Exhibit "5"

UNITED STATES BANKRUPTCY COURT

FOR THE DISTRICT OF NEVADA

In re: CASE NO. 10-32968(BAM)

SOUTH EDGE, LLC, CHAPTER 11

Alleged Debtor.

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VIDEOTAPED DEPOSITION OF

PERSON MOST KNOWLEDGEABLE, CITY OF HENDERSON

DAVID NORRIS

(A.M. SESSION)

January 6, 2011

9:12 a.m.

Henderson City Hall

240 Water Street

Henderson, Nevada

Robin A. Ravize, CCR No. 753

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(Original Exhibits 18 through 31 have been attached to the original transcript.)

HENDERSON, NEVADA

THURSDAY, JANUARY 6, 2011; 9:12 A.M.

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VIDEOGRAPHER: This is Tape No. 1 to the videotaped deposition of the Person Most Knowledgeable, City of Henderson, David Norris in the matter of In re: South Edge, LLC, being heard before the United States Bankruptcy Court, District of Nevada, Case No. 10-32968, Chapter 11.

This deposition is being held at Henderson City Hall, 240 Water Street, Henderson, Nevada on January 6th, 2011 at 9:12 a.m.

My name is Patti Lucchesi. I'm the videographer. The court reporter is Robin Ravize.

Counsel, please introduce yourselves and affiliations. And the witness will be sworn.

MR. STODOLA: Damion Stodola from the law firm Morrison, Foerster representing JPMorgan Chase Bank, N.A.

MR. ENGEL: Larry Engel also Morrison, Foerster.

MR. BILLISITS: Karl Billisits, The Montecello Group, advisor for JPMorgan.

MR. CASTILLO: Chris Castillo with Haynes and Boone for Credit Agricole Corporate and Investment Bank.

MR. LIFRAK: Michael Lifrak from Quinn, Emanuel for KB Home Nevada, Inc.

MR. BOGATZ: Scott Bogatz from Bogatz & Associates

for Holdings Manager, LLC and Focus South Group, LLC.

MR. GARMAN: Greg Garman with Gordon, Silver for KB Home Nevada, Inc., Coleman-Toll Limited Partnership, Pardee Homes of Nevada, Meritage Homes of Nevada, Inc. and Beazer Homes Holding Corp.

And Shawna Hughes from my office will be here in a few minutes.

MR. HEYN: Matthew Heyn, Klee, Tuchin, Bogdanoff & Stern for South Edge, LLC.

MR. LARSEN: Bart Larsen of Kolesar & Leatham for the City of Henderson.

MR. STODOLA: I don't think we are going to take appearances for those folks on the phone, unless there's any objection to that.

DAVID NORRIS,

having been first duly sworn,

was examined and testified as follows:

EXAMINATION

BY MR. STODOLA:

Q. Mr. Norris, my name is Damion Stodola. I represent JPMorgan Chase Bank, N.A. in the matter you've been subpoenaed here before us today.

I just wanted to go through a couple of

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ground rules.
Have you been deposed before?
A. Yes.
Q. So some of this will be repetitive.
If you don't understand a question I'm going to ask at any time today, let me know. And I'll try to rephrase.
A. Okay.
Q. Also please as you know, take time responding to our questions. Give a chance for the other attorneys to voice any objections.
We can't talk over each other. It makes the court reporter's job a little bit more difficult.
So if you'd, please, just listen to my question fully. And then I'll extend the same courtesy to you and everyone else around the table. We should have a good, clean record.
You need to verbalize all of your answers. Because even though the deposition is being videotaped, the court reporter needs to have a verbal answer instead of an "uh-huh" or something like that in order to record.
A. Okay.
Q. If you need to take a break at any time, that's fine. I'd just ask that you do so after finishing answering the pending question.

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A. Okay.
Q. Are you aware of any reason today why you can't testify truthfully?
A. No.
Q. When the deposition is over, you're going to have a chance to review the deposition transcript.
But in this case we do have a stipulation among the parties that we can use this transcript pending before your review for purposes of any filings in the court. I just want you to realize that.
But you will have an opportunity to review and correct the transcript at a later time.
A. Okay.
Q. You mentioned you've been deposed before. How many times have you been deposed?
A. Half dozen maybe.
Q. Half dozen.
In cases in a capacity as a representative of the City of Henderson?
A. Yes.
Q. Can you just tell me basically what your professional background is?
A. Engineer and architecture is my degree, undergraduate, master planning, land development.
I've been pretty much with the city 19 years

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doing a combination of real estate transactions, planning, development agreements. Just about all the facets related to development.
So ...
Q. You mentioned an undergraduate degree in, was that in architecture?
A. Architecture and engineering.
Q. At what university?
A. It's called Truman State.
Q. Do you have any other degrees?
A. Yeah. It's a military studies.
Q. Where is that from?
A. Leavenworth.
Q. And you had mentioned also experience in master planning.
Where is that experience acquired? Through work?
A. Yeah. Local.
Let's see. Seven Hills, are you familiar with that one? A project called South Fork Apex Industrial Park. Those are local ones. Some down in the Phoenix area as well.
Q. Have you held the same position in the City of Henderson for the last 19 years?
A. No. Different positions.

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Q. Can you run through for me chronically from start to finish?
A. Planner, senior planner -- what do they call it? Then I had land planner at one time was a title, real property specialist, real estate portfolio manager.
Q. What is your current title?
A. Real estate portfolio manager.
Q. And what are your responsibilities in that position?
A. I manage all of the city and redevelopment agency's properties -- buying, selling, renting, leasing.
MR. STODOLA: I want to mark as our first exhibit the Notice of Subpoena for the City of Henderson.
I believe we are at Exhibit No. 18 on our side. So we will mark this as Exhibit 18.
(Exhibit 18 was marked for identification, and is attached hereto.)
MR. STODOLA: I hope I made enough copies for everyone.
We are also going to go ahead and mark as Exhibit 19 a subpoena issued to the City of Henderson Notice of Duces Tecum for certain documents.
(Exhibit 19 was marked for identification, and is attached hereto.)
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BY MR. STODOLA:
Q. Mr. Norris, do you recognize this subpoena?
A. Yes.
Q. So you've seen it before?
A. Yes.
Q. You understand that your testimony today is because the City of Henderson has designated you as the person most knowledgeable to testify on those topics?
A. Yes.
Q. And have you seen Exhibit 19 before?
A. No.
Q. Turning to Exhibit 18 then. So if you can just turn to the last page which starts off with "Subject matters of testimony ..."
You've seen that list before?
A. Yes. I've seen this list.
Q. And you understand you've been offered as the person most knowledgeable to testify about the topics identified on this page?
A. Yes.
A small point. On Page 1, Exhibit A, LID where you say it means Local Improvement District. You need quantify that as LID T-18. Because we have multiple LIDs in the city.
Q. Understood.

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And my understanding is T-18 is the LID bond that pertains to Inspirada.
A. Yes.
Q. That is also our understanding. And that's what we intended in defining that term.
I'm going to ask a couple of questions just about what you did in preparation for this deposition. But I don't want to intrude on any attorney/client privileged communication.
So I just want to know who you talked to, if anybody. But if you're going to answer your lawyer, don't tell me what you said. But what people you talked to in preparation for this deposition?
A. My attorneys.
Q. Anyone else?
A. Nope.
Q. Did you ever review any documents in preparation for the deposition?
A. Yes. I printed a few documents.
MR. STODOLA: Just a question to counsel.
Are those documents among the documents you produced to us?
MR. LARSEN: We produced everything to you that we received from Mr. Norris. Yes.
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BY MR. STODOLA:
Q. Did you talk with anyone else, any of your colleagues or other employees of the City of Henderson in order to prepare yourself about testifying about the topics identified in Exhibit 18?
A. No.
Q. Who do you report to at the City of Henderson?
A. I work for Bob Cooper, economic development.
Q. And do you have a number of people who report to you?
A. Yes.
Q. Who are those people?
A. I have one right now.
Q. What is that person's name or title?
A. Helen Breeden. She's an analyst.
Q. Does she have any responsibility for Inspirada or the City of Henderson's responsibility --
A. Not related to this.
Q. Is there anyone else -- I'm assuming you're not the only person at the City of Henderson that is familiar with Inspirada; is that true?
A. There's other people familiar.
Q. Have you been familiar with Inspirada since

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the project started?
A. Since before it started.
MR. STODOLA: I'm going to mark three exhibits, 20, 21 and 22.
(Exhibits 20 through 22 were marked for identification, and are attached hereto.)
BY MR. STODOLA:
Q. Mr. Norris, do you recognize Exhibits 20 and 21?
A. Yes.
Q. Can you tell me what Exhibit 20 is?
THE WITNESS: I need to start with a question to Mr. Bogatz.
Are any of those APNs the APNs that are the subject of your FSG-R Chapter 11?
MR. BOGATZ: I don't know sitting here. We have a number of things APNs that are involved.
THE WITNESS: And I don't remember off the top of my head which ones.
MR. BOGATZ: Nor do I. So I can't tell from this.
BY MR. STODOLA:
Q. So can you tell me what Exhibit -- let's take Exhibit 20 first.
A. Twenty is simply the amounts currently due by South Edge, LLC on local improvement district assessments.

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Q. So the total indicated there is, at the bottom, $471,000 and change, it says as of January 1st, 2010 installment.
A. Yes.
Q. Are there other installments for which there are amounts outstanding?
A. Yes. That's why I asked the question.
There's a separate bankruptcy where there's past due amounts on the LID assessments.
Q. Can you describe -- do you know what those other outstanding amounts are and what they relate to?
A. Well, it's FSGR-1, LLC I believe is the property owner's name. I think total amounts due are around a million dollars, including past dues.
Q. You mentioned this is in connection with other bankruptcies.
What other bankruptcy are you referring to?
A. A bankruptcy that was filed for a couple of the parcels within Inspirada.
Q. Are those parcels in connection with bankruptcies relating to Kimball Hill or Alameda?
A. No.
Q. FSGR-1, LLC, that's the name of the property owner?
A. Yes.

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Q. Do you know if it's known by any other name?
A. It's a Focus entity.
Q. Turning to Exhibit 21.
Do you recognize that document?
A. Yes.
Q. Can you tell me what this document shows?
A. It's actually showing an accounting of segments within the LID that had been acquired by the City and the amount of the payment and who it was to.
You've got the project description as well.
Q. Does that represent the total amount that's been paid out?
A. Yes.
Q. So even though the document, the title says "FY 2008," which I'm assuming means fiscal year 2008; is that correct?
A. Yes.
Q. And it's for all --
A. This is what we have paid for to date in terms of acquisitions off of segments.
Q. And I just want to turn back to Exhibit 20 for one second.
You had mentioned that that was in connection with bankruptcies.

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Do you know if those are in Chapter 7 or 11?
A. They are 11s. I mean, I can pull the APNs and tell you which ones these are. But off the top of my head, I don't know if it's related to those Chapter 11s or not.
Q. And just for the sake of the record, can you tell me what an APN is?
A. Assessor's parcel number.
So, for example, you say 1912271004, it's an assessor's parcel number that the Clark County Assessor assigns to every piece of property in the county. It's unique to that property.
Q. Turning now to Exhibit 22 which is a four-page exhibit. I'd like you to look at each of the pages.
I do not think that these four pages necessarily go together. But we have put them together in the same exhibit.
Just let me know when you've had time to review the document.
A. (Witness complies.)
Okay.
Q. So turning to the first two pages.
Do you recognize this document?
A. Yes.

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Q. Can you tell me what it is?
A. This is just the issue on the initial bonds that were sold for the LID, $102 million.
Q. And turning to the second page under the title "Sources and Use of Funds," can you tell me for the acquisition fund next to the $82 million number what that acquisition fund is for?
A. That's to acquire the segments that are outlined in the engineer's report.
Q. And when you say "engineer's report," can you tell me for the record what that is?
A. It's a document prepared that outlines the different segments or particular areas of the LID from water to sewer to drainage to, perhaps, parks, roadways, grading.
It describes what that entails and what the estimate is from the engineer for the assessment, the engineer, what his estimate of the cost is.
Q. So is it fair to say that out of the $102 million raised, the $82 million in the acquisition fund is the dollar amount available for major infrastructure projects at Inspirada?
MR. HEYN: Objection as to time.
BY MR. STODOLA:
Q. You can answer.
MR. LARSEN: Go ahead and answer.

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THE WITNESS: Yes.
BY MR. STODOLA:
Q. And in connection with this $82 million, based on Exhibit 21 only, about $1.3 million of that has been used; is that an accurate statement?
A. Yes.
Q. Is it the City's expectation that as of today more of that acquisition fund would have been spent?
A. We have a number of projects that are able to be acquired that haven't been completed.
Q. So can you explain a little bit the process of how reimbursements from the LIDs are reimbursed to the developer?
A. Okay.
Well, it starts with you have an engineer that prepares all of your construction drawings.
You enter into your contracts. You go out and you build the project.
You obtain the lien releases, all of the inspections from the city. And then basically you package together a book to give to the assessment engineer that, you know, has all of the specifications of what's been built, including the releases, you know, how you've paid your contractors.
Then that's signed, at which point we take

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and we do an audit. And then we schedule it for city council approval, at which time they authorize us to obtain a segment. And then we pay it.
Q. So only after that process is completed are funds reimbursed?
A. Yes. Yes. We don't do partials.
Q. So can you explain what you meant before when you said there are a number of projects that have not been completed?
Can you describe what you meant by that in more detail?
A. Inspirada has a combination of infrastructure projects that are funded by potentials for LID purchases, as well as a number of infrastructure projects that are not LID projects which are only surety bonds.
So there are a number of LID projects and bonded projects that have not been completed.
Q. Can you tell me the difference between a surety bond project and a LID project?
A. On a LID project the city, again, through the Local Improvement District, acquires or pays for that specific improvement that's being made.
In other cases it's the responsibility of the developer to build the project, at which point when it's completed, they turn it over to the City.

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However, we don't pay to acquire it.
Q. And what is the purpose of the surety bonds then?
A. The bond is to ensure the completion of the project.
Q. If the project isn't completed, what remedy does the City have?
A. We can call the bond.
Q. Can you explain in a little bit more detail what happens if the bond is called?
A. Different options.
In some cases the developer that was responsible for it may decide that they will go ahead and complete the project, at which point they simply go out and complete it. And we release the bond.
In other cases, the surety company may simply say, "Here's a check for the amount of the surety bond," at which point then we are responsible for going out as the City and then completing the improvements.
In a case like that, if the cost for completing it exceeds the cost that they pay, then we levy liens against properties to cover the difference.
In other cases, they may simply litigate it and try to forestall payment on the bond.
Q. Turning back to your earlier testimony about

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there are a number of projects that have been started, but not completed, can you give me some examples of projects that are near completion, but haven't arrived there yet?
MR. LARSEN: You mean at Inspirada?
MR. STODOLA: All of my questions are about Inspirada, unless otherwise specified.
THE WITNESS: Let me see. I think I've got a listing of some of them. But it's not going to be all.
R-36 Reservoir, this is a non-LID project. R-37 which is a non-LID project. Both of those are reservoirs.
Well, in the case of 36 is essentially complete in operation, but it's not actually owned by the City of Henderson.
There are a number of drainage facilities which I believe are LID facilities which are nearly complete.
There was grading that was done in Phase I which is an LID segment. Obviously, it's complete. But we haven't obtained that particular segment.
We have a number of roadways that are virtually completed, some of which may or may not be LID related.
So ...
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BY MR. STODOLA:
Q. In the case of a LID project that hasn't been completed, including those that you've mentioned, has a developer spent money to bring it to whatever point it's currently at short of completion?
A. Well, they expended funds to build it, at which point, what, approximately two years ago they stopped all work on the project.
So from that point forward you still have a number of segments and improvements that haven't been completed.
Q. So taking for example the R-36 Reservoir which you said was essentially operational, but not yet completed, in that case, would there be any reimbursement to the developer for the cost that's incurred, if and when it completes the formal process of turning it over to the City?
A. Not on the reservoir. City of Henderson.
Q. Maybe I can ask the question differently.
Do you have an understanding how much money the developer has spent to which it's entitled to reimbursement in the event that it finally completes currently pending projects?
MR. HEYN: Objection. Vague. Objection. Calls for a legal conclusion.

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THE WITNESS: I don't have an exact amount.
BY MR. STODOLA:
Q. Do you have a rough idea?
A. I wouldn't want to speculate.
Q. At any time if I ask you to take a guess, if you have a guess, that's fine. But if you don't feel comfortable doing that, that's fine, too.
Is it safe to say that there are funds that the developer is entitled to be reimbursed in the event that it does complete projects that are currently pending, but not yet completed?
A. LID, yes.
Q. I want to turn briefly back to Exhibit 22, and look at the last few pages of it.
Do you recognize these last two pages?
A. Yes.
Q. Can you tell me what this document is?
A. It's just an annual report that's prepared by the City outlining delinquencies and the status of the LID.
Q. At Item (b)iii it reads:
"The balance in the Acquisition Fund as of December 31, 2009 was $91,937,667" and change.
Do you see that line?

