Court in a final, non-appealable confirming order entered by the Bankruptcy Court.

(u) **"Principal Amount"** shall mean the principal sum of **FIVE MILLION AND 00/100 U.S. DOLLARS (\$5,000,000.00)**.

(v) **"Security Agreement"** shall mean that certain Security Agreement dated as of the date hereof by and between Debtors and the Trust, a copy of which is attached hereto as **Exhibit A**.

(w) **"Term Sheet Agreement"** shall have the meaning as set forth in Section 1(d) above.

(x) **"Trust"** shall have the meaning as set forth in the initial paragraph of this Note, and includes successors and assigns thereof.

3. **Payments Terms and Note Maturity.** Makers shall pay to the Holder, the entire amount of the Debt, including, without limitation, the outstanding Principal Amount and any other costs and expenses due hereunder on the earlier of an Event of Default or December 31, 2025 (the "Maturity Date").

4. **Lawful Money.** All payments to be made hereunder shall be made in the lawful money of the United States of America in immediately available funds and shall be delivered to Holder at such address as provided above, or to such other address and/or to the attention of such person, as specified from time to time by prior written notice to Makers from Holder.

5. **Prepayment.** At any time from and after the Effective Date, Makers may prepay or cause to be prepaid all amounts owing under this Note without penalty or premium.

6. **Event of Default.** The occurrence of any one or more of the following events, acts or occurrences shall constitute an event of default ("Event of Default") under this Note:

(a) **Payment Defaults.** The failure to pay all amounts due Holder under this Note as of the Maturity Date, and/or

(b) **Acceleration Default.** The occurrence of an "Acceleration Default" as defined in the Security Agreement after the expiration of all applicable cure periods and subject to the provisions set forth in the Security Agreement.

7. **Remedies.** Upon the occurrence of an Event of Default, Holder may accelerate the payment obligations due under this Note and declare the entire amount of the Debt due hereunder immediately due and owing. Without limiting the generality of the foregoing, from and after the occurrence of an Event of Default, Holder may exercise any and all rights and remedies available to Holder under this Note, the Plan, at law or in equity, all of which are expressly reserved. In the event that it should become necessary to employ counsel to enforce this Note and/or seek to collect the amounts due hereunder, Makers also agree to pay to Holder on demand all costs of collection or defense incurred by Holder, including reasonable attorneys' fees for the services of counsel whether or not a suit is brought. The rights, remedies and powers of Holder are cumulative and concurrent, and may be pursued singly, successively or together against any Maker or all Makers, any guarantor(s) hereof and any other security given at any time to secure the payment hereof, all at the sole discretion of Holder.

8. **Amendment; Waiver.** This Note may not be modified, amended, waived, extended, changed, discharged or terminated orally or by any act or failure to act on the part of Makers or Holder, but only by an agreement in writing signed by the party against whom enforcement of any modification, amendment, waiver, extension, change, discharge or termination is sought. Whenever used, the singular number shall include the plural, the plural the singular, and the words "**Holder**" and "**Maker**" shall include their respective successors, assigns, heirs, executors and administrators. By way of illustration and not of limitation, no failure or delay by Holder in exercising any right and/or remedy under this Note shall impair that right and/or remedy or be considered a waiver or acquiescence in any default by Makers or any of them.

9. **Application of Proceeds.** All payments made by Maker under this Note shall be applied first to the payment of delinquent or late charges or other expenses payable to Holder, then to the payment of principal then due and owing, and then to outstanding principal.

10. **No Demand or Presentment.** Each Maker and/or all others who may become liable for the payment of all or any part of the Principal Amount and any other amounts owed hereunder by Makers, do hereby severally waive presentment for payment, demand, notice of nonpayment, notice of dishonor, protest of any dishonor, notice of protest and protest of this Note and all other notices in connection with the delivery, acceptance, performance, default or enforcement of the payment of this Note and agrees that the liability shall be unconditional and without regard to the liability of any other party, and shall not be in any manner affected by any indulgence, extension of time, renewal, waiver or modification granted or consented to by the holder hereof; and each Maker and/or all others who may become liable hereunder consents to every extension of time, renewal, waiver or modification that may be granted by any holder hereof with respect to the payment or other provisions of this Note, and to the release of any collateral given to secure the payment hereof, or any part thereof, with or without substitution, and agrees that additional makers or guarantors or endorsers may become parties hereto without notice to Maker. No holder hereof shall, by any act of omission or commission, be deemed to waive any of its rights, remedies or powers hereunder or otherwise unless such waiver is in writing and signed by the holder hereof, and then only to the extent specifically set forth herein and in such writing duly signed by the holder hereof. A waiver of one event of default shall not be construed as continuing or as a bar to or waiver of such right, remedy or power on a subsequent event of default.

