

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**

811A



FROM: TLMA - Transportation Department

SUBMITTAL DATE:
November 21, 2012

SUBJECT: Tracts 30575-1, 31220, 31386, and 31580 Subdivision Improvement Settlement Agreements, Second Supervisorial District

RECOMMENDED MOTION: That the Board of Supervisors approve and execute the attached Settlement Agreements for Tracts 30575-1, 31220, 31386, and 31580, which allows Arch Insurance Company to complete the necessary bonded subdivision improvements in place of the defaulted developer for the purpose of preserving public health and safety.

BACKGROUND: On the various dates listed below, pursuant to Government Code Section 66462, the County of Riverside, acting through the Board of Supervisors, and WL Homes LLC DBA John Laing Homes entered into Subdivision Improvement Agreements for the construction of onsite and offsite street improvements, installation of water and sewer improvements, and

Juan C. Perez
Director of Transportation

HS:llr
(Continued On Attached Page)

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 0	In Current Year Budget:
	Current F.Y. Net County Cost:	\$ 0	Budget Adjustment:
	Annual Net County Cost:	\$ 0	For Fiscal Year: 12/13

SOURCE OF FUNDS: Development Bonds (100%)	Positions To Be Deleted Per A-30	<input type="checkbox"/>
There are no General Funds used in this project.	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION: APPROVE

BY:
Tina Grande

County Executive Office Signature

FORM APPROVED COUNTY COUNSEL
BY: SUNSHINE S. SYKES 11/26/12 DATE
Department of Finance

Dep't Recomm.: Consent Policy

Per Exec. Ofc.: Consent Policy

Prev. Agn. Ref. 3/21/06 - 2.10 | District: 2/2 | Agenda Number:

ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

3.27

The Honorable Board of Supervisors

RE: Tracts 30575-1, 31220, 31386, and 31580 Subdivision Improvement Settlement Agreements, Second Supervisorial District

November 21, 2012

Page 2 of 2

monument installation within Tracts 30575-1, 31220, 31386, and 31580. Faithful Performance and Material and Labor Bonds were posted by Arch Insurance Company to guarantee the completion of the improvements within the subdivision, as well as offsite improvements. The required improvements have only been partially completed in accordance with the approved plans, and WL Homes LLC DBA John Laing Homes abandoned the project and defaulted on the Subdivision Improvement Agreements.

On November 30, 2004, Tract 30575-1 entered into Subdivision Agreements for the construction of improvements to streets, installation of water and sewer systems, and monuments within the above-referenced subdivision. On August 3, 2010, the Transportation Department issued a Notice of Default to WL Homes LLC DBA John Laing Homes and its surety Arch Insurance Company.

On April 8, 2008, Tract 31220 entered into Subdivision Agreements for the construction of onsite and offsite improvements to streets, installation of water and sewer systems, and monuments within the above-referenced subdivision. On February 8, 2011, the Transportation Department issued a Notice of Default to WL Homes LLC DBA John Laing Homes and its surety Arch Insurance Company.

On December 20, 2005, Tract 31386 entered into Subdivision Agreements for the construction of improvements to streets, installation of water and sewer systems, and monuments within the above-referenced subdivision. On June 6, 2009, the Transportation Department issued a Notice of Default to WL Homes LLC DBA John Laing Homes and its surety Arch Insurance Company.

On November 22, 2005, Tract 31580 entered into Subdivision Agreements for the construction of improvements to streets, installation of water and sewer systems, and monuments within the above-referenced subdivision. On August 4, 2010, the Transportation Department issued a Notice of Default to WL Homes LLC DBA John Laing Homes and its surety Arch Insurance Company.

On the dates as indicated in the various attached settlement agreements, the County, through the Transportation Department, issued a Notice of Default to WL Homes LLC DBA John Laing Homes and its surety Arch Insurance Company concerning the default of the Subdivision Improvement Agreements for the above-listed tracts. The County also made a demand upon Arch Insurance Company, as surety under subdivision bonds, to complete the bonded improvements within the subdivision.