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A. Yes.
Q. So do you understand why that number is larger than the $82 million that was initially in the LID acquisition fund on the previous page?
A. Yes. Interest.
Q. Can you describe to me, sir, in some more detail how that works?
A. It's interest that's earned on the funds. So we may have sold $80 million worth of bonds. However, we haven't acquired $80 million worth of segments in improvements, therefore, that remaining balance is drawing interest. It's earning interest.
Q. So during the time that the project is currently stalled, this acquisition fund is earning interest and growing; is that true?
A. Yes. So is every other LID where everything is phased.
Q. And if you'd just flip the page. And the top three lines next to (v) references delinquent parcels.
I just want to know if you have an understanding whether those parcels which this document references says that they are in bankruptcy, are these the ones in bankruptcy that you were referring to earlier in your testimony in connection with Exhibit 19?
A. Look on page 2, the top three entries. That

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would be the FSG-R on viii which is, well, (v) talks about the bankruptcy. I believe there's -- yeah. There's two parcels, not three parcels.
If I remember correctly, one of those three parcels was, I'm thinking, the Alameda parcel. But I don't know for certain.
Q. Okay. I'm done with this exhibit. I just want to ask a couple general questions about the Inspirada project.
You had mentioned that you've had been involved with this project since before it started.
Can you tell me when you first became involved?
A. The city, we took and developed the land use plan for what we called West Henderson. It extended from essentially Anthem and Seven Hills and Henderson Executive Airport all the way over to I-15.
So that was part of a land use planning effort. And then annexing the property which was in unincorporated Clark County, and then starting the process to work with BLM to actually nominate the land for auction.
Q. Then can you tell me, where does Inspirada fit in that larger land use planning exercise?
A. Inspirada is maybe 20 percent of the overall larger area that we call West Henderson. That was the first

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area that we nominated through land management for an auction.

Q. I've just got three more exhibits to show to you. They have already been marked Bross Exhibit No. 2, Bross Exhibit No. 3 and Bross Exhibit No. 4.

Mr. Norris, could you just take a look at these three documents, and let me know if you recognize them.

A. I do.

Q. Let's start with Exhibit No. 2. Can you tell me what that document is?

A. Exhibit No. 2 is the original development agreement that we entered with South Edge, LLC for Inspirada of which actually Exhibit 4 is an attachment to the original development agreement.

Q. And Exhibit 3?

A. Exhibit 3 is the Inspirada Town Center portion of Inspirada.

When we did the original development agreement, we did certain entitlements that were very limited to Town Center; and that required them to come back in on a subsequent development agreement.

So the Town Center development agreement is for Town Center with minor modifications that were done to the roadway portion of the original development agreement.

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Q. And are these agreements between the developer of South Edge and the City of Henderson?

A. Yes.

Q. And can you tell me, at a general level, bird's-eye view, what these agreements provide?

MR. HEYN: Objection. Best Evidence Rule.

MR. LARSEN: Go ahead and answer.

THE WITNESS: Essentially it outlines what they are permitted to develop, what the requirements of the development are, and everything from, for example, you reference a park agreement which establishes that they have to build certain parks in certain locations at certain times according to certain specifications.

There are provisions that provide that they have a certain number of dwelling unit in specific areas. And out of those dwelling units they have to look a certain way which is according to a certain set of development standards which is an attachment.

There are provisions that require the construction quipping and dedication of a fire station.

There's a requirement for a donation to the City of two and a half acres for a future police substation.

There are requirements that they build certain roadways at certain times. There are requirements in here on the infrastructure in terms of water and sewer.

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You have references to exhibits, and exhibits would be, for example, the utility master plan. The utility master plan is what outlines how big the water lines are, how big the sewer lines are and how all of that interconnects.

BY MR. STODOLA:

Q. Is it fair to say that Exhibits 2, 3 and 4 together describe both the developer's obligations and the remedies available to the city in connection with any defaults in connection with the development of Inspirada?

MR. HEYN: Objection. Best Evidence Rule. Objection. Calls for speculation.

MR. LARSEN: Go ahead and answer to the extent you can.

THE WITNESS: Yes.

BY MR. STODOLA:

Q. Are these the only agreements that are executed between the City of Henderson and South Edge?

A. No. We have a couple minor modifications that were done related to Inspirada and the Town Center. I believe you've got copies of those.

We had one that was a September 2008 related to the Town Center, specifically a resort hotel planning area. That was the Stations purchase.

There was a minor modification back in 2005

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that dealt with just clarifying some things on product mixes and street sections.

There was a March 2006 that, again, dealt with doing some minor modifications on roadways.

There was a July 2007 that made a modification on the architecture which was a result of a change on a building code. Let's see.

We had a park maintenance agreement that we did for a park in Village 1. I believe that's it -- oh, then there's also a coordinator reimbursement agreement.

Q. And the modifications you referenced, are those to the development agreements?

A. Yes.

Q. And when was the last time a modification to the development agreement was made?

A. It would have been 2008 on Town Center.

Q. So there have been no modification development agreements since then?

A. Not that I'm aware of.

Q. Do you have an understanding of what the current status of ongoing development at Inspirada is, aside from any individual home in construction?

A. The backbone infrastructure is not being completed.

Q. When you say "backbone infrastructure," what

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are you referring to?
A. Major roadways, sewer lines, water lines, water reservoirs, drainage.
MR. STODOLA: I'll mark Exhibits 23, 24 and 25.
Exhibit 23 is a map labeled "Drainage Facilities."
24 is a single-page map labeled "Water Improvements."
25 is a single-page map labeled "Street Improvements."
(Exhibit 23 through 25 were marked for identification, and are attached hereto.)
BY MR. STODOLA:
Q. Mr. Norris, do you recognize these three exhibits, 23, 24 and 25?
A. Yes.
Q. Taking them from the beginning at Exhibit 23, can you tell me what they show?
A. Exhibit 23 in the yellow shows the drainage on the eastern portion of the project.
Villages 1, 2, 3 and 4, I believe, are the four villages with the drainage facilities indicating roughly 95 percent complete in yellow.
Blue would be as-built. I would point out, for example, the blue line where it intersects with

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Volunteer Boulevard isn't complete. It's actually partially completed. There's a section missing.
Q. Let's stick with Exhibit 23 then.
When you say the "blue line," is that a LID project, if you know?
A. I'd have to look and verify it.
A portion of that are.
Q. Is Exhibit 23 a document that was generated by the City of Henderson?
A. Yes.
Q. Do you know when it was generated?
A. It appears to be -- I can't read that. Sometime in late 2010.
Q. Does the City normally generate these kind of maps or only on request?
A. Only on request.
Q. Do you know the circumstances why this particular map was generated?
A. No.
Q. And then in connection with the blue drainage project that's indicated as "as-built," you mentioned here that it's partially complete. It's not fully complete?
A. Correct.
Q. So does the City own that yet?
A. No.

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Q. What circumstances are necessary for the City to own that project?
A. There is a section of the drainage channel that is between Volunteer -- just south of Volunteer, actually a little bit on the north side where it ties into a detention basin on the north side of Volunteer.
So there's just a little bit of work that remains to be done in through there. Obviously, it has to be reinspected and everything else associated with acquiring it. So it's probably 95 percent complete.
Q. And when was this project started?
A. I don't know the exact date that they started construction.
Q. At what point did it reach 95 percent completion?
A. Over two years ago.
Q. So nothing --
A. I would have to look at the inspection report which is not in front of me.
Q. So for two years nothing has been done on this project?
A. That I'm aware of.
Q. The pink lines that are identified as conceptual design, am I to understand that those are planned. But no construction has yet occurred on them?

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A. Correct.
Q. And the yellow lines are projects that have also reached 95 percent completion?
A. At least 95 percent. There's also a debris basin not shown on this drawing which would be at the far bottom of the drawing.
Q. And is that debris basin also almost complete?
A. Yes.
Q. Does the City maintain or operate any of these facilities in any way?
A. Not that I'm aware of.
Q. Are these drainage facilities operational in any way at all?
A. Yes.
Q. Can you explain what you mean by that?
A. If it rains, the water goes into that drainage facility and eventually makes its way up to the retention basin.
Q. Who's obligated to finish the remaining 5 percent to bring to full completion?
A. South Edge, LLC.
Q. And if any of these facilities break, who's responsible for fixing them?
MR. HEYN: Objection to the extent it calls for a

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legal conclusion. Objection. Foundation.
MR. LARSEN: Go ahead and answer to the extent you know.
THE WITNESS: South Edge, LLC.
BY MR. STODOLA:
Q. And what's your basis for saying that?
A. They were obligated to construct it under the LID. They started construction. We approved the plans for it. They haven't turned the property or improvement over to the City at this point.
Q. If they were to complete construction and turn over the facilities to the City, would South Edge be entitled to any reimbursement under the LID bonds?
A. If it's an LID segment, yes.
Q. You can put Exhibit 23 aside.
If we can turn to Exhibit 24 which is a single-page map entitled "Water improvements."
One point of clarification. I notice both on Exhibit 23 and Exhibit 24 there's a green line that the legend on the map indicates is the LID T-18 boundary.
And earlier you had mentioned that Town Center was subject to a different development agreement.
Does the T-18 LID bond cover the Town Center as well?
A. The properties within Town Center aren't

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subject to LID assessments for T-18.
Q. And then looking at Exhibit 24, there is a project that's titled "ADP-WM-1" indicated as "Complete and acquired."
A. On 4/11/08, that's Exhibit 21.
Q. On Exhibit 24 does that line indicating that it was complete and acquired mean that the City now owns that, I'm going to call it a water main, but --
A. Yes.
Q. When did the City take ownership of that?
A. According to this, 4/11/08.
Q. Then the lines in purple indicate work that's 75 percent complete and not acquired; is that correct?
A. That's what this indicates.
Q. And do you know if any work has been done on those -- well, do you have an understanding when the last construction was done on those projects?
A. I don't know the exact date.
Q. Do you have a rough idea?
A. Approximately two years.
Q. And then the yellow lines indicated on the map say "95 percent complete and not acquired," do you have an understanding the last construction that was done on those projects?
A. I believe the yellow was actually in service,

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but not acquired by the City.
Q. Explain what you mean by those "projects being in service, but not acquired by the City"?
A. That means that there is a reservoir which is not LID that has water in it and is providing water to the homes in Inspirada through a water line that hasn't been obtained by the City which connects to the water line that has been obtained and acquired through the LID.
Q. So is it fair to say that those projects are functioning?
A. Yes.
Q. And if anything were to happen to those projects, if they were to break down, who would be responsible for fixing them?
MR. HEYN: Objection. Foundation. Objection to the extent it calls for a legal conclusion.
MR. LARSEN: Go ahead and answer.
THE WITNESS: It's difficult because we don't own the water reservoir. We don't own the water line, yet we are providing a service through the water line.
BY MR. STODOLA:
Q. So why is that difficult?
A. I don't know who's liable.
Q. Is the City of Henderson pleased to be in a position where they are not sure who's liable for breakage

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at the water main?
MR. LARSEN: Objection. Vague as to the "pleased."
BY MR. STODOLA:
Q. Do you have an understanding what the word "pleased" means?
A. Yes.
Q. What is your --
A. I'm not going to comment on what the City may or may not think. I'm not here to represent the elected officials as to what their opinion may or may not be.
Q. Who are the people who would be able to express an opinion about the City's reaction to this state of affairs?
You mentioned elected officials?
MR. HEYN: Objection. Vague. Objection. That's a very difficult question to answer under oath.
MR. STODOLA: I'll rephrase.
BY MR. STODOLA:
Q. Who are the elected officials at the City of Henderson who would be able to provide a public statement about the state of development on these particular projects?
MR. HEYN: Objection. Foundation. Objection. Speculation.
MR. LARSEN: You can go ahead and answer, if you

know.
THE WITNESS: I don't believe they will. Because it's in litigation.
BY MR. STODOLA:
Q. When you say "they," who are you referring to?
A. The elected officials or any official of the City. We don't comment on litigation matters.
Q. Turning to Exhibit 25.
Do you recognize this document?
A. Yes.
Q. Is this also a map that would have been generated by the City of Henderson?
A. Yes.
Q. And can you tell me what this map shows?
A. This map shows the status of LID-funded roadways, as well as some nonfunded roadways.
Q. Now, there's a series of orange lines indicating that certain roadway projects have been complete and are acquired.
Do you have an understanding of whether that's accurate?
A. Yes.
Q. So does the City own those roadways?
A. Yes. That would be Exhibit 21 with the first

four entries.
Q. So just turning to Exhibit 21, the first four entries you're referring to are those --
A. Those are associated with the acquisition of those roadway segments.
Q. Projects ADP-RG-2 and ADP-RG-1?
A. Yes.
Q. And when did the City acquire those roadways?
A. This indicates 11/29/07 and 1/16/08.
Q. Has the City acquired any roadways since that date?
A. Not to my knowledge.
Q. The roadways in pink that indicate they are 75 percent complete and not yet acquired, are those roadways functional?
A. Define "functional."
Q. Do you have an understanding of the word "functional"?
A. Yes. But you may have a different meaning than I do.
Can you drive your car on it today? Yes.
Does it meet public standards to be acquired? No.
Q. What are the public standards needed for it to be acquired?

A. I believe it's still missing streetlights, all of the -- I don't believe all of the sidewalk that's associated has been installed.
I don't know that the final paving has also been laid. So it does not meet standards to be obtained and acquired through the LID. But yes. You could drive your car on it.
Q. Are people driving their cars on it?
A. Yes.
Q. So hypothetically, if there's a pothole in the street or if it needs repair, who's responsible for making those repairs or fixing the pothole?
MR. HEYN: Objection. Foundation. Objection. Calls for a legal conclusion.
MR. LARSEN: Go ahead and answer.
THE WITNESS: South Edge, LLC.
BY MR. STODOLA:
Q. You can put those away.
I'd like to ask some general questions about Inspirada again.
In looking at Exhibits 23, 24 and 25, you mentioned that some work has not been completed for over two years.
Do you have an understanding when continuous development other than the construction of individual homes

stopped at Inspirada?
A. I don't remember the exact date.
Q. Do you remember the year?
A. I believe it was early 2008.
Again, I don't remember exactly.
Q. Do you have any understanding of why the project stopped in early 2008?
A. There was a disagreement between the developer and the builders as to how to best proceed with moving forward on the project.
Q. And how do you acquire that knowledge? How do you know that?
A. It was based on discussions with representatives of South Edge as well as some of the builders, I believe.
Q. Do you recall any specific conversations or people you talked with where you learned that information?
A. Larry Bross, Elaine -- I forget Elaine's last name that used to work there. There's a couple of former employees at South Edge. I don't remember the names off the top of my head.
But it was in discussions with them.
Q. Prior to early 2008 when the project stopped, how frequently was the City of Henderson communicating with South Edge or any of the builders?

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A. On a regular basis.
Q. What were those communications about?
MR. HEYN: Objection. Vague as to time.
THE WITNESS: A number of things related to the project. Everything from mapping that would have been going forward, park improvements, roadway improvements, utilities, Any number of items.
BY MR. STODOLA:
Q. Would there have been regular communications in connection with the ongoing development of the project?
A. Yes.
Q. And after early 2008 how often was the City of Henderson and either the developer or the builders in communication?
A. I don't remember.
Q. Do you recall the last conversation you had with South Edge or any of the builders about Inspirada?
A. Well, Mr. Engel was there. Was that three months ago?
MR. ENGEL: September.
THE WITNESS: September.
BY MR. STODOLA:
Q. Do you recall the last meeting you've had with any representative from the developer?
A. They were there.

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Q. They were there?
A. Yeah. Larry Bross was in the meeting as well.
Q. What was that meeting about?
A. Just the status of the project; that there had been a conclusion at the arbitration; that it was sealed.
Basically, they couldn't explain to us how the project was going to move forward. It involved a continuing discussion on the projects that hadn't been completed, again both LID and non-LID projects.
Q. In terms of the projects, either LID or non-LID, that have not yet been completed, does the City of Henderson want those projects completed sooner than later, if you know?
A. Yes.
Q. And which is it? Sooner?
A. Sooner.
Q. And can you explain to me why sooner than later?
A. Because the stalled infrastructure, again, LID and non-LID, every day it sits there, it deteriorates.
So, for example, the roadways, at some point, you know, do they sit for 10 years, 20 years before you finish them, at which point you might as well tear it out.

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You have drainage facilities that aren't completed. You have two reservoirs which are partially completed, the one. The other one is actually in use.
But again, it's not completed and secured in accordance with our standards.
MR. STODOLA: Why don't we take a five-minute break.
VIDEOGRAPHER: Off the record at 10:09 a.m.
(Recess taken.)
VIDEOGRAPHER: This marks the beginning of Tape No. 2. The time is 10:19 a.m.
We are back on the record.
MR. STODOLA: I'm going to mark as Exhibits 26 and 27 a few documents.
The first is a two-page document entitled "Inspirada Development Agreement, Town Center."
And the second is a three-page document entitled "Inspirada Development Agreement."
(Exhibits 26 and 27 were marked for identification, and are attached hereto.)
BY MR. STODOLA:
Q. Mr. Inspirada, can you tell me if you recognize these documents?
A. Yes, I do.
Q. Are they your documents?