11. **Replacement.** Upon receipt of (a) a written certificate by Holder claiming the mutilation, destruction, loss or theft of this Note (a "Lost Note"), along with an indemnification agreement in form and substance reasonable and appropriate in favor of Makers with respect to such Lost Note, and (b) evidence reasonably satisfactory to Makers as to the mutilation, destruction, loss or theft of

this Note and the ownership thereof, and, in the case of any such mutilation, upon surrender and cancellation of this Note, Makers shall, upon the written request of the Holder, deliver in replacement thereof a new Note in the same form, and with the same terms and conditions hereof, and dated the same date as the Note so mutilated, destroyed, lost or stolen, and such Note so mutilated, destroyed, lost or stolen shall then be deemed no longer outstanding hereunder.

12. **Governing Law; Exclusive Jurisdiction**. This Note shall be governed by and construed in accordance with the laws of the State of California and the applicable laws of the United States of America. Makers and Holder acknowledge and agree that the Bankruptcy Court shall retain exclusive jurisdiction in connection with the interpretation and enforcement of this Note and/or the Plan; provided, however, that in the event that the Bankruptcy Court declines to adjudicate any matter in connection with this Note and/or the Plan, then the parties expressly acknowledge and agree that any legal action in connection with the interpretation and enforcement of this Note and the Plan, shall be brought solely in a federal or state court located in Orange County, California.

13. **Notices**. All notices, requests, demands, claims, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, telecopied, sent by nationally recognized overnight courier, sent by electronic transmission or mailed by registered or certified mail (return receipt requested), postage prepaid, to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Debtors, to:

James C. Gianulias or
Cameo Homes
1105 Quail Street
Newport Beach, California 92660
(949) 955-3832
Attn: John McFadden, Corporate Controller
E-Mail: johnm@gcompanies.com

With a copy to:

Irell & Manella LLP
840 Newport Center Drive, Suite 400
Newport Beach, California 92660
(949) 760-0991
(949) 760-5200 (fax)
E-Mail: afriedman@irell.com
Attention: Alan J. Friedman, Esq.

If to Secured Party, to:

With a copy to:

SulmeyerKupetz
A Professional Corporation
333 South Hope Street, Thirty-Fifth Floor
Los Angeles, CA 90071
(213) 626-2311
(213) 629-4520 fax
E-Mail: vsahn@sulmeyerlaw.com
Attention: Victor A. Sahn, Esq.

All such notices and other communications shall be deemed to have been given and received (i) in the case of personal delivery, on the date of such delivery, (ii) in the case of delivery by telecopy, on the date of such delivery (at time of confirmation of transmission), (iii) in the case of delivery by nationally recognized overnight courier, on the first (1st) Business Day following dispatch, (iv) in the case of delivery by electronic transmission, on the date of such delivery (at the time of confirmation of transmission), and (v) in the case of mailing, on the third (3rd) Business Day following such mailing or distribution.

14. **Successors and Assigns.** All of the rights, privileges, remedies and options given to the parties hereto shall inure to the benefit of, and shall be binding upon, the parties hereto, and each of their respective representatives, successors and assigns. Makers shall not assign their rights hereunder, or delegate their duties hereunder, without the prior written consent of Holder in its sole and absolute discretion.

15. **Counterparts.** This Note may be executed in one or more counterparts, all of which together shall constitute a single agreement and each of which shall be an original for all purposes, and all of which shall represent one and the same document.

16. **Valid Instrument; Authority for Execution.** Upon the execution and delivery hereof, this Note shall represent a valid and binding obligation of each Maker in accordance with the terms and conditions set forth herein, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights and/or by the application of general principles of equity. By the signatures below, each of the undersigned individuals represents and warrants that he has executed this Note with the power and express authority of such Maker, on whose behalf he has signed.

17. **Joint and Several Liability.** Each of Makers shall be jointly and severally liable for the payment of all amounts owed by Makers hereunder.

18. **Inconsistencies.** This Note is entered into pursuant to the terms and conditions of the Plan and Plan Agreement. In the event of any inconsistency between the terms and conditions of this Note and the Plan with respect to the transactions contemplated in this Note, the terms of the Plan shall control.

[SIGNATURE PAGE IMMEDIATELY FOLLOWING]

IN WITNESS WHEREOF, the parties have executed this Note as of the date set forth above.

MAKERS:

JAMES C. GIANULIAS, an individual

James C. Gianulias, as Trustee of the **JAMES CHRIS
GIANULIAS TRUST**

CAMEO HOMES, a California corporation

By: _____
Print Name: _____
Title: _____

SIGNATURE PAGE TO PROMISSORY NOTE

EXHIBIT A
Copy of Security Agreement

(see attached)