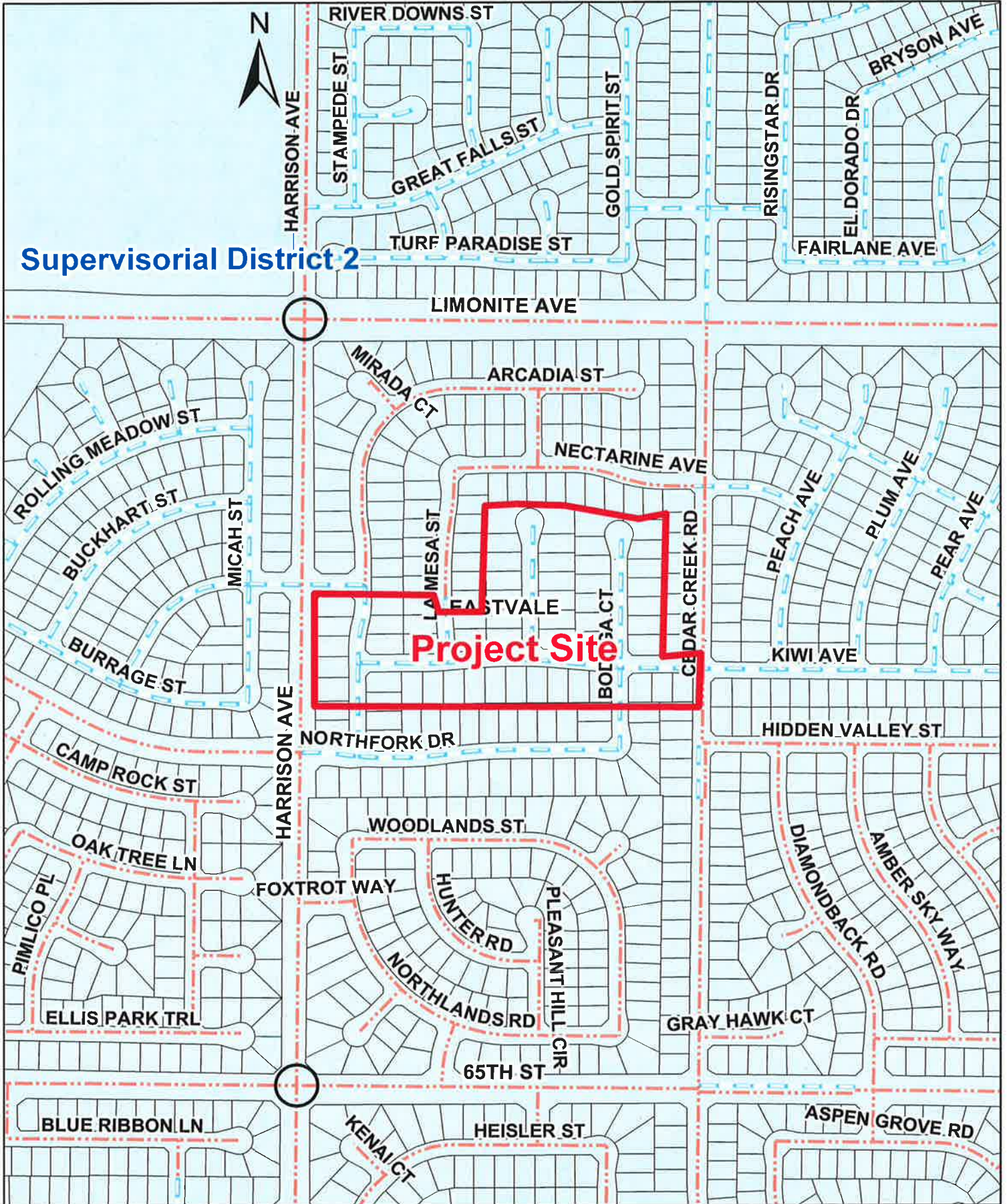
Given that the tracts enumerated above have been mostly completed, Arch Insurance Company has agreed to take over and procure completion of the improvements necessary for the safety and welfare of the surrounding public and acceptance into the maintained road system on the above-referenced tracts. The improvements necessary for the safety and welfare of the surrounding public and environment for the above tracts are fully described in the referenced Exhibit "C" in the attached Takeover Agreements.