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A. I did not prepare these. No.
Q. Do you know who did?
A. I believe these were prepared by community development.
(Reporter interjects.)
THE WITNESS: Community planning.
BY MR. STODOLA:
Q. Community development is part of the City of Henderson?
A. Yes.
Q. Can you tell me what role they have in Inspirada, if any?
A. Initially, very little. There was a change in our development codes that that department has the lead on development agreements moving forward.
This was simply a document so that they could assist themselves in kind of figuring out where the project was.
Q. And do you know when these documents were prepared?
A. Probably within the last six months.
Q. On what basis do you make that statement?
A. Based on when they started being involved with development agreements.
Q. Can you sort of explain to me again why they

became involved in development agreements six months ago as opposed to two years ago?

A. A change in the codes, a change in the city council. Any number of reasons.

Q. So the reasons have nothing to do with Inspirada specifically?

A. No. No. No.

Q. I'm looking at Exhibit -- let's take Exhibit 27 first.

Can you tell me what this document describes?

A. This is essentially taking those items that I discussed earlier in terms of, you know, for example, if you look at the bottom, the fire station with the apparatus, this is just simply taking all of those different requirements out of the development agreement and putting them onto a piece of paper identifying, you know, what's the obligation, when is it due and what provision out of the development agreement is applicable.

Q. So when you say "obligations," whose obligations are you referring to?

A. South Edge, LLC.

Q. So are these obligations that haven't been met?

MR. HEYN: Objection. Foundation.

THE WITNESS: Well, No. 1 has been met. Because That's why you have a separate development agreement for Town Center.

No. 2 has. Because if you look at Village 1, there is a commercial building, if you're familiar with the project. That commercial building in Village 1, that's the commercial that it's discussing.

No. 3 I don't think is completed. And also, they still haven't hit the targets. So, for example, looking down here, donation on the school sites, there's a school site on --

BY MR. STODOLA:

Q. For clarity of the record, could you tell me which one it is?

A. No. 7, "Developer shall donate to the Clark County School District the school sites." Those haven't been donated yet.

Typically, those aren't donated until the school district requests those.

And typically, they don't request them until the off-site improvements are done.

So, for example, in Inspirada you have four elementary schools and a middle school. Some of those are in later phases.

The school district, obviously, isn't going

to ask for something in a late phase because there's no infrastructure to serve it. And that's pretty normal when you look at any of our master planned communities.

Q. You mentioned initially that the first two lines had been completed; is that correct?

A. Yes.

Q. Do you know when those were completed?

A. Town Center Development standards, whatever the date was on the Inspirada Town Center. 2007.

Q. So the item described at Line 1 of this Exhibit 27 was completed before the project stopped?

A. Yes.

Q. And I have the same question for Line 2.

A. Yes.

Q. So Line 2 of Exhibit 27 was completed before the project stopped?

A. Yes.

Q. Looking at this document could you tell me whether there are any obligations here, other than the ones you've already mentioned, that have not been completed?

A. The last one on constructed fire station hasn't been. Because they haven't met the trigger requirements for that.

If you look at the 4.12 (a), (b) and (c), those are all modified by the 2007 Inspirada Town Center

development agreement.

So they are not even applicable. So you have to look at Exhibit 26 on those.

We discussed schools which was 6.1 of the agreement. Again, that's a timing issue based on the needs of the school district, when they want to acquire.

No. 8.3 which is on the second page, fire apparatus, again, the triggers haven't hit for when the fire station is due, or the apparatus.

They are in default on 9.1 which is the community policing.

Q. Can you tell me what community policing center refers to?

A. Essentially, the police department, it's a place where people can go and file reports with police officers.

You know, the police officers can go in and have a place to write reports. This 9.1 was also modified by the Town Center development agreement.

So what you see here actually isn't correct.

Q. When you say it isn't correct, what's not correct about it?

A. In the Town Center development agreement there was a trigger date for transferring of the 2.5 acres

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that's identified.
Q. Have those acres been transferred?
A. No.
Q. Is South Edge in default under this obligation?
A. Yes.
Q. And what basis do you have to say that?
A. The property was never transferred to the city by the dates required by the development agreement.
Q. Are there people living at Inspirada?
A. Yes.
Q. So when there's a fire, who do they call?
A. City of Henderson 911.
Q. If the fire station referenced on the first page of Exhibit 27 had been built, would that fire station be serving those residents?
A. It's not required to be built yet.
Q. After it would have been built, would it have served the residents of Inspirada?
A. And residents of the rest of the City of Henderson, as well as unincorporated areas of Clark County.
Q. Is South Edge in default for not having completed construction on the fire station?
A. No. Because it's not required yet.

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Q. Can you explain to me what triggered --
A. It's more like phasing. And it's related to the number of houses that have been built which relates back to how far those houses are from existing fire stations that we have.
Today this project is served primarily by a fire station that's built in the adjacent project of Anthem.
As this project starts building out more and more units, the number of homes that have to be provided a service out of that fire station, you start exceeding the capacities. And you also start exceeding the response times.
Therefore, that's why you have a fire station requirement. It's based on a combination of response times and units served.
Q. Okay.
So in connection with the community policing center identified on the second page of Exhibit 27, you mentioned previously that South Edge is in default of the obligation to build that community --
A. No. To donate 2.5 acres.
Q. To donate 2.5 acres.
So specifically the obligation that South Edge is -- let me rephrase.
South Edge is in default for having not

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transferred those 2.5 acres of land which were designated for a community policing center?
A. Correct.
Q. Who had been responsible for building the community policing center?
A. The City of Henderson, if we decided to build it.
Q. And in connection with the items beneath, so continuing down Page 2 of Exhibit 27, the items beneath "Parks Agreement Obligations," and these extend to the fourth page of Exhibit 27, can you explain to me which lines here have not been completed pursuant to South Edge's obligations?
A. A lot of these are based upon triggers.
So, for example, Park B, you haven't met the number of dwellings yet. Therefore, it's not a requirement.
Park F, that's another one that they haven't met the number of units.
Park J, they haven't met the number of units.
The trails, there are a number of trails that have been built to which, I believe, the City would be responsible for maintaining the paving, but nothing else. None of that has been transferred.
Q. Community park sites, this is kind of -- everything is built on a trigger in terms of number of

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dwelling units or it's built on a proximity.
So, for example, the park that you have in Village 1 is required under the parks agreement is to be starting construction on a specific time based upon when the first permit is issued for Village 1.
If you go into Village 2 and start building houses in Village 2, that little community park that's in the middle of the roadway similar to Village 1, that's required to be started within a certain number of days of issuing that first building permit. And that occurs on all of the villages.
Then you have parks, like, for example, the park that separates Village 1 from Village 2. That's based on unit count and so forth.
Trails are all based upon when the adjacent construction occurs.
Q. All right.
So I'm going to try to summarize your testimony, and you let me know if it's accurate.
In connection with many of these line items under the "Parks Agreement Obligations" of Exhibit 27, your explanation is that a lot of these obligations have not been triggered yet because certain milestones have not been met?
A. In terms of construction, yes.
Q. Had South Edge not stopped development in

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early 2008, would some of these events have occurred triggering the obligations to complete the construction outlined here?

MR. LARSEN: Objection to the extent it calls for speculation.

But if you can answer it, go ahead.

THE WITNESS: You need to separate it.

The home builders are still building houses. It is the issuance of building permits that triggers to start on a park which is then the obligation of South Edge, LLC.

So just because you have, again, LID segments that haven't been completed it isn't related to whether or not somebody is still building a house.

If you build a certain number of houses, then you're going to have a requirement to start a park, if you hit a trigger.

BY MR. STODOLA:

Q. I understand.

Turning to Exhibit 26. Do you recognize this document?

A. Yes.

Q. Can you tell me what this document is?

A. Again, this is just looking at the Town Center development agreement and trying to outline what the

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obligations are and when they are due.

Q. And the Inspirada Town Center development agreement is the earlier exhibit marked Exhibit 3; is that correct?

A. Yes.

Q. Can you tell me what this document shows?

A. Again, this is just outlining when certain things are required.

So, for example, the first one is providing a site that's capable of providing a certain amount of square footage which was January 1st of this year.

And you can see 4.12 (a), (b), (c), (d), (f)(2), (f)(4), those are all, again, related to the portion of the agreement that modified the original Inspirada development agreement as related to roadways and the timing for those.

Q. Are any of these obligations indicated on this Exhibit 26 default, if you know?

A. The first one is, obviously. And there's a provision in the development agreement that allows us to do minor modifications, to agree on mutually agreeable extensions on dates.

So, obviously, there's not a market for 100,000 square feet of commercial today. So we would mutually agree to extend that date.

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Q. Has anyone approached the City about extending that date?

A. Not that I'm aware of.

Q. Has anyone approached the City of Henderson in connection with making modifications to any aspect of the development agreement?

A. What period of time?

Q. Since early 2008.

A. The last discussion we had about making modifications to the development agreement occurred before the project was stalled.

We had had a series of meetings with South Edge and all of the builders talking about making changes on everything from product mix to if it was alley loaded, not alley loaded.

Again, that was prior to the project being stopped. Since that time, we haven't had those discussions.

Q. Do you have an understanding why you haven't had those discussions?

MR. HEYN: Objection. Calls for speculation.

MR. LARSEN: Go ahead and answer, if you know.

THE WITNESS: Well, because you've been in arbitration for the last two years.

BY MR. STODOLA:

Q. What is your understanding of the arbitration

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that you just referenced?

A. That there was a disagreement between the parties as to who had what obligations and how to move forward with the project.

Q. Do you have an understanding of when that arbitration started and ended?

A. The order was unsealed within the last month. And it started as a result of a number of lawsuits back and forth between the builders and South Edge and Focus for a number of -- you know, over a year.

I believe the arbitration was a requirement of the loan.

Q. You've referenced this arbitration.

Do you have an understanding why the City of Henderson was interested in the arbitration?

MR. LARSEN: Objection. Assumes facts not in evidence.

Go ahead and answer.

THE WITNESS: What we were interested in is trying to get a determination as to how the project was or was not going to move forward so that we could take action, if we needed to.

BY MR. STODOLA:

Q. Can you explain to me in a little bit more detail what you mean by the City's interest in whether or

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not the project would move forward or not?
A. We wanted to find out if, in fact, we were going to have a change in developer. If one of the builders was going to take over; if they were just going to divest all the assets.
We didn't know how they were going to proceed with the project which would then allow us to make the decision as to what actions we needed to take which would range from calling bonds to completing parcel LID segments using LID proceeds.
Q. Is it fair to say then that the City was interested in assessing its options for moving forward with the development of Inspirada?
A. As to what had already been started with the construction, not, you know, future development in Village 3, Village 4.
This related as to what had been started but stopped.
Q. I've heard some previous testimony on this before. But can you repeat for me what understanding you have of which projects have been started but stopped as a result of the project stopping in early 208?
A. Well, again, you have non-LID projects which would be the two water reservoirs, one of which is in use.
There's a pump station that sits next to one

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of the reservoirs.
There's a water line that connects R-36 to R-37. R-37, the reservoir primarily serves portions of, I think, Villages, like, probably 4, 5 -- basically, the southern tier of the project as well as a portion of the Town Center.
You have sewer lines that are partially completed, although I think most of the sewer lines were completed and actually turned over. Because some of those were non-LID.
You've got some drainage facilities that were LID. You've got trails, roadways -- I mean, any number of projects, and again, some are LID. Some are not.
Q. In connection with the projects that have been started but stopped, have you had any conversations or communications with South Edge, its representatives or the builders about completing construction on those projects?
A. Yes.
Q. Can you describe those communications?
A. Well, when they initially notified us they were going to stop the project, we said, "That's nice. Complete your projects."
We did a follow-up probably six months after that with, "Again, you need to complete your projects."
Typically, about every six months we will

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have a discussion that says "Complete the projects that have been started."
Q. Did you receive any response to those requests?
A. Essentially, we couldn't do anything because of the ongoing arbitration which is related to a disagreement on how and who funds what.
Q. You testified earlier that the arbitration award is unsealed.
Do you know if the City has had an opportunity to review the arbitration award?
A. Yes.
Q. Have they reviewed the arbitration award?
A. Yes.
Q. Do you know who reviewed the arbitration award?
A. Our outside counsel has reviewed it for us.
Q. Do you have an understanding of what the arbitration award says?
A. Yes.
Q. Can you describe, to your understanding, what the arbitration award says?
A. I'll leave that to you.
Q. I don't want your counsel's opinion. I just want to know if you have an understanding of the award, what

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you understand it to say?
MR. HEYN: Counsel, if it's only through attorney/client communications, I can understand his reluctance.
MR. LARSEN: If your understanding of the arbitration award is based on something either Elliott or another attorney has told you, then don't answer.
THE WITNESS: It is. It is simply discussions between Elliott and myself.
MR. STODOLA: All of those discussions you're asserting a privilege on.
MR. LARSEN: If it was a discussion between Mr. Norris and counsel, yes.
BY MR. STODOLA:
Q. Have you ever seen the arbitration award?
A. Yes.
Q. Have you read it?
A. Yes.
Q. Based on your reading of it, without testifying about what your counsel has told you about the award, can you tell me what your understanding of the award is based solely on your reading of it?
MR. LARSEN: If you can describe for him what you understand, go ahead.
But if you have to rely on what Elliott just

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told you or any other attorney, then I would instruct you not to answer that.

THE WITNESS: Then I'm not going to answer it.

BY MR. STODOLA:

Q. Has the City taken any action as a result of the unsealing of the arbitration award?

A. No.

Q. Has the City reached out to any representative, say, of the home builders as a result of the unsealing of the arbitration award?

A. I believe that some of the builders have contacted the City and met with council representatives.

Q. I'm sorry. When you say "council representatives," are those the elected officials from the City of Henderson?

A. Yes.

Q. Do you have an understanding of what was said in those meetings?

A. No.

Q. Has any construction -- strike that. I'll rephrase.

Since the unsealing of the arbitration award has any construction continued on the projects that you mentioned were started but stalled?

A. Not that I'm aware of.

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Q. Are you aware of any future plans for those projects to be completed?

A. Not that I'm aware of.

Q. Would the City know if those projects were scheduled to be completed?

A. Yes. Because they would start requesting inspections and ensuring that the plans were still valid plan approvals and building permits.

Q. So has anyone, to your knowledge, at the City of Henderson received any requests for inspections?

A. Not that I'm aware of.

Q. Have any requests related to permits been received by the City of Henderson from South Edge representatives or the home builders?

A. Not that I'm aware of.

Q. I'd like to turn just generally to an understanding of how the City acquires projects once they are completed.

We touched very generally about that in the beginning of the deposition.

Can you just generally describe to me the process by which the City acquires projects after they have been completed?

A. Basically, South Edge, or whoever happens to be the contractor under the LID, would put together,

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basically, it's a book that has everything from the plan specifications to the contracts to showing payments being made, releases from the contractors, inspection reports from the City.

If it happens to involve something that would require clear title -- because, for example, if you were turning over a park that had park land, you know, obviously, you would have to have clear title on that. That's all reviewed by the assessment engineer.

And then we take and we schedule that for a city council hearing, at which point they approve it.

And within a certain number of days a check is made out to, you know, whoever, per the acquisition agreement, is to be paid.

MR. STODOLA: I'd like to mark some exhibits.

Exhibit 28 is a document entitled "City of Henderson City Council Agenda Item" dated December 11th, 2007.

And Exhibit 29 is an e-mail conversation thread. It has "Bart Larsen" at the top of it. It's a four-page document.

(Exhibits 28 and 29 were marked for identification, and are attached hereto.)

BY MR. STODOLA:

Q. Mr. Norris, do you recognize -- let's take a

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look at Exhibit 28 first.

A. Okay.

Q. Do you recognize that document?

A. Not this specific one. But I know what it is.

Q. Can you tell me what it is?

A. This is a city council agenda item that would authorize the city council to acquire segment RG-2 which was Village 2 rough grading in the amount of 630- and change minus the cost to the assessment engineer.

Q. So is this document a document that falls in the process you just described generally to me earlier about how this requires --

A. Yeah. This is essentially -- after we have everything, this would be the last item before -- once the city council would approve this item, that's the point at which he would take and the check would be written.

Q. So is this the type of document that the City of Henderson would normally do for any project?

A. This is a standard agenda item format that we use on any LID for any agenda item.

Q. And then this document in particular references a payment request in the amount of $630,000 to be paid out of LID T-18 bond proceeds.

Do you know what project this request was

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made in connection with?
A. Rough grading on Village 2.
Q. And what's "rough grading"?
A. That's essentially just taking and grading the property out, either cuts and fills to the point where you can go in and start doing the roadways and the finish grading for the lots themselves.
Q. So when this acquisition is made, does that mean that the roadways are finished in the sense that they are completely paved, street lamps are up?
A. This particular segment is only for doing the rough grading. That's all it is for.
Q. Is that a preliminary step before --
A. Yes. That's just one of many.
Q. Can you pull out Exhibits 21 and 25 for me, please?
A. (Witness complies.)
Q. So looking at Exhibit 21, the first two lines -- and they are dated November 29, '07 and January 29, '07 -- they relate to a project labeled "ADP-RG-2."
A. Yeah.
Q. Is that correct, Mr. Norris?
A. Yes.
Q. Is that rough grading street improvements?

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A. No.
The segments that you see listed here, is that the same as this on ADP-RG-2? Okay.
So that's the same one that's listed on this agenda item which is this ADP-RG-2 street improvements at 21. So that's Village 2 streets.
Q. So the first two lines on Exhibit 21 are referring to the rough grading that is also referred to in Exhibit 28; is that correct?
A. That's what it appears to be.
Q. And the rough grading referred to in Exhibit 28 is the last step before the City of Henderson acquires that project; is that correct?
A. Well, again, this is rough grading.
Q. Right.
A. It's not street improvements. It's simply grading.
Q. Understood.
But Exhibit 28 is the process by which the City acquires that particular project?
A. Yes. Yes.
Q. So looking at Exhibit 25 which is the map entitled "Street Improvements," are the projects indicated as completed rough graded projects or fully finished street projects?

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A. Well, there's two different things. If you look at Village 1, you have rough grading. Then you have another segment that's for for the actual street improvement itself, okay.
The same goes for Village 2. You've got a segment for grading, and you have a segment for the actual street improvement.
So this Exhibit 25 is showing you that in Village, 1 you've actually acquired the street improvement is what that says.
I'd have to read the definition of the segment itself to see what it is.
It says that ADP-RG-2 construction to include rough grading, blasting, clearing, rubbing, dust control, soil testing, engineering fees for the following streets: Village 2(a), 2(b), (c), (d), (e), (f), (g), (h), (i), (j), (k), (l), (m). This is all part of your Exhibit 28.
This appears to be rough grading is what this appears to say.
So what question do you have?
Q. So turning to Exhibit 21.
We had earlier said that these are the only LID proceeds that have been completed and acquired by the City.
A. Correct.

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Q. And the first two lines of Exhibit 21 indicate Project ADP-RG-2, which is the same project described as Exhibit 28, as having been acquired by the City; is that correct?
A. Rough grading, too. Yes.
Q. So I'm wondering whether the City of Henderson has acquired the finished streets or just the rough grading in connection with the streets indicated on the map of Exhibit 25?
A. We would have to look and see if the actual streets themselves are segments.
The partial answer to your question is they are publicly dedicated rights-of-way.
Q. If you're looking through a different document, is it --
A. I'm looking for the engineer's report.
Q. I can put this line of questioning on hold until after we take a break. That way during the break you can look at the document. And we can return to this later on.
MR. STODOLA: Is that fair?
MR. LARSEN: That's fine, Counsel.
MR. HEYN: Counsel, for clarity of the record, perhaps what he's looking at should be marked.
MR. STODOLA: Yeah. I think that's the idea I've

got in mind after the next break.
Definitely. We will return to that.
BY MR. STODOLA:
Q. So turning back to Exhibit 28. If you could turn -- not all the pages are numbered. But if you could turn to the page that's entitled "Exhibit B - Form of Payment Request" which is roughly a third of the way into the package.
A. Okay.
Q. So do you see the page in Exhibit 28 titled "Exhibit B - Form Payment Request"?
A. Okay. I'm looking at it now, B-1.
Q. Do you know what that document is?
A. This is the signature from the contractor, being the contractor for the LID as defined in the LID documents, that essentially says that they have complied with the following.
Q. Is this document required for the City to acquire the project?
A. Yes.
Q. And this document is provided to you by the contractor?
A. Yes.
Q. Who's the contractor in this case?
A. The contractor is whoever is defined as

"contractor" in the LID documents themselves.
Q. Do you know whether that's always a representative from either a builder or South Edge -- let me rephrase that question.
Do you know whether the contractor is the same person for all of the projects at Inspirada?
A. Yes. There's only a contractor.
Q. And who is that?
A. I believe it's defined as South Edge, LLC.
Q. So unless South Edge, LLC or its representative executes this document, is it possible for the City to acquire completed projects?
MR. HEYN: Objection. Foundation. Objection to the extent it calls for a legal conclusion.
MR. LARSEN: If you know, go ahead and answer.
THE WITNESS: No.
BY MR. STODOLA:
Q. Turning to the exhibit marked 29 which is the four-page e-mail.
The most recent e-mail that appears on the top page, the conversation starts on the fourth page.
Can you just take a moment and review this document, and let me know when you're done.
A. (Witness complies.)
Q. Having reviewed this document marked as

Exhibit 29, do you have an understanding of what this e-mail conversation refers to?
A. Yes.
Q. What does it refer to?
A. It starts with a letter or e-mail from Jason Thompson to Eugene Lesperance which is quality control.
Essentially, "Gene, find the attached letter requesting acceptance of certain LID segments which are roadway improvements in Village 1." Okay.
And there's a request for some additional ` information, the number, the ADP name, in other words, what's the naming convention on the engineer's report, as-builts, project memo acceptance from the assessment engineer, a reply that says "Sorry for the incomplete."
It goes forward. There's a discussion assuming that there's nothing wrong with the walk-through. How long does it take for reimbursement.
And then the last one is they have been anticipating receipt of the final sign-off. We can do that the same working day we receive the final sign-off unless it happens at the end of the workday. And then "Thank you."
Q. Do you know what project this e-mail is talking about?
A. Roadway improvements in Village 1, I believe.

Q. So you're familiar with the project that's being discussed here?
A. Yes.
Q. Is construction on that project complete?
A. It appears to be complete based upon the e-mails.
Q. Has the City acquired that project?
A. No.
Q. Do you have an understanding why they haven't acquired the project?
A. My understanding is that the letter from the contractor hasn't been signed.
Q. And when you say "the letter from the contractor," are you referring to Exhibit B?
A. It would be at B(1) that you're referencing out of your Exhibit 28. It would be the same or similar thing for this particular segment.
Q. So to your knowledge, that is the only piece missing in order for the City to acquire this project?
A. Correct.
Q. If the City acquired this project, would South Edge receive any LID proceeds?
MR. HEYN: Objection. Foundation. Objection to the extent it calls for a legal conclusion.
MR. STODOLA: I'd ask that counsel identify the

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objection to foundation.
MR. HEYN: You're asking him to testify as to what legally would happen if this was turned in.
He's not a lawyer.
MR. STODOLA: Is that the extent of your objection?
MR. HEYN: No. It's a full objection. Foundation. You haven't established that he knows.
MR. STODOLA: I'm asking if that's the full explanation to your foundation objection?
MR. HEYN: I don't think I need to give any more explanation than that.
MR. STODOLA: I just want to know if you have anything else to say.
BY MR. STODOLA:
Q. I'm not asking for your legal conclusion. I'm just asking for your understanding. I've prefaced that with every question I've asked.
A. If we are submitted a fully authorized request for acquisition of a segment, then we process it through the City Council, at which point then we would take and write a check to the contractor as defined under the LID documents.
Q. Do you know how much South Edge would receive in LID proceeds if this project were acquired by the City?
A. I'd have to go into the engineer's report to

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figure out what that cost is.
Q. Do you know whether or not there are other projects for which the only thing the City is missing is the page we've previously discussed entitled "Exhibit B" from Exhibit 28 in order for the City to acquire the project?
A. I don't have personal knowledge of any other segments.
Q. Do you know anyone who does have personal knowledge of other segments?
A. No.
Q. Do you know where that information might be found within the City of Henderson's files?
A. If we have requests for other segments to be acquired.
Perhaps, our assessment engineer, if they went directly to the assessment engineer. However, that's not what you would do. You would go through our public department and make a request.
MR. STODOLA: Why don't we take a break. And during the break I'd like to take a look at the engineer's report that we have been discussing.
I'm not sure if you can make a copy of it.
MR. LARSEN: They probably can. I'll check and see. That's one of the things we sent out yesterday.
MR. STODOLA: So let's go off the record. And we

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will take a 10-minute break, please.
VIDEOGRAPHER: Off the record at 11:05 a.m.
(Recess taken.)
VIDEOGRAPHER: This marks the beginning of Tape No. 3. It's 11:17 a.m.
We are back on the record.
MR. STODOLA: Actually, let's start by marking the document as an exhibit.
MR. LARSEN: We have a copy of Larry's version coming. They are making a copy now.
MR. STODOLA: So the witness will mark the document entitled "Final Engineer's Report Local Improvement District No. T-18." It's dated April 4th, 2006. And we are at No. 30.
(Exhibit 30 was marked for identification, and is attached hereto.)
BY MR. STODOLA:
Q. Mr. Norris, do you recognize what's been put before you as Exhibit 30?
A. Yes.
Q. Can you tell me what it is?
A. This describes the various improvements that are within the local improvement district in terms of what the improvement actually entails, as well as the estimate of what the cost is to complete it.

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Then you also have apportionment assessments and then miscellaneous documents related to how we actually acquired things.
Q. So can you explain to me where this document fits in terms of the agreements between the City of Henderson and South Edge in terms of outlining the construction of the projects and their acquisition?
A. Again, this only relates to LID projects, not all of the infrastructure.
So in terms of LID projects you asked a question earlier as to Exhibit 21 on ADP-RG-2 that was acquired back on 11/29/07 and referenced Exhibit 29 e-mails back and forth.
So what that ADP-RG-2 is is only for the grading on Village 2. And then ADP-RG-1 is only the grading for the streets on Village 1. The street improvements are a different segment.
Q. When you say "the street improvements are a different segment," can you explain what you mean by that?
A. It's a different project.
So ADP-RG-2 is simply the grading. Then you've got another segment on -- and again, they all have different names.
For example, ADP-ST-4G -- I just happened to turn the page here -- that's for Village 4 street

improvements.
You know, likewise, you've got Village 2 street improvements. You have sewer improvements, water improvements, park improvements, drainage improvements.
They all have very unique numbers and naming conventions.
Q. Can you tell me the difference though between rough grading street improvements and the other street improvements that you were just referring to?
A. Well --
Q. - - in very laymen's terms?
A. Rough grading is nothing more than taking, basically, the scraper and bulldozer out there, whatever it happens to be, and you do the initial work that basically says, "I'm going to build a grade out 100 feet wide and make sure it's level, has the correct compactness." That's the grading.
The construction, the actual segment then for the street itself, is where you get the road base, the curb, the gutter, the sidewalks, the lighting, all the paving.
Q. So turning to Exhibit 28, when it describes the payment requests in the amount of $630,000 and change for Project ADP-RG-2, it's describing the project related to the rough grading; is that correct?
A. Yes. And only the rough grading.

Q. And only rough grading.
And Exhibit 28 corresponds to the first two lines of Exhibit 21 referencing ADP-RG-2 as well; is that correct?
A. Yes.
Q. And Exhibit 21 details the only LID proceeds that have been paid on T-18; is that correct?
A. Yes.
Q. So the City does not own as of -- let me rephrase.
Do you have an understanding of whether the City owns any of the street lamps, curbs, sidewalks in connection with the streets in either Village 1 or Village 2?
A. As provided for in the LID segment?
Q. As provided for in the LID segment.
A. We don't.
Q. Turning to exhibit -- scratch that.
Are there lights, street lamps, curbs and sidewalks in Villages 1 and 2?
A. Yes.
Q. So they have been constructed?
A. Yes. Some of which are owned by the City.
Again, those are not associated with the LID.
So, for example, KB Homes built a

subdivision, streets, water, sewer, sidewalks, curb, gutter, streetlights. Those have all been dedicated to the City as they have been built and inspected through the normal process.
Q. But in connection with the LID projects, there are street lamps, sidewalks, curbs that have been constructed, but which the city does not own?
A. Correct.
Q. And they do not own them because the project has not been acquired by the City pursuant to the process you described earlier in your testimony?
A. Correct.
Q. Do you have an understanding of what remains --
(Interruption in the proceedings.)
MR. STODOLA: I think I'm done with Exhibit 30.
THE WITNESS: I don't know. I may need to charge you a copy cost here for the City.
BY MR. STODOLA:
Q. Just so I understand, do you know what is left to be done in order for the City to acquire those street improvements that have been constructed, but not yet acquired by the City in connection with the streets in Villages 1 and 2?
A. In Village 1 I believe that the segments are

ready to be obtained minus the authorization from the contractor.
I believe in Village 2 the segments have not been completed. So, for example, you don't have all of the items that are described for the street improvements.
It could be that the streetlights haven't been installed, or have been installed, but not activated. Any number of things.
I'd have to look at the actual punch lists on the inspection reports.
MR. STODOLA: Speaking of punch lists, let's mark as Exhibit 31 a final punch list relating to South Edge Reservoir 36.
I'm going to have to apologize to counsel. There's a limited number of copies I have of these that we just weren't able to finish.
MR. HEYN: This has been previously marked.
MR. STODOLA: So it has.
MR. HEYN: Then I have it.
MR. STODOLA: Then you've got it.
So we are not going to mark this as Exhibit 31. We are going to refer to it as Bross Exhibit 15.
BY MR. STODOLA:
Q. Mr. Norris, do you recognize Bross

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Exhibit 15?
A. Yes.
Q. Is that the punch list you just referred to in your earlier testimony, or type of punch list?
A. Yes.
Q. Is this form of punch list the form that is normally used by the City of Henderson?
A. Yes.
Q. You can just put that aside.
Returning to the street improvements that have been constructed which you testified earlier have not been transferred to the City yet because the contractor's sign-off has not been obtained.
How long have those street improvements -- scratch that.
In connection with the street improvements we were previously discussing have not been obtained by the City because authorization from the contractor has not been received --
A. As to Village 1.
Q. -- as to Village 1, do you have an understanding when construction had been completed?
A. I don't have an exact date.
Q. Do you have a rough date?
A. Approximately a year and a half to two years.

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Again, I'd have to look at the actual punch lists that we have. But if you look at your e-mail which is 29, it appears that they had started making requests in June of 2010.
Because this e-mail is referencing the roadway segments in Village 1.
Q. Once the contractor provides the sign-off which we previously discussed was a type of document -- we discussed it as Exhibit B to Exhibit 28 --
A. Which is actually an exhibit out of the engineer's report.
Q. Once that document is received, does that automatically require the City to acquire that project?
A. That allows us to ensure that we go through -- again, we talked about this book on I'm looking for everything.
But that's the authorization that allows us -- it says to us that the contractor under the LID is now in a position where they want to be reimbursed.
Q. Will the City of Henderson go out and kick the tires, so to speak, of the project before they release the LID proceeds?
A. As part of acquiring any segment, we do inspections.
Q. So would the City have to do another

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inspection of the improvements we are discussing right now?
A. I don't know if we've given finals on anything. I would have to look at our records to see if we issued a final which means that we have done everything from a public works quality control standpoint that says that, "Yes. The roadway meets all the plans and specifications."
Q. Do such finals generally have an expiration date, or are they --
A. I don't know.
Q. If a final assessment is done today, but the paperwork isn't completed for another year, will you go do another final a year from now?
A. Yes.
Q. Why?
A. Because it's been a year. So we don't know what's the condition of the improvement, you know, a year later.
I mean, typically, you would acquire within, say, a month or less.
But after a year, you know, or even six months you've got a case of you don't know if somebody has gone in and broken the sidewalks, chipped up the curb and gutter. Maybe somebody ran into a streetlight and knocked it down. Any number of items.

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Q. The list of items you just listed would prevent the City from acquiring that project until those had been fixed?
A. Correct.
Q. And who pays for the costs of doing your final assessment?
A. The cost of doing the actual -- any kind of repairs that have to be done or -- what's the question?
Q. Well, let's take the repairs.
Who pays for the repairs?
A. The contractor.
Q. And the contractor in this case was South Edge?
A. South Edge, LLC as defined in the LID documents.
Q. Who pays for the City's assessment as to whether or not the project is being completed to the City's satisfaction?
A. That's part of the inspection process that occurs.
When you have permits issued by the City, you pay fees for plan checking and inspection services.
Q. Does the City pay for those?
A. No. That's paid for by the contractor that's actually obtaining the permit.

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Q. Turning back to Exhibit 25 which is a single-page map entitled "Street Improvements," I'd like to ask whether or not the roadways indicated as "complete and acquired" refers solely to the rough graded street improvements or whether they apply to the street improvements such as curbs, sidewalks and lighting?

A. This is saying that they have only acquired RG-1 which is the rough grading.

So even though it says "complete and acquired," what this is referring to is simply the segment again off of 21 for that particular -- those two segments on rough grading, the rough grading only.

Q. Put those exhibits aside.

I'd like to turn briefly again to Exhibit 30.

Have there been any amendments to Exhibit 30, to your knowledge?

A. Not that I'm aware of.

Q. I'd like to turn and provide the witness with a copy of Exhibit Bross No. 6.

And I would just like to make a note for the record this exhibit has at the very top of it a control number LINA000624.

Some of our exhibits have this control number on them. They were inadvertent errors placed on them by our copy machine.