Tract 30575-1

811

Vicinity Map

0 210 420 840 Feet
1 inch = 417 feet
Orthophotos Flown 4/09 (WR, CV) or 4/07 (REMAP, Blythe)
Printed by rfairhur on 4/25/11

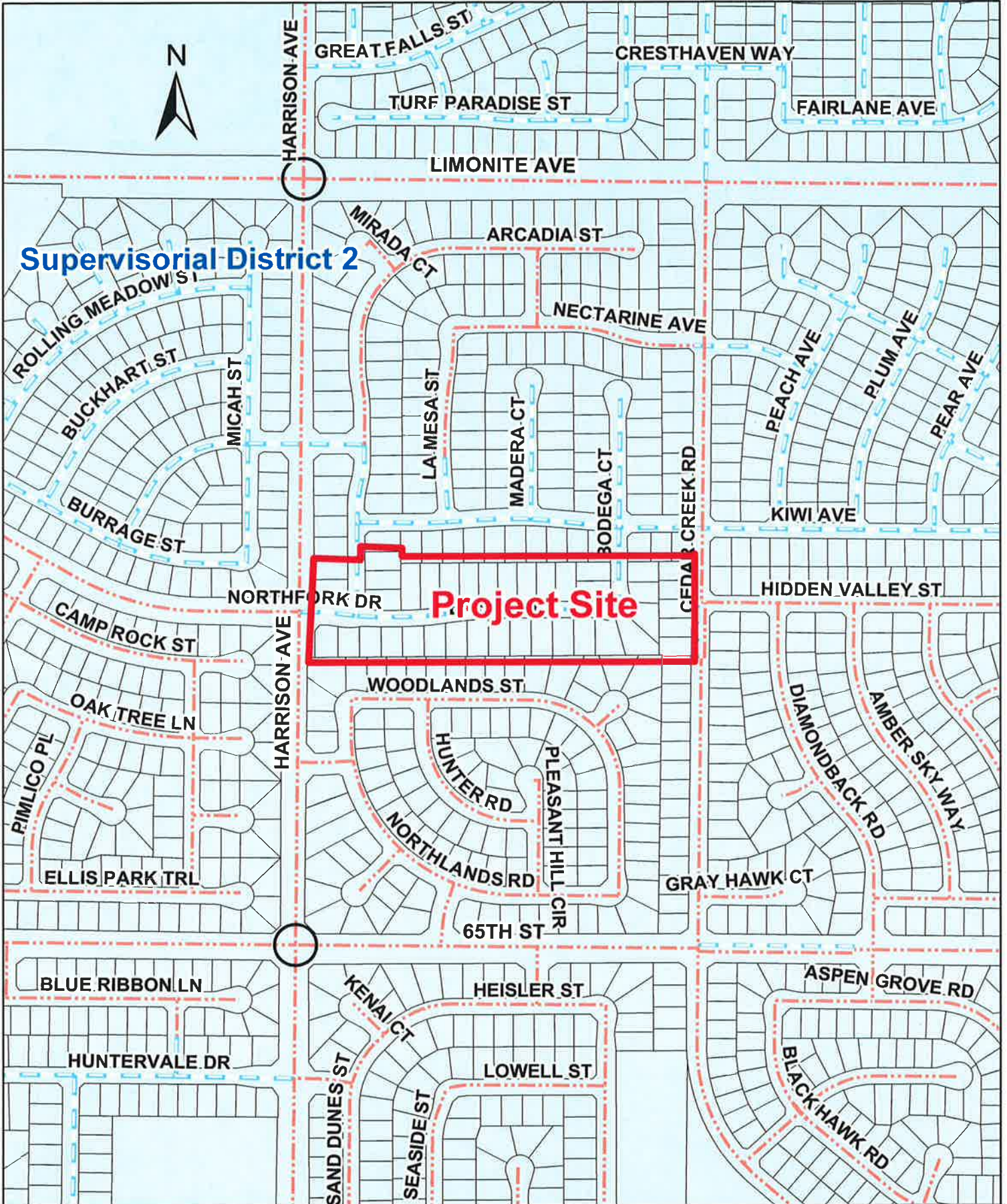


Tract 31220

Vicinity Map

0 210 420 840 Feet
1 inch = 417 feet

Orthophotos Flown 4/09 (WR, CV) or 4/07 (REMAP, Blythe)
Printed by rfairhur on 4/25/11