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So any references to control numbers as "LINA" are not part of the document and are part of inadvertent errors.

MR. BOGATZ: As opposed to intentional errors.

MR. STODOLA: There are sometimes intentional errors.

MR. ENGEL: But not by us.

MR. STODOLA: I'm gratified by my colleague's faith.

BY MR. STODOLA:

Q. Mr. Norris, do you recognize Exhibit Bross 6?

A. Yes.

Q. Can you tell me what it is?

A. It's just an internal working document that we put together back in 2008 when we had a meeting with Inspirada to discuss the status of the project.

This was, I believe, the initial meeting we had with them.

Q. When you say "initial meeting," what other meetings followed?

A. We discussed earlier about every six months a discussion of "Where are we with the list?"

Q. And where were you with the list at those subsequent meetings?

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A. I believe that, at this point, I think No. 1 is actually -- no. It's in use. But I don't think it's been accepted by the City.

I believe that they did clear out Volunteer No. 2 and 3.

No. 36 is still in use, and it still isn't completed.

No. 5 hasn't gone anywhere.

No. 6, no change.

No. 7, I'm not aware of any change.

I'm not aware of a change on 8.

There was a little bit of clean-up work done on 10. But 10 is incomplete.

No. 11 is a maintenance agreement that's related to larger projects. It doesn't really affect anything that's been built today.

No. 12 talks about the police substation, the two and half acres that we talked about earlier, as well as how we can transfer the reservoir.

And 13 is just kind of, "Here's what we do," which is, basically, we want to make sure that before we are acquiring any segments that are non-LID work that, obviously, we don't get stuck with the liens from contractors.

Because, again, remember you have a

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combination of LID, non-LID.

The punch list you showed me is a non-LID project.

Q. And the punch list you're referring to is Exhibit --

A. The one you showed me. You took it.

It's the R-36 punch list that you've got over there somewhere.

Yeah.

Q. Let's put Exhibit --

A. Your Bross, what, 15?

Q. Yeah. Let's put Bross 15 to the side, and just focus on Bross 6.

In connection with Items 2 and 3, Volunteer Road and executive airport sewer, your understanding is that those have been completed since May 13th, 2008?

A. I believe so. But I need to verify.

Q. And what understanding do you have of what needed to be completed?

A. Basically, on the sewer, if I remember correctly, it was minor things like as-builts, maybe collaring, if you may, of hole covers. Very minor items.

Q. Do you have an understanding about why Item No. 3 is completed, but none of the other items?

A. I don't know a reason as to why they would do

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certain ones and not others.
Q. And Items No. 2 and 3 are not LID projects?
A. They are not.
Q. And you referenced earlier in your testimony that you would be stuck with liens from contractors.
Can you explain what you were referring to in connection with that?
A. Well, again, let's go back to your reservoir. Okay.
Non-LID, let's say you have multiple contractors working out there. And you've actually got a reservoir. You've got a pump that pumps water up to R-37.
It could be that as part of the process of entering into the contracts with your contractors that those contractors may or may not have been paid.
And if they weren't paid, they are going to file mechanics' liens against that property or other properties.
So let's say that you go out and finish that particular reservoir. You build the reservoir. It's in use. You've got perimeter improvements done in terms of, you know, security wall, fencing, you know, street improvements, if any. And we accept the improvements themselves.
But the difficulty is we also have to have

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clear title. Because we need to verify through a title company that that property, when we acquire that property, in fact, doesn't have liens against it, or in the case of -- you know, it could be deeds of trust or any other number of items.
(Videographer interruption.)
BY MR. STODOLA:
Q. Can you explain in a little bit more detail why the City needs clear title?
A. Because if we obtain property that doesn't have a clear title on it, then we run -- we have a contractor that has a lien against our property.
And they would then expect a payment from the city, or in the case of a deed of trust, if the deed of trust is foreclosed on, then we are in a bit of a predicament if our water reservoir is hitting on a piece of property that's been foreclosed.
Q. Turning to Exhibit -- why don't you just stick with Exhibit Bross 6.
For Item No. 4, the last sentence of Item 4 says -- let me start again.
On Item No. 4 the penultimate sentence says:
"Complete construction for the approved and complete punch list items."
And then the last sentence says:

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"Current status creates a public health and safety risk."
Can you explain what you meant by that last sentence.
A. At the time this was done the site had not been completely secured. So we still had the difficulty of you could get onto the property.
So I know that they did do -- they secured it. But at the time it hadn't been completely secured.
So we run into problems with Homeland Security that our water facilities have to be secured.
Q. Are they secured now?
A. I believe it is.
Q. Does the city own Reservoir 36?
A. No.
Q. Why not?
A. Because title to the property hasn't been transferred. And the actual improvements haven't been finally inspected and accepted by the City.
Q. And who made the security construction improvements to comply with the Department of Homeland Security requirements you just mentioned?
A. I think South Edge did when we brought it up to them.
Q. When did you bring it up to them?

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A. 2008.
That we had a problem with the security on the facility.
Q. Is there any current public health and safety risks associated with Reservoir 36 now?
MR. HEYN: Objection. Asked and answered.
THE WITNESS: The risk is we don't own it. It is a facility that we do not own, yet we are operating.
BY MR. STODOLA:
Q. Can you explain why that's a risk?
A. Again, it comes back to we are now subject to any potential liens, any foreclosure actions, any other actions they would take and essentially cause us to lose control of the facility.
Q. Do you have an understanding of what security is currently provided for at Reservoir 36?
A. Walled. It's walled off.
There is certain intrusion things that we have on our facilities.
Q. And who ensures that the security of Reservoir 36 continues to meet whatever standards are required?
A. We don't, despite the fact we don't own it.
Q. Why are you doing it?
A. We have an obligation to the residents of the

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City.
Q. In connection with Line Item 5 on Exhibit Bross 6, is that reservoir in use?
A. No.
Q. And can you explain what you mean by the last sentence on Item 5?
A. R-37 provides, when it's completed, it would provide the ability to have water in the Town Center. That's the pressure zones that it serves.
Q. So what is being --
A. So what we have said here is that until you complete that reservoir, we are not going to allow you to further subdivide anything in the Town Center. Because we are not going to create additional lawsuits.
That's what that says.
Q. In connection with Item No. 6 which is the pump station at P-36, the last sentence reads:
"If P-36 pump station is not completed, then Town Center cannot be further subdivided. And you cannot request any development approvals."
Is that the same concern that is the last sentence in Item 5?
A. P-36 is located on R-36, on that piece of property.

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That pump takes water and pumps it through a water line up to R-37 which then gravity flows back down.
Q. In connection with the last sentence --
A. So 37 doesn't work as a reservoir unless P-36 is in place.
Q. What do you mean when you say "... and you cannot request any development approvals"?
A. Again, we are not going to allow any development to occur on the Town Center until that infrastructure is in place.
Q. In connection with Item No. 8, headworks, and drainage channels, you previously testified this had not been completed since May 13th, 2008.
Can you explain what you meant by the last sentence, "Incomplete. East 1 constitutes a public health and safety risk"?
A. As we discussed earlier, we talked about that particular segment of the drainage channel as it intersects with Volunteer. That missing piece because it's missing there is a risk that in a large storm event that because it's missing you could actually take and rip out that section of roadway.
Q. Is it fair to say then that that statement at the end of Item 8 is still true?
A. Yes.

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Q. Turning to Item No. 10 which is on Page 2 of Bross Exhibit 6.
Can you please tell me what you meant by the last sentence, "Unless the roads are completed and access to Bicentennial is provided, the project does not have dual access as required for emergency services"?
A. When this was originally written, there were a number of roadways in particular that had been rough graded out that were leading over into the Town Center area and actually some of the villages to the south.
They subsequently went in and blocked access so the people wouldn't have the ability to use those. Because if you use them, then you run into problems with dust control and violations.
What we are talking about here is that Bicentennial which is -- we should look at your Exhibit 25.
So what we are talking is you see this right here, (indicating) okay, that's T-20, or whatever that segment is. There's a roadway segment that ties into the roadway improvements that were done over in Anthem. That was blocked off.
And by blocking it off, what happened is that the homes that had been built in the first village only have a single point ingress and egress which is off of Volunteer.

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The fire department looks at two points of ingress and egress.
Q. So the failure to complete that part of the project is preventing emergency services from accessing through a second point to Inspirada?
A. Yes.
Q. So the last sentence at Item 10 is still true today?
A. I haven't been out there in the past few months. So I'm not certain if it's been opened or not.
Q. To your knowledge, has it been opened?
A. As I said, I haven't been out there in months. I don't know.
Q. The last time you were out there, had it been opened?
A. That was over a year ago -- six months to a year. No. It had not.
MR. STODOLA: Bart, I don't know if there's anyone at the City that can probably just -- I suspect the answer is it's not been opened.
But I would like to get a record that today it has not been opened.
MR. LARSEN: Okay. Yeah.
The next time we take a break I'll ask the city attorney who would be knowledgeable to speak to that.

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BY MR. STODOLA:
Q. Looking to Item No. 12 which is the title report, can you explain to me in a little bit more detail what is meant by the last sentence, "If we do not own the site, we will not maintain. And the only way we will accept the site is a clean title report"?
A. Solesta Park which is the park in the middle up in Village 1 is actually now owned by the City, at least the park portions of it.
So we own it. It's Solesta Park.
Q. So has that project been acquired by the City?
A. Well, it wasn't an LID. But the park has been completed. It's been approved by the City, and we are maintaining the park, the public portions of the park.
Q. Does the City have title to the project yet though?
A. To the park that's owned, yes.
Q. Turning to Exhibit Bross 15 which is titled "Final Reservoir." It's dated Thursday, April 16th, 2009. I'm just curious about what the first page says.
Do you have an understanding of what the first page punch list says?
A. It basically explains that you need to do certain improvements; that we have done inspections.

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This is pretty much a standardized form.
Q. Is it making any request of South Edge?
A. I don't know. I would have to read it.
Issuing preplanned correction list.
MR. HEYN: Objection. Best Evidence Rule.
THE WITNESS: It's just saying there are things that need to be completed.
BY MR. STODOLA:
Q. Is this a LID project or a bonded project?
A. Bonded.
Q. And in whose favor is the bond issued?
A. The City of Henderson.
Q. Is this letter purporting to call that bond, or no?
A. No. This is simply telling the contractor that obtained the permits to complete these following things on the project.
Q. Under what circumstances would the City call a bond for a bonded project?
A. It would depend upon the circumstances and what the state of the project was.
Q. Would excessive delay be a reason to call a bond?
A. Sometimes, yes.
Q. To your knowledge, what circumstances would

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those be?
A. We had one that was a bankruptcy. We've had another -- well, I've had a couple of bankruptcies.
Q. Were these bankruptcies in Inspirada?
A. No.
Q. Has the City of Henderson called any bonds in connection with bonded projects in Inspirada?
A. No.
Q. Do you have an understanding as to why that's the case?
A. No.
Q. Again, looking at Exhibit Bross 15.
Can you tell me what a final punch list?
A. Essentially, our inspectors go out, look at the project in comparison to what the construction drawings that were a purchased by the City show. And it says that you need to complete Items A through whatever it happens to be.
You know, it could be something as simple as put a copy on a hole box somewhere. It could be that, perhaps, you don't have a wall completed all the way.
I mean, any number of items, or this piece of sidewalk is broken so you have to repair that.
Q. It's a laundry list of things that have to be done before the City is willing to accept the project?

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A. Yes.
Q. Is there a requirement at the City of Henderson that a final punch list be done within a certain time frame before they formally accept the project?
A. Let me say I believe within 60 days. I believe that's what this one is.
Yeah. Corrective work was to commence within 60 days.
Q. If the construction isn't completed within 60 days, or if the construction is completed within 60 days, but the City does not acquire the project within that time frame, will another final punch list have to be done?
A. Yes.
Q. I'm going to show the witness what has previously been marked as Bross No. 7.
Mr. Norris, do you recognize this document?
A. I haven't seen this particular document before.
Q. You have not seen this document before?
A. No.
Q. Do you recognize it as a type of document that the City of Henderson would normally create?
A. Not that I work with on a daily basis. No.
Q. Do you have an understanding of what this document shows?

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A. Yes.
Q. What does it shows?
A. It shows the various projects within South Edge, a description, if there happens to be one, the status, has it been approved or not, civils.
Basically, it's just an outline of various projects at Inspirada and what their status was. It was printed on October 7th of 2010.
Q. Going back to Bross Exhibit 15.
Do you recognize this Exhibit 15 as the type of document that the City of Henderson would normally create for a final punch list?
A. Yes. Yes.
Q. Is there any reason you doubt the authenticity of this document?
A. No.
Q. I'd like to put before the witness Exhibit Bross 8.
Mr. Norris, do you recognize Bross Exhibit No. 8?
A. No.
Q. Do you know if it is a document from the City of Henderson?
A. Yes. It's just a print-out.
Q. So you're saying you do recognize this as --

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A. I know that this is something we produce. I don't personally look at these on a regular basis.
Q. Do you have an understanding of what this document shows?
A. The status on subdivision improvement agreements, essentially, is what this is.
Q. And what is a subdivision improvement agreement?
A. When you do certain improvements on property, your plans have associated with it, and if you have a bonded project, what's called a subdivision improvement agreement. That basically says that you agree to complete those improvements within a certain period of time.
In the case of bonded projects that goes with the bond on LID projects, we don't require bonding. Because it's covered by the LID proceeds.
So it's simply an agreement that says "You will complete the work within a certain number of days."
Q. So there's a deadline to complete the project?
A. Yes.
Q. And do these deadlines apply to all the projects, whether --
A. All of our projects throughout the City have these subdivision improvement agreements.

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Q. So all of these agreements have deadlines?
A. Yes.
Q. What is required if the deadline occurs and the construction isn't complete?
A. You extend it.
Q. Can you explain that process to me, please?
A. Basically, you come in and sign an extension and request a new subdivision improvement agreement.
Q. I'll put before the witness Exhibit Bross 10 and Exhibit Bross 1035.
Starting with Bross 10, Mr. Norris, do you recognize this series of letters?
I believe there are seven letters dated September 22nd, 2010.
A. Yes. We sent these and probably 100 others to the projects that had been stalled.
Q. Are these the similar --
A. It's a standard form letter that says your subdivision improvement agreements needs to be extended.
Q. So a subdivision improvement agreement is the same as the offset improvement agreement referenced in the letter?
A. Yes. Yes.
Q. When you say you've sent 100 to others, do you know how many?

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A. The exact number? No. I don't know the exact number. But given the number of stalled projects that we have in the City ...
Q. How many of those have been issued in connection with Inspirada?
A. I don't know.
Q. Is it more than the seven that are here?
A. I would imagine. Yes. We have home builders that haven't done anything on their subdivisions.
Therefore, if their agreements were expired, they are going to get that same form letter.
MR. STODOLA: I'd just like to make a request to counsel that if there are others -- we have requested these documents in a subpoena addressed to the City of Henderson.
I'd like to request that we receive copies of other ones.
MR. LARSEN: We will provide them to you.
I believe some were included in the batch that we sent you this morning.
MR. STODOLA: Okay. Thank you.
THE WITNESS: Are you asking for all of South Edge, all of Inspirada, or simply South Edge, LLC?
BY MR. STODOLA:
Q. All of Inspirada.
A. Okay.

Q. What letters would have been sent to South Edge that don't relate to Inspirada?
A. I'm asking. Because it's different entity names.
So when we do the searches, you have some plans that are South Edge, LLC. You're going to have some that could be for Meritage. You might have something in there for Toll Brothers. You could have something in there for KB.
They are all in South Edge, in Inspirada. So when we run it, you're going to get everything within the physical boundaries of Inspirada.
Q. So the request for letters relating to Inspirada will cover both South Edge and KB and Toll together?
A. Any other entity that would have been used.
Q. Then Inspirada is fine.
So you mentioned before in your testimony that there's a deadline that construction must be completed.
If the deadline occurs and construction has not been completed, then these letters are generated and there's an extension.
Can you describe to me the extension process?
A. Essentially you come in and sign a new agreement.

Q. Looking at Exhibit Bross 1035. Is that the type of agreement you referenced?
A. Yes.
Q. Is this agreement countersigned by the City of Henderson?
A. This particular copy? No.
Q. Are any of these signed by the City of Henderson?
A. I don't see any. I don't know where you obtained these. These could have been the copies.
Q. Do you recognize these particular documents?
A. It's a standard form. I recognize it.
Q. You recognize the standard form?
A. Yes.
Q. Do you recognize these particular documents?
A. No.
Q. Is this type of form the form normally used by the City of Henderson to extend the deadlines that we have been talking about?
A. Yes.
MR. STODOLA: I'd like to mark as Exhibit 31 a 101-page document titled "Permit Master" at the top which was provided to us by your counsel, Bart Larsen, yesterday, I believe.

(Exhibit 31 was marked for identification, and is attached hereto.)
BY MR. STODOLA:
Q. Can you just review this document, and tell me whether or not you recognize it.
A. It's a City print-out of every building permit that's been issued at Inspirada.
Q. It is a comprehensive listing?
A. It appears to be.
Q. Do you recognize this document as having been generated by the City of Henderson?
A. Yes.
Q. The pages are not numbered. But I'd like you to turn to the page sixth from last.
A. Parcel View 2006 870077.
Q. Is the last line on that page. Correct.
Do you have that page?
A. That's what I'm looking at.
Q. Great.
Can you look 11 lines up to the line item that starts PCVL2006870149.
A. "South Edge Volunteer roadway with improvement." The entry date was 20 September '06. It shows approval date 21 February, '07, Issued '06. It expires March of '11.

Q. It expires March 23rd of 2011?
A. Yes.
Q. Turning back again to Exhibit 1035, the first page --
A. These are the improvement plans.
So you understand PCV is "Parcel view." So these are an improvement plan. Just like if you look at some of these others, these different codes will tell you if it's foundation for a house or a block wall.
The codes all have meanings.
Q. Okay. I understand -- well, I think I understand.
Can you turn to Exhibit 1035. And the first page references a Permit No. PCVL2006870149 which is the same permit number we were just looking at in Exhibit 31.
Is that the case?
A. So this is showing a March 11. This is showing a November 11. Because a year from that date.
Again, this is a year from the date of the execution of the amendment. This is simply a permit itself, a review that was done on a plan.
This is the agreement that says you have to complete it by that certain date. So the difference being this is the plan that's being reviewed, so the drawings.
This is the agreement that says you have to

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complete it by that date. This is simply our review is only good until that date.
Q. Okay.
A. Our review of the plans is only good until that date.
Q. So the expiration date referenced on Exhibit 1035 is not the same expiration date referenced in the line item we are discussing in Exhibit 31?
A. Correct.
Q. After the expiration date referenced in Exhibit 31 is there any further extension that needs to be required?
A. They would have to come in and do an extension on the plan approvals.
Q. I think I'm done with these exhibits. I just don't want to take yours.
Earlier we discussed meetings that you had in September 2010 with representatives from South Edge.
Do you recall that testimony?
A. Yes.
Q. Who else was at that meeting?
A. Well, these two gentlemen were there, (indicating).
Q. Can you just identify them for the record?
A. Yeah. Larry and -- let's see. We had --

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Q. Larry and?
MR. BILLISITS: Karl.
THE WITNESS: Karl. Sorry, Karl.
Let's see. Larry Bross was there.
If you give me a minute, I'll tell you exactly who it was.
BY MR. STODOLA:
Q. If you're --
A. I'm going to look on my calendar.
Q. We can check during the break, if you want.
A. I don't remember. We had a representative from KB. Rob McGinnis was there from KB. I forget who it was from Toll. Tom Davy from public works, Liz Quillin, the city attorney was there. I might have had one person from community development.
Those are the ones off the top of my head that I do remember that were in that meeting.
Q. I'd like to put before you Exhibit Bross No. 9, and ask you if you recognize this document?
A. It's part of a report that was prepared by quality control. I'm looking at the various bonds, and it's relating back to your standard form letters that you were shown earlier on -- what was that -- Bross 10 is how a lot of those letters were generated.
Q. Do you have an understanding of when this

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document was -- strike that.
Do you recognize this as a document created by the City of Henderson?
A. Yes.
Q. Is this a type of document that would have been created by the City of Henderson periodically?
A. Not periodically. But it's something that they did start doing within the last year or two.
Q. Why did they start doing it within the last year or two?
A. Because we had a number of projects that were stalled, and just taking and going back and looking at what do we have in terms of open bonds.
Q. What is the purpose for establishing whether or not there are open bonds?
A. To determine if we've actually had the projects completed, if we need to release the bond, if we had to extend the subdivision improvement agreement.
Essentially, it's just understanding the status on some of the projects.
Q. And all of these projects are projects that have stalled where the construction has stopped?
A. No.
The first one right off the top, I can tell you that that was a project that had essentially been

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completed. It's an occupied subdivision.
For some reason, we had never gone in and done all of the final inspections. Yet it's private roadways. That bond actually is no longer in existence.
Q. Just for the record, you're referring to Roma Hills?
A. Yes.
Q. Is Roma Hills an Inspirada project?
A. No.
This just happens to be something that dated all the way back to 1997.
MR. STODOLA: I think it's appropriate to take a break now, change the tape, and come back in five minutes.
VIDEOGRAPHER: Off record at 12:13 p.m.
(Lunch recess taken.)
* * * *

REPORTER'S CERTIFICATE

STATE OF NEVADA)
) ss.
COUNTY OF CLARK)

I, Robin A. Ravize, a Certified Shorthand Reporter licensed in Clark County, State of Nevada, do hereby certify:

That I reported the taking of the deposition of DAVID NORRIS on January 6, 2011, commencing at the hour of 9:12 a.m.;

That prior to being examined, the witness was by me duly sworn to testify to the truth, the whole truth, and nothing but the truth;

That I thereafter transcribed my said shorthand notes into typewriting and that the typewritten transcription of said deposition is a complete, true, and accurate transcription of my said shorthand notes taken down at said time; and that review of the transcript was requested.

I further certify that I am not a relative nor employee of an attorney or counsel involved in said action, nor a person financially interested in said action.

IN WITNESS WHEREOF, I have hereunto set my hand in my office in the County of Clark, State of Nevada this 7th day of January, 2011.

_____

Robin A. Ravize, CCR No. 753

DEPOSITION ERRATA SHEET

Assignment No.: 366046
Case Caption: In re: South Edge, LLC

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me, and the same is true and accurate, save and except for the changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the ____ day of _____, 2011.

_____

DAVID NORRIS, DEPONENT

DEPOSITION ERRATA SHEET

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DAVID NORRIS

DEPOSITION ERRATA SHEET

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SIGNATURE_____DATE:_____
DAVID NORRIS

UNITED STATES BANKRUPTCY COURT
DISTRICT OF NEVADA

In re:
SOUTH EDGE, LLC, CASE NO. 10-32968 (BAM)
Involuntary Debtor.

VIDEOTAPED DEPOSITION OF
PERSON MOST KNOWLEDGEABLE, CITY OF HENDERSON
DAVID NORRIS
(P.M. SESSION)

JANUARY 6, 2011
1:29 P.M.

Henderson City Hall
240 Water Street, Fourth Floor
Henderson, Nevada

KERRIE KELLER, CCR NO. 612

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KARL BILLISITS

PATTI LUCCHESI, VIDEOGRAPHER

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VIDEOTAPED DEPOSITION OF PMK CITY OF HENDERSON
DAVID NORRIS
JANUARY 6, 2011

THE VIDEOGRAPHER: This begins tape number four. The time is 1:29 p.m. We're back on the record. The court reporter for the p.m. session is Kerrie Keller.

PMK CITY OF HENDERSON, DAVID NORRIS, having been previously duly sworn to testify to the truth, the whole truth, and nothing but the truth, was examined and testified as follows:

EXAMINATION

BY MR. STODOLA:

Q. Mr. Norris, I just want to ask if you've had any conversations with anyone other than counsel during the break we had for lunch?

A. No.

MR. STODOLA: I'm going to mark as Exhibit 32 a document, City of Henderson Community Development Department Permit Report By Project. It doesn't appear to have a date.

I'm just going to ask Mr. Norris if he

recognizes that document.

I'll give this to you guys.

(Exhibit 32 marked for identification.)

THE WITNESS: An end date of 21 December '10, so had to have been that date. Okay.

BY MR. STODOLA:

Q. Do you recognize it?

A. Yeah.

Q. I'm sorry. Where did you see the date on it?

A. It's got an end date of 21 December '10, so when you run these, it will be current as of that date.

Q. Is this a City of Henderson document?

A. Yes.

Q. What is this document?

A. Just showing the permits for Inspirada, a CADD type permit. I don't remember what that permit type is off the top of my head, but it looks like building permits for houses almost, some of them.

Now you've got -- these are all final map related, certificate amendments on CCOA.

If you want, I can get a listing that can tell you the types. Would that be beneficial?

Q. What I'm most curious about is what this

document shows that isn't reflected in the exhibit titled Permit Master, which I believe we tagged as Exhibit 31?

A. I'd have to compare them against one another. So here's a CPA. This is a concept plan amendment. These are primarily permits for buildings, whereas, these are going to show you zoning, entitlement actions, mapping actions is what this one appears to be. Yeah.

So here's like a conditional use permit for the park on Phase 1, the one that's built. Here's a sales trailer, conditional use permit. Again, this was a concept plan review. Concept plan amendment that dates back to 2005. This would be with the entitlements that we did as part of the development agreement. These are design reviews. CDRAs are design reviews.

So for example, the first one is the architecture for KB on pod 1-2. That's a 2006 application. Here's a sales office from 2009, the very bottom one of the page on CDRAs. It's 209550030.

CFMA, this page that says one of three, these are final maps. CMSH is a master streets and highways 2005. Again, that goes back to the initial

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entitlements.
There is a reversionary map from 2007 on pod 1-1.
Q. That's okay. If --
A. Yeah, these are just standard zoning entitlement related reviews on anything from a final map to a design review for the houses, or if you have a sales trailer, those types of things.
Q. But these don't list when a particular action was taken on any of these permits, does it, on this exhibit?
A. Zoning application? No.
Q. It just lists the permit number and --
A. Just the permit number and project name. You'd have to enter the specifics to -- you can run the reports differently, but you'd have to go in, and it will tell you the approval dates.
Q. Okay. I'd like to show you a copy of Bross Exhibit 17. Actually, I have an extra copy.
In particular, I'd like you to take a look at the third page.
A. January 28, 2010, correction notice. This is for the streets on Village I that we've talked about before.
Q. And can you tell me what this correction

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notice -- well, first of all, is this a City of Henderson document?
A. Yes.
Q. Do you recognize this as a type of document that a correction notice would normally appear on?
A. Yes, minus the numbering that you've got on the top of the page.
Q. Right. Can you tell me what this correction notice is for, is used for?
A. This is to tell the contractor, again, South Edge, that you need to make the following corrections in order for us to accept the improvements.
Q. How is this different from a punchlist?
A. Same thing, different names. This is essentially the same thing.
Q. And this is dated as of --
A. A year ago.
Q. -- January 28, 2010.
To your knowledge, have the items on this list been completed?
A. No. I don't know for certain. We'd have to go back in and look and see if we have anything new on inspections.
MR. STODOLA: I'd like to mark as Exhibit 33

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a document City of Henderson Limited Transition Area Master Plan Overlay and Design Guidelines dated October 5, 2010.
(Exhibit 33 marked for identification.)
BY MR. STODOLA:
Q. Mr. Norris, do you recognize this document?
A. Yes.
Q. Can you tell me what it is?
A. This is a Limited Transition Area. It's two parcels that we took ownership from the Bureau of Land Management back in October for industrial park purposes. When we sell them, the proceeds go back to Bureau of Land management.
This is just some initial guidelines that talk about how we think it should be zoned.
Q. Are there plans to undertake this development?
A. By private developers? Yes.
Q. When will the City plan it?
A. With the property owner.
Q. And is this property near or adjacent to Inspirada?
A. It's immediately adjacent to the Town Center, so --
Q. If you turn to Page 11, does that map

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reflect where the proposed industrial development is located?
A. Light industry business park. So for example, take a look at the southern end. The -- so for -- we're talking this piece right here (indicating).
Q. Uh-huh.
A. Okay. That piece over on the east, you get portions of the Villages. They're at a lower elevation.
Then this particular piece of property is on the southern end of it is all Town Center properties. And off to the west is BLM owned property.
Q. And just so I'm looking at this correctly, is Inspirada to the east of this?
A. Yes. So okay. These -- this area right here, that's Toll Brothers. Over on the other side, it's KB. And then this is KB back down in here again. And that's that school site that you can see off of some of the drawings for the master plan on the Town -- on the property here. This is the LTA. Okay.
Q. Why don't we just mark this as Exhibit 34. Is that okay?

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A. That's fine.
Q. Can we mark this?
MR. HEYN: You actually might lose that.
THE WITNESS: I've got more.
MR. HEYN: Okay.
MR. ENGEL: Actually, I think it's nice to have a bigger map. Some of the maps are kind of small.
MR. HEYN: No, that's fine. I'm just --
THE WITNESS: I have more. It's from VTN. They can print more as well. So this is the LTA that you're talking about on the documents, the southern portion of the LTA.
(Exhibit 34 marked for identification.)
BY MR. STODOLA:
Q. Got it.
A. Town Center. Village I, II.
Q. Good.
A. Okay.
Q. Understood. Just put this aside.
And then if you can turn to Page 24 of Exhibit 33, under the heading Build-Out is a reference at the fifth bullet point for reservoirs designated R-36A to be located on the existing R-36 sect. Is that reference to R-36 the same R-36

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reservoir on Inspirada?
A. Yes. So in order to develop a portion of the LTA, we would have to add another reservoir in there.
Q. Would this LTA also require connection or use of the R-36 reservoir at Inspirada?
A. I don't think it does. I think it actually falls in a different pressure. It depends upon which portions of the LTA you're talking about, because we've got a north and a south. The southern pieces can probably be fed out of 37 and maybe portions of 36A.
The northern pieces are coming out of probably a reservoir off of Eastern, or we're tying into a completely different set of infrastructure that's not even built.
Q. Is there any aspect of this LTA development plan that would require infrastructure to be completed at Inspirada?
A. It depends upon which portion of which you're talking about.
Q. Any portion.
A. Portions of the southern piece might rely on some of the reservoirs. And to answer your next question --

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Q. Inspirada?
A. -- does it delay the City, no, because we know that the cost to build the southern LTA at this point in time is excessive as compared to what the value of the property is. It's not delaying us.
Q. In connection with the LID bonds, is it possible the City of Henderson might decide to defease, or cancel, the bonds?
A. It's possible with any LID.
Q. Can you explain how that would happen?
A. I don't know all of the specifics, but essentially we would collapse and refund portions of bond proceeds back to the bond holders.
Q. And if there had been construction undertaken by the contractor that had not been reimbursed, would the contractor ever get reimbursed after that -- after collapsing the bond?
A. Well, you wouldn't collapse anything in excess of -- you would only do it against projects that hadn't been built.
Q. And when you say built, you mean completed or started?
A. Or even started. So for example, if you had something out in Village VI, one of those segments, you could take and do -- you could collapse against

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those because those haven't been started.
Q. So projects that are started but stalled would not be --
A. Eligible for having the bonds rolled up on it? No.
Q. Okay. Are you aware of any offsite improvement agreements that have been extended after they had already expired?
A. Related to?
Q. Inspirada.
A. Not off the top of my head. No.
Q. Okay.
A. But again, that's not something I look at on a daily basis.
Q. Would that be unusual?
A. No.
Q. Under which circumstance -- why not?
A. Well, in a lot of cases, you're going to find that -- and this is going to apply throughout the city -- that generally it's going to get picked up when we're just doing a review.
So for example, you were looking at those projects where we sent the letter out that said, "Hey, it's been time," that's because we had gone through all of our agreements at one time and said

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we've got, you know, these 20 that need to be renewed, so we sent out the form letter that says it's time to renew this thing. As normal course of business, that's something that we started. Three years ago, five years ago, ten years ago, we didn't do that.

MR. STODOLA: Okay. I think -- I think that covers all the topics. I wouldn't mind just taking a quick two-minute break.

MR. HEYN: You're entitled. That's fine.

MR. STODOLA: And then -- but I think I'm otherwise done.

MR. HEYN: Okay.

MR. STODOLA: And then I'll have to turn it over.

MR. HEYN: Off the record.

THE VIDEOGRAPHER: Off the record at 1:43 p.m.

(Recess taken.)

THE VIDEOGRAPHER: The time is 1:47 p.m. We're back on the record.

BY MR. STODOLA:

Q. Mr. Norris, thanks very much for your time today. I've only got one ministerial question left.

At any time have you ever worked for any of

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the builders who are members of South Edge?

A. I've got to think back.

Q. In the last 19 years, have you worked for any of the builders who were members of South Edge?

A. I have done work for Lewis Homes, which was bought out by KB.

Q. Do you remember when that was?

A. Oh, that was 20 years ago at least, long before KB was -- even purchased Lewis. I don't think I have. But if I did, it's been 20-plus years ago.

MR. STODOLA: Okay. That's all the questions we have for the moment, reserving our rights, of course, after my colleague is done to come back if we need to tidy up.

THE VIDEOGRAPHER: Could you by chance wear the mike that he's wearing?

(Brief pause in proceedings.)

EXAMINATION

BY MR. HEYN:

Q. Sorry. Good afternoon, Mr. Norris. My name is Matt Heyn, and I represent South Edge, LLC, in connection with the bankruptcy case. I have a few questions.

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You mentioned that you were familiar with the T-18 LID. Are you familiar with the LIDs in Lake Las Vegas, the T-1, the T-16, and T-12 LIDs?

A. Yes.

Q. Are you the most familiar person with the City about kind of the construction of those, the improvements on those LIDs?

A. I'm pretty familiar with T-16 only because of recent actions on 16. T-12 is pretty much built out. T-1 is built out.

Q. Are all three completed?

A. No.

Q. Which ones are completed?

A. T-1 is virtually completed. T-12 is almost all completed. T-16 is maybe 25 percent complete.

Q. But so just to understand, T-1 is not all the way completed; is that right? There is still some projects that need to be complete?

A. I can't say for certain that there is any segments that are remaining on T-1. It's South Shore, Lake Las Vegas South Shore, so it most likely is. I mean, if you need a definitive answer, we can find out.

Q. Okay. I might ask for that.

And when did construction start on T-1?

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A. Oh, gosh. I don't know the exact date or year. Probably 18 years ago maybe.

Q. Okay.

A. Somewhere around there, 17, 18 years ago.

Q. A long time ago?

A. Yeah.

Q. What about T-12? When did construction start on that?

A. Twelve would have been ten years or less.

Q. And T-16?

A. Sixteen started in 2005 or -6.

Q. Okay. Just focus -- let me ask, in connection with those LIDs, has the City completed any of the projects, kind of canceled the LIDs, and exercised its right to complete the projects in -- or the segments in those LIDs?

A. Not that I'm aware of.

Q. Okay. Has the City -- has the City ever completed any LID segments?

A. I don't believe we have.

Q. How many LID segments has the City been supervising that you're aware of?

A. We have lots of LIDs in segments. I mean, there is hundreds of segments throughout the city, probably over a thousand segments.

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Q. So there are over a thousand segments, and the City is never exercised its right to complete a LID segment?
A. Not that I'm aware of.
Q. And would there be anybody else that would be more knowledgeable about that question?
A. No.
Q. You talked a little bit about the City's right to call a bond, and I think you said that it rarely happens. And you gave an example, I think, of a bankruptcy being one case that you can remember where the City called a bond on an offsite improvement.
Do you remember that testimony?
A. Yes.
Q. Can you recall a situation outside a bankruptcy where the City has called a bond for an offsite improvement?
A. Yes.
Q. Can you tell me about that?
A. Probably 15 years ago, we did it on Champion Village.
Q. And what was the circumstances of that?
A. Multiple builders had been in and out of the project, had completed. That actually at one point

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may have been in a bankruptcy.
The surety company didn't want to perform its obligations under the bond. Eventually we were successful on it.
Q. That's 15 years ago?
A. Probably.
Q. Anything since then?
A. I did one last year, a project that ended up that the receiver on it ended up doing the work rather than having to -- having to call the bond. Basically just forced their hand, and they did the work.
Q. So if I understand correctly, the two examples you gave me, one you think it might have been in a bankruptcy, and the other you threatened to call the bond, but you really didn't do that; is that right?
A. Well, we dealt with the bonding company.
Q. And you dealt with -- *
A. Yeah. We put them on notice.
Q. But you didn't complete the work for the project?
A. No. The receiver decided to go ahead and complete the work. So we did that.
Q. And but you have called the bond and

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completed the project if -- if the developer was in bankruptcy. Is that --
A. Coming out of bankruptcies, that's typically when it occurs is when projects are coming out of bankruptcies. We've got another one we're working on right now that came out of a bankruptcy last year in a foreclosure. So --
Q. How many offsite type of improvement projects have you dealt with over the last, say, 20 years? Is it in the hundreds or the thousands?
A. The City?
Q. Yeah.
A. The City has issued thousands of agreements.
Q. More than 10,000?
A. I don't know.
Q. And I take it from your comments that there's only been a handful of times when they've ever called the bonds and completed the projects?
A. In most cases, the bonding company or the property owner has decided to do the improvements.
Q. Understood.
We've talked a little bit about the LIDs at the Lake Las Vegas, T-1, T-12, and T-16. Are you aware of -- well, let's start with a foundational question.

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The way LIDs -- you know that a LID is performed to specification. You would look at the engineer's report, and you have to make -- that's the real specification for whether a LID is done appropriately; isn't that right?
A. In terms of the improvements that are being constructed, yes.
Q. Okay. So as long as the developer has done what the engineer report says to specifications and within the City's discretion about whether it's met the specifications in the engineer report, as long as it meets the engineer's report, the work is done, is the engineer report the definitive document for what has to be done to get the LID reimbursement?
A. It's a combination. It's the engineer's report. It's the acquisition agreement. It's the indenture. It's all of those documents combined.
Q. But from the construction end of it, does the engineer's report kind of determine what the developer has to do in terms of shovels in the ground?
A. It simply says that you have to go out and build a thousand feet of roadway or a thousand feet of a certain pipe of a certain size. It's not the specifications as to, you know, is it three feet

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deep, is it four feet deep, how many inches of fill do I have underneath it and sub base or anything else. It's simply that it's a hundred linear feet of a certain size pipe that's built to the standard specifications of the City.
Q. Have the engineers' reports ever been renegotiated? That is to say, has the City and the developer ever renegotiated what it is that the developer would be paid for in connection with a LID project?
MR. STODOLA: Objection. Compound. And asked and answered.
BY MR. HEYN:
Q. Let me try and clarify my question, because I think that's a fair objection.
Have the City and the developer ever renegotiated an engineer's report?
A. We have done functional equivalency, which we did on T-16, which is essentially we went from a gravity-fed reservoir water system to a pressurized water system. So that's the infamous P-40 pump station.
Q. I've heard of it.
A. Yeah?
Q. Are there any other --

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A. That's a functional equivalency.
Are we going to amend any engineers' reports or LID documents? We're in the process of doing that now on T-16.
Q. Do you know why you're doing it? I mean, by "you," I mean the City. Do you know why the City is doing it?
A. Because of certain segments that are on the east side of the project need to be modified based upon changes in the development plans. And then there is also a change that needs to be made in relationship to the lien to value, which is a change to the actual ordinance, not the engineer's report.
Q. Do you think the engineer's report in connection with Inspirada might need to be renegotiated?
A. Don't know. Depends upon how you want to move forward with development.
Q. Have the builders informed the City of any desired change for the infrastructure in connection with Inspirada?
A. Years ago, before it was stopped, there was a discussion about a change in maybe the development of the project in terms of, you know, the overall densities, changes in things like, you know, is it

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all alley loaded, not alley loaded, but not -- it was never progressed to a point where we could ever say definitively yes or no that it would change, for example, the demands on infrastructure. It didn't progress to that point.
Q. Do you know why it didn't progress to that point?
A. The project stopped probably a month after -- it was probably within two to three months after we had had a meeting talking about some of these changes on infrastruct- -- on, you know, how the project was going to look that things kind of ground to a halt.
Q. At the time in this three months before the project stopped, did you think that there would be changes to the infrastructure at Inspirada?
A. Don't know. It's primarily going to be related to intensity of development would drive, you know, infrastructure numbers. It won't change -- well, it most likely isn't going to change your drainage. It may reduce the size of some sewer lines, and it may reduce the size of some water lines. May or may not. Depends again how big of a change it is. But it probably isn't going to change roadways. I mean, a road is a road.

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Q. When you say that, you mean going from lower -- going from higher density housing to lower density housing; is that right?
A. Correct. It could. But it would depend upon the order of magnitude.
Q. Understood.
We talked a little bit about LID projects that could be turned over perhaps for just a signature.
Do you remember that conversation?
A. Yes.
Q. Now, after that signature, if you receive that signature, does the City need to check any liens on the property and mechanics' deeds of trust or mechanics' liens on the property before it makes a payment?
A. Yes. That's all part of what you're providing to us are those releases, and if need be, you know, title.
Q. So in addition to a signature, you would need?
A. Conveyance of property, yes. Conveyance of a right of way, no, because it's public right of way. You're not allowed to lien a public right of way.

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Q. But conveyance of property free and clear of mechanics' liens?
A. Is going to be a requirement, for example, on the reservoir, which is a non-LID.
Q. And free and clear of a bank lien; right?
A. Any liens and encumbrances.
Q. By the way, are you aware of any mechanics' liens on the property, on the Inspirada property?
A. Not personally.
Q. Do you know anybody in the City that might be aware of that?
A. No.
Q. Have you heard about any?
A. I haven't heard of any specific liens. I know that we've got a Deed of Trust against the water reservoir site, because the same thing is showing up on the two-and-a-half-acre police substation site.
Q. And the Deed of Trust, is that in care of JP Morgan?
A. Yes. We -- so for example, when we took title to Solista Park, there was a partial reconveyance done.
Q. Have you dealt with many contractors in connection with LID projects?

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A. Define "contractor."
Q. The entity that is the counter-party to the acquisition agreement.
A. I don't do a lot of interaction with the LID contractors. I've been pretty involved on Lake Las Vegas for obvious reasons.
Q. Before I move on from that, let me just -- I just have another question about that. The T-1 LID, was that rolled into a different LID in the Lake Las Vegas project?
A. I don't remember if it was rolled into 12 or not. It might have been rolled into 12.
Q. What does it generally mean to roll a --
A. You just combine the bonds essentially.
Q. From the builder's standpoint, what would that mean, combining the bonds?
A. Nothing, because it doesn't change your assessments.
Q. The assessments are the same?
A. Yeah. An assessment can only be increased with the approval of the property owner. They have to consent to an increase on an assessment.
Q. What would it mean from the developer's standpoint in terms of what they had to build if one LID was rolled into another LID?

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A. Just combines them. I mean, the number of segments doesn't change or become reduced. I mean, the number of segments are still out there.
Q. Okay. And I'm sorry this is so disjointed, because I know we were talking about this before, and I moved on, and I moved back.
The T-16 LID started when?
A. 2005, 2006. I don't remember the exact date.
Q. And the T-12?
A. Some time before that.
Q. Two years before that, three years, or --
A. Probably about five.
Q. About 2000?
A. Probably. If you need the exact dates, we can pull those.
Q. Not a problem. Do you know did work ever stop on the T-12 LID segments?
A. Not that I'm aware of.
Q. What about the T-12 LID segments?
A. You just asked me T-12.
Q. Sorry. The T-16 LID segments?
A. Yes, there are T-16 LID segments that work stopped.
Q. When did it stop?

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A. Right when they entered bankruptcy.
Q. Which was when?
A. Two years ago? Almost. Well, it's been a year and a half, two years.
Q. And has the City taken any action with respect to those LID segments?
A. Meaning?
Q. Threatened to cancel the LIDs?
A. No.
Q. Why not?
A. The majority of the LID segments that were stopped weren't providing infrastructure to any houses, so it wasn't a case of infrastructure that was being provided to a house.
So P-40, the pump station, is a LID segment. It wasn't providing water to anybody. There were sewer segments on the east side of the parkway that weren't providing any service to anybody because the property hadn't been subdivided for the builders or anything else.
Q. When is the last time a segment was completed for the T-12 LID?
A. I don't know on T-12.
Q. Was it more than three or four years ago, or do you know at all?

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A. I don't know. We just acquired a segment on T-16, I believe, within the last month.
Q. So it started again after bankruptcy?
A. Yes.
Q. With respect to the LIDs at Lake Las Vegas, have the bond holders ever made a threat to call the bonds?
A. Not that I'm aware of.
Q. With respect to any of the LIDs within the City of -- LIDs or SIDs within the City of Henderson, have the bond holders -- have bond holders ever threatened to call the bonds that you're aware of?
MR. LARSEN: Can you answer that without getting into attorney-client privilege information?
THE WITNESS: No. I can't.
MR. LARSEN: All right.
MR. ENGEL: No, you can't, was to your question or his question?
THE WITNESS: No, as to I'm not going to answer the question.
MR. ENGEL: Yeah.
BY MR. HEYN:
Q. You talked about a September meeting with the builders in September 2010, I believe.

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A. Yes.
Q. This was before you had seen the arbitration award. Is that true?
A. Yes.
Q. What did the City say to the builders at that meeting?
A. Essentially asked when they were going to complete the improvements.
Q. And what did they say?
A. Said "Don't know" essentially. "There is an arbitration ruling that will be coming out. We can't talk about it."
So it was kind of a nonmeeting.
Q. What did the City say to the builders at that meeting?
A. We simply said, you know, once again "We would like to know when you intend to finish the improvements that have been started."
Q. I'm sorry. Did you testify when the City did get access to the arbitration award?
A. I'd have to look on my e-mails. The exact date that we got a -- it was about two weeks before Christmas, I think, the hearing to unseal it was. I don't remember the exact date. It was probably within a week or two before Christmas that the -- it

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was unsealed.
Q. So soon thereafter?
A. Yeah.
Q. Has the City made any decision as to what it would do with respect to Inspirada since receiving the arbitration award?
MR. LARSEN: Objection. Vague as to "do."
BY MR. HEYN:
Q. Has the City determined that it would default any LIDs in connection with Inspirada since it's reviewed the arbitration award?
A. No.
Q. Has the City determined that it would cancel any bonds since it read the arbitration award?
A. No.
Q. Has the City determined to take any other action, legal action, against Inspirada since the arbitration award?
A. You need to define "Inspirada."
Q. Has the City determined to take any legal action against South Edge since reviewing the arbitration award?
A. No. There is a stay in place.
Q. What do you mean by that?
A. Well, with the filing on the Chapter 11,

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even involuntary, there is an automatic stay.
Q. Has the City determined whether to become a petitioner in the involuntary bankruptcy?
A. No.
Q. Has the City determined to take any position with respect to the bankruptcy?
A. No.
MR. HEYN: Could we take five minutes so that I can collect my thoughts? Thank you.
THE VIDEOGRAPHER: Off the record at 2:12 p.m.
(Recess taken.)
THE VIDEOGRAPHER: This marks the beginning of tape number five at 2:22 p.m. We're back on the record.
BY MR. HEYN:
Q. Mr. Norris, do you have Exhibit 20 anywhere in front of you?
A. Let's find it. Which was 20?
Q. It was a document that says at the top Outstanding Assessment Amounts Owed by South Edge as of 1-01-11.
A. Five parcels totalling $471,000?
Q. Yeah. So these are assessments made to pay -- these are for LID assessments; is that right?

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A. Correct.
Q. And these are for LID assessments on property owned by South Edge, LLC?
A. Yes.
Q. Not property owned by builders or that's been conveyed away. These are South Edge properties?
A. It is listed under the assessors rolls, tax rolls, as South Edge, LLC.
Q. Understood.
This says for the 12-1-10 installment, so I take it there was a payment due on December 1, 2010?
A. Correct.
Q. And these are all separate installments that were not paid on 12-1-2010?
A. Correct.
Q. Do you know whether the practice of the lenders has been to pay certain of the LID assessments?
A. Yes.
Q. Do you know if these are the parcels associated with the assessments that are lenders were in the practice of paying?
A. I do not. I'd have to go back and look at prior records.

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Q. Was it about five parcels that the lenders were in the practice of paying?
A. Again I'd have to go back and look at the records.
Q. Do you know why the lenders were in the practice of paying certain LID assessments.
MR. STODOLA: Objection. Mischaracterizes prior testimony.
THE WITNESS: I don't know why they paid it. I know that if we send an e-mail that said it was past due it typically would be paid. Right before the end of the period that in which it was due. I can't tell you why they paid it in fact they didn't want us to foreclose for failure to pay the assessments.
Q. The e-mails you sent were to JP Morgan?
A. Local counsel.
Q. Joel counsel to JP Morgan?
A. (Witness nods head.)
Q. Did JP -- did local counsel to JP Morgan respond to those e-mails regarding these LID assessments?
A. I don't remember. Again, I -- I think the last time that I sent an e-mail that says, "Hey, we need you to pay a past due" was probably six, nine

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months ago.
Q. And was this to the law firm of Lewis & Roca?
A. I don't remember exactly who it was.
Q. Do you remember if it was Robert Charles?
A. No. I don't think that was it.
Q. Okay.
A. I'd have to look. I don't remember.
Q. Do you know if these parcels are in any way associated with the bankrupt members of South Edge?
A. I'd have to look. I -- you're talking about Alameda and Kimball.
Q. Yeah.
A. I don't remember. I can look online and tell you, but I don't know.
Q. Damion?
MR. STODOLA: Yeah.
Q. Would you mind if we have the same stipulation that he would look it up and it would be part of the deposition record?
MR. STODOLA: Yeah. And I just -- to clear the record too, when we're talking about these parcels, what parcels are you talking about?
THE WITNESS: If you give me five minutes, I can go look it up.

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Q. I appreciate that.
By these parcels, I mean the parcels whose parcel number is listed on Exhibit 20.
MR. STODOLA: Okay.
MR. HEYN: To the far left column.
MR. STODOLA: Got it.
THE WITNESS: Okay.
MR. HEYN: Please. Off the record.
THE VIDEOGRAPHER: Off the record at 2:26 p.m.
(Recess taken.)
(Mr. Borgatz exited the proceedings.)
THE VIDEOGRAPHER: The time is 2:33 p.m. We're back on the record.
BY MR. HEYN:
Q. Before the break, I asked you about the parcels listed on Exhibit 20 and whether they are associated with Woodside or the other bankrupt member -- either of the bankrupt members?
A. Okay. Exhibit 20 the first assessors parcel number that ends in 004, is pod 7-4, which would have within a Woodside future pod. The second APN, which ends in 310002, is 5-2 which according to this, would have been South Edge, LLC.
310003 is 5-1, which was identified on this

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as Woodside.
23310005 is 5-3, which according to the exhibit list, that is South Edge, LLC.
And the last assessors parcel number is 3-1, which would have been Kimball, according to this particular document.
Q. Okay. Thank you.
Do you have Exhibits 23, 24, and 25 in front of you? These are the --
A. The maps.
Q. -- maps.
A. Okay.
Q. This is going to seem like an obvious question, but I have to get it for making an record. The area that is listed as existing residences, which seems to be shaded in yellow, at least on mine, do you see those?
A. Which exhibit? All of them?
Q. Yeah.
A. Okay. I'm looking at 25. That's where the existing development has been occurring. Yes.
Q. Same question on 24 and 23.
A. Same base map was used. Yes.
Q. Okay. Are there houses in all of that area that's marked as existing residences, or are some of

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these just empty lots waiting for homes?
A. There are vacant lots and existing homes.
Q. What percentage of that area that's in yellow and says "Existing Residences" is homes, and what is what percentage is empty lots, if you could give an estimate?
A. Well, if we go back to the map, I believe that for example, on 1-2, which was KB, which is kind of the upper right-hand of this, I believe most of that is built out.
Q. Okay.
A. Across the street on 1-1, that is Toll Brothers. I believe that that may be -- may be 20 percent, 25 percent built out.
Immediately south of that is KB 1-4, which you're looking at maybe a 25 percent or better on there.
And across the street is 1-3, which started out as Meritage. And you're lucky if that thing is 10 percent, I would guess.
Q. It looks to me like most of the development is towards the -- I guess the upper right quadrant of that area that's blocked in as existing residences on Exhibits 23, 24, and 25. Is that a fair assessment?

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A. Yeah. It's the first phase of the development.
Q. And so the bottom and generally to the left is most or all empty lots; is that right?
A. Maybe half. That's in the second phase. You had a -- down on the very far lower right-hand corner up against by Centennial, you had that subdivision that was mapped out and the builder with bankruptcy difficulties, so --
Q. I think that's all I had on those.
You talked a little bit about Exhibit 27, and I think that you had some differences with some of the line items in this -- in this chart. Is that right? Well, let me get that in front of you before I ask a question.
A. Okay. I have it in front of me.
Q. Do you have any disagreements, or do you think anything on this chart is inaccurate?
A. This is simply looking at the original development agreement, 27.
Q. Yeah.
A. And as I said before, this is somebody that sat down and looked at the original development agreement and said line for line, here are the things that were obligations. So when you look at

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Executive Airport Drive, 4.12A, that's simply somebody looked at the original agreement and said the original agreement required this.
Subsequent to this original agreement, you have the Town Center agreement that also modified this, so you have to take and use both of those particular agreements to figure out when Executive Airport -- for example, this 4.12, that was replaced by a different section.
Q. So some of the information on this chart is going to be dated?
A. It's irrelevant.
Q. Can you tell which is irrelevant?
A. Anything that has to do with section 4.12, which is the offsite traffic, that's been replaced.
Q. Anything else about --
A. 9.1 was modified in the second agreement, portions of which are irrelevant. 9.1 was modified. The balance appears to be accurate.
Q. Would you vouch for its accuracy?
A. I didn't prepare it, but it --
Q. Could it --
A. -- it appears to be consistent with what I remember.
Q. Okay. Thank you.

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Sorry. We talked a little bit about the police station that's mentioned on Exhibit 27. For whatever reason, I can't find it now. Is there a police community center in Village I?
A. I honestly don't remember if they're using it or not.
Q. But is it built?
A. It -- all it is is the utilization of some space within the rec center. That's all that is.
Q. And is the rec center built?
A. In phase -- in Village I?
Q. Yes.
A. Yes.
Q. But you don't know if it's being used or not?
A. I don't know if the police department is using any office space in there or not. I couldn't tell you.
Q. Do you know any reason why they wouldn't?
A. Not a need for it. I don't know.
Q. Okay.
A. They may decide they don't want to use it after all.
Q. Okay.
A. Just like, you know, they go to 7-Eleven,

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write reports in the back of a 7-Eleven. Sometimes they don't.
Q. They don't have to have donuts is what you're saying?
A. Don't have to. No.
Q. Do you have Exhibit 29 in front of you?
A. Which one is that?
Q. It's the e-mail that says Brett (sic) K. Larsen on the top left corner.
A. I'm just looking for it. Okay.
Q. Does this reflect that some LID segment -- that at least one LID segment is still being worked on?
A. At the time, yes, at least being considered for acquisition. I don't know if it was being worked on, but it was being considered for acquisition.
Q. Well, it reflects that a LID -- okay.
A. It reflects that a year ago, they made a request to have it acquired.
Q. We talked a little bit about some things that were characterized as health and safety issues at Inspirada. Are you aware of any other health and safety issues at Inspirada other than perhaps what we've talked about today?

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A. No.
Q. Have any of the documents that we've talked about today, did you receive any of them from lender's counsel who are here today?
MR. STODOLA: I'm sorry. Can you just repeat the question?
BY MR. HEYN:
Q. Did you receive any of these documents -- prior to today, obviously -- from lender's counsel?
A. Not that I'm aware of.
Q. Okay. You talked about extending subdivision improvement agreements. Could you just say again what the process is for extending deadlines in subdivision improvement agreements?
A. You make a request to the quality control division of public works to extend your offsite agreement, subdivision improvement agreements, anonymous different names -- same thing, different names. You make the request. They review it. And they will either extend it or not extend it. It's most common to extend them.
Q. Has the City recently extended any improvement agreements in connection with Inspirada?
A. I'm not certain, but I believe we may have.
Q. Do you know when that happened?

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A. Within the last few weeks. If need be, I can verify.
Q. I don't think that's necessary, unless counsel has further questions.
You talked a little bit about stalled projects, stalled LID projects, and I think you said there were hundreds of them. Were you talking about in Inspirada, or are you talking about in the City of Henderson in general?
A. I don't believe I was referring to hundreds of stalled LID projects. We have dozens of projects in the City that have been stalled, just like the rest of the valley. Some of those have LIDs associated with them.
Q. And when you say projects just now, do you mean developments, or do you mean specific segments?
A. We have dozens of projects that are stalled. Subdivisions, it could be a residential subdivision. It could be a commercial development.
Q. Is the City in litigation over any of those stalled projects?
A. I don't know.
Q. You're not aware of any?
A. No.
Q. What are the other stalled projects in the

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City of Henderson?
A. Well, you have how many subdivisions at Lake Las Vegas that are restarting now after the bankruptcy. You have the projects out at Tuscany that are -- you know, they went through a bankruptcy with Jim Rhodes' entities, and that's back out, so now we've got a new builder in there.
You have at least infrastructure at South Edge with Inspirada that's not going anywhere, yet they're still building houses.
You have the old Kimball Hill stuff up on the north side of Lake Mead that went through a bankruptcy. They've got, what, two different builders in there right now working to finish that project. There is any number.
Q. Well, I was actually just talking about ones that are currently stalled. Are those stalled projects, or are they --
A. Those are projects that were stalled at one particular point in time due to whatever, you know, it may happen to have been. And you know, they're certainly starting back up again in terms of maybe it's a new builder. Maybe it's the same builder.
Q. Right. So what are the stalled projects, the currently stalled projects?

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A. That are absolutely not going anywhere?
Q. Yeah.
A. We have some that we've mothballed.
Q. Okay.
A. We did a subdivision over off of Horizon and Gibson that they decided to mothball that thing when it was still rough-graded out with some of the infrastructure done. That was with Pardee. And actually, Focus owns it now.
That one was stalled. So to protect our interests on that, we recorded covenants against it and released the bond, so now they can't do anything with it until they come in on new bonds, you know. That is a stalled project.
Q. Understood.
A. So...
MR. HEYN: Could I have five minutes and then probably five minutes after that, if that?
THE VIDEOGRAPHER: Off the record at 2:49 p.m.
(Recess taken.)
THE VIDEOGRAPHER: The time is 2:52 p.m. We're back on the record.
BY MR. HEYN:
Q. Just one last line of questioning. It's

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regarding again payments of the LID monies after the segments have been turned over to the City. You talked about the need for the City to receive clear title and the projects to be according to the specification. And isn't it true that the City needs to know that the contractor that did the project paid all of its people?
A. Yes.
Q. And there is a form for that that needs to be signed off on; correct?
A. Yes. As part of the review is you have to show us that you in fact paid your contractors, because there is a release that they sign.
Q. And after this paperwork is in order and has been submitted, the City will pay the money, and I think you said that it would as a general practice pay the money to the person -- the name on the acquisition agreement?
A. That's the only person we pay it to is the contractor. Unless you have some other assignment that you've done, it goes to the contractor.
Q. Well, right. I want to ask about that. If the City is aware of an assignment and a bank is saying, "No, no, no, pay us," who gets paid then?
MR. LARSEN: Objection to the extent it

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calls for speculation.
But if you know, answer.
MR. STODOLA: I'll also object on the basis of it calls for a legal conclusion.
BY MR. HEYN:
Q. I think it's a fair objection.
I'm really only asking for what the City's practice would be if the acquisition agreement says one thing, but you've received a letter from the bank saying, "Pay us instead." What would the City's general practice in that circumstance be?
A. Well, it's not a letter from a bank that says, "Pay us instead." It's an assignment that requires Council approval, because the assignment of proceeds from the LID, the contractual amounts have to go to City Council.
So you can't just walk in and say, "Hey, they signed everything over to me. Therefore, you write the check to -- I don't know -- ABC Bank." You've got to be able to come in. The assignment -- the conditional assignment has to be done. It goes to City Council and is approved, because that changes who we pay in terms of contractor.
Q. So if there is -- a contractor has been assigned, that's what you would you do, or are you

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saying that if the payee has been assigned, that's what you would do, the City's practice?
A. I pay contractor unless I have an assignment that's approved by Council.
Q. Has there ever been a case where the City has said, "Pay me," but the contractor has similarly said, "Pay me"? I mean, there has been a -- ever been a dispute over who gets paid?
A. Yeah, we just finished one.
Q. What happened during the time when both sides were fighting?
A. We didn't have anybody ask to obtain segments.
Q. So there was nobody to pay during that time period?
A. It was a dispute -- this was T-16 LID acquisitions.
Q. Yeah.
A. They didn't have the rights to the payment. They didn't request a payment. In fact, I think it just was heard the other day.
Q. So I think your testimony is that the only time you've -- you're aware of there being a dispute over who gets paid has been in connection with this T-16 thing?

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A. Yes.
Q. And during that time period, there were no segments being submitted to the City?
A. Correct.
Q. So the City never had to make a judgment about whether to pay the bank or the contractor?
A. We had a conditional assignment that we had approved, but in the case of LID acquisitions, it turned out that they didn't have the rights to the funds as contractor. That's why it was a conditional assignment.
Q. And that had to get litigated before the City would make a payment?
A. Yes.
MR. HEYN: I'll pass the witness.
MR. STODOLA: So could we just take two minutes? I think I have minimal, if any, follow-up.
THE VIDEOGRAPHER: Off the record at 2:57 p.m.
(Recess taken.)
THE VIDEOGRAPHER: The time is 3:05 p.m. We're back on the record.
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EXAMINATION
BY MR. STODOLA:
Q. Mr. Norris, my name is Damion Stodola. I represent JP Morgan. Again, just a quick number of follow-up questions.
Earlier, I believe it was in connection with Exhibit 27, which is that chart with the Inspirada development agreement on it --
A. Yeah.
Q. -- we talked about I believe it was called Solista Park?
A. Okay.
Q. Are you familiar with that?
A. It's the park in the middle of the roadway as you hit Village I.
Q. Village I? That park, the City has title to; is that correct?
A. On the City portions of it. It's a combination of City owned -- the two end pieces are City owned, publicly maintained.
The middle of it is the vacant commercial and then the little rec center with the pool complex. That's all privately maintained.
The pavilion is privately maintained, but by virtue of a maintenance and use agreement that we

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have, we have the ability to do programming in there if we want to.
Q. Okay. When did the City acquire title to the portions it has title to?
A. I don't remember the exact date.
Q. Was it after the project stalled?
A. I don't remember.
Q. Do you remember receiving a request -- let me rephrase that.
Do you recall a request being made of any of the lenders to release a lien on any portion of Solista Park in order that the City could take title to it?
A. No. I mean, we kept making requests. I think we went through eight revisions on the title report. I mean, we had everything from -- they had recorded the residential charter against it, the commercial charter against it. They had recorded the mass grading agreement against it that had to be released. You had the loan recorded against it.
I mean, there were a number of things that had to be cleared off the title before we would take ownership of it.
Q. Can you pull out exhibit Bross No. 6 for me. It's the Working Issues May 2008 list.

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A. Okay.
Q. And if you turn to the second page and look at items 11 and 12, can you review those, and then tell me whether this refreshes your recollection about when the City acquired title to this -- the parts of Solista Park that it now has title to?
A. Give me five minutes, and I'll tell you when we took title.
Q. Well, just read --
A. Eleven says we have a maintenance agreement for Solista Park, which essentially it's a maintenance and use agreement that says that it has to be maintained according to certain standards, that being the public part of the park as well as the privately owned and maintained portion of the park. So we did that for Solista Park.
We never had a maintenance agreement in place for the balance of any of the parks and/or trails. And without that, we wouldn't maintain any trail. So what that's saying is that the East 5 trail, which is over on the eastern border of the property, that was built again because the trails had to be built simultaneous with the homes.
Q. Right.
A. Okay. They never entered into any agreement

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with the City saying that basically the City would maintain the paving, and the HOA would maintain the landscaping and riding portion of it. So that means they maintain everything. That's all it's saying is because there is no agreement, we're not going to do any maintenance on it.
Q. At Item 12, then, there are -- the first sentence says, "The Development Agreement is very clear that any property to be transferred to the City cannot have any liens and that there cannot be any encumbrances except for those that existed when South Edge purchased the property from BLM. You are past due in transferring a two-and-a-half-acre police substation site to the City, and you also need to transfer portions of Solista Park, as well as R-36."
Based on this exhibit, Bross No. 6, is it fair to say that as of May 13, 2008, there are parts of Solista Park that had been not transferred to the City?
A. Okay. So as of the date of this, we didn't own Solista Park.
Q. Is that a fair statement?
A. Yes.
Q. Okay. Is it therefore fair to say that

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whatever parts were transferred to the City of Solista Park were done after this date?
A. Yes. Again, I can go and I can -- give me five minutes, and I'll tell you the exact date.
Q. And do you have any recollection about what encumbrances there were on that part of Solista Park that had not been cleared yet?
A. Yes.
Q. Who parts were those?
A. You had the residential charter for Inspirada recorded against it. You had the commercial charter for Inspirada recorded against it. You had a mass grading agreement recorded against it. The mass grading agreement would have allowed any other builder on any other parcel to come in and lien us to pay for grading.
Those all had to be removed. The Deed of Trust was still on the property. That had to be removed. So all those things were encumbering the property, and we don't take property that's subject to CC&Rs.
Q. So it's fair to say those encumbrances --
A. Yes.
Q. -- had to be removed --
A. And they were removed.

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Q. -- subsequent to May 13, 2008?
A. Yes.
MR. STODOLA: Okay. That's all I have. Thank you very much, Mr. Norris, for your testimony today.
THE WITNESS: Okay.
THE VIDEOGRAPHER: This concludes today's deposition of the Person Most Knowledgeable, City of Henderson, David Norris. The time is 3:12 p.m. We're off the record, digital tape number five.
(Whereupon, the deposition was concluded at 3:12 p.m.)
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REPORTER'S CERTIFICATE
STATE OF NEVADA)
) ss
COUNTY OF CLARK)

I, Kerrie Keller, a duly commissioned Notary Public, Clark County, State of Nevada, do hereby certify:

That I reported the taking of the deposition of the witness, PMK CITY OF HENDERSON, DAVID NORRIS, at the time and place aforesaid;

That prior to being examined, the witness was by me duly sworn to testify to the truth, the whole truth, and nothing but the truth; that before the proceedings' completion, that reading and signing of the deposition has been requested by the deponent or a party pursuant to NRCP 30(e);

That I thereafter transcribed my said shorthand notes into typewriting and that the typewritten transcript is a complete, true, and accurate transcription of testimony provided by the witness at said time to the best of my knowledge, skills, and ability;

I further certify that I am not a relative or employee of counsel of any of the parties, nor a relative or employee of the parties involved in said action, nor a person financially interested in the action.

IN WITNESS WHEREOF, I have set my hand in my office in the County of Clark, State of Nevada, this 6th day of January, 2011.

_____

Kerrie Keller, CCR No. 612

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DEPOSITION ERRATA SHEET

Our Assignment No. 367395
Case Caption: In re: South Edge, LLC

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my Deposition taken in the captioned matter or the same has been read to me, and the same is true and accurate, save and except for changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the _____ day of _____, 2011.

_____

DAVID NORRIS

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DEPOSITION ERRATA SHEET

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DAVID NORRIS

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