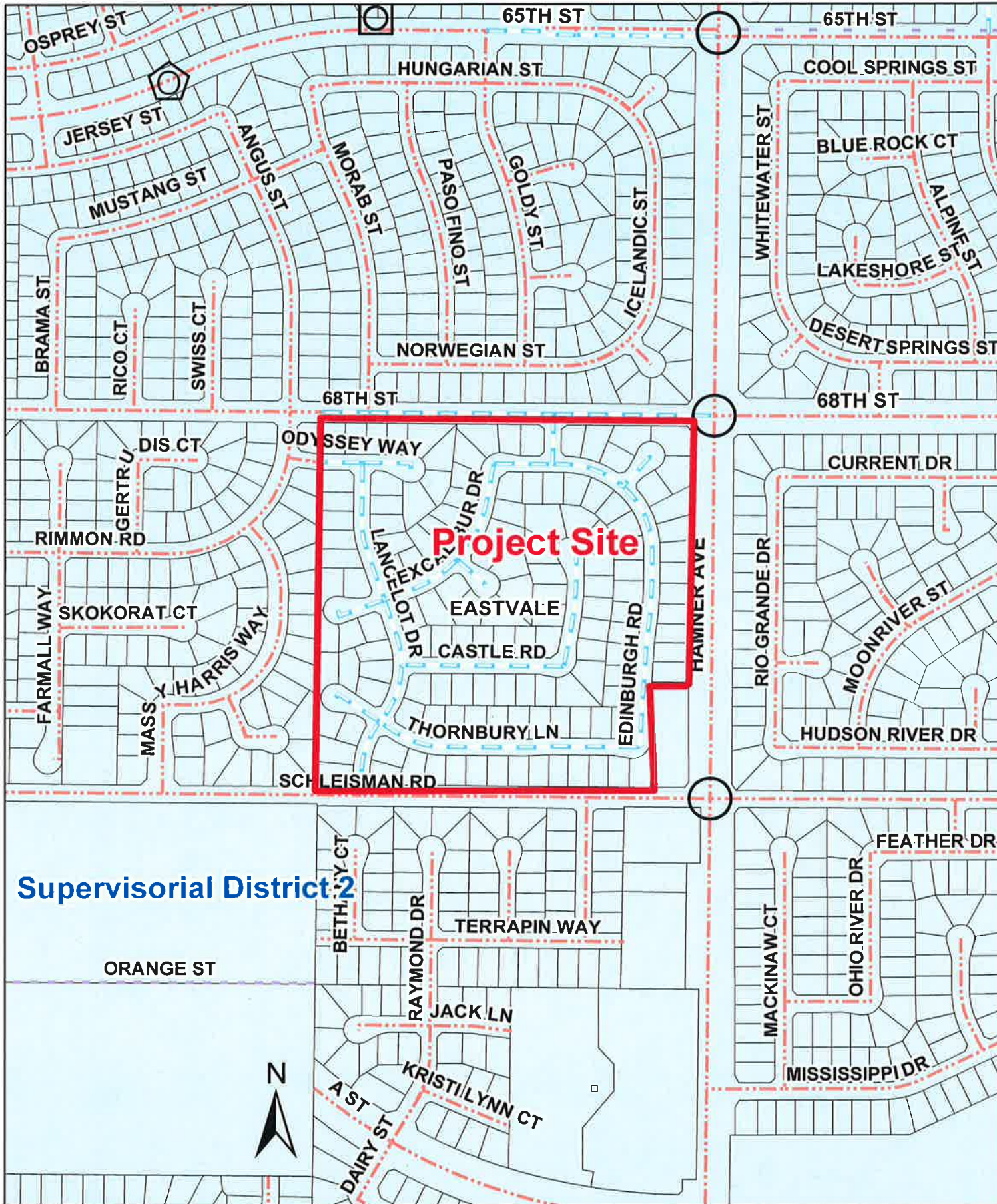


Tract 31386

Vicinity Map

0 210 420 840 Feet
1 inch = 417 feet

Orthophotos Flown 4/09 (WR, CV) or 4/07 (REMAP, Blythe)
Printed by rfairhur on 4/25/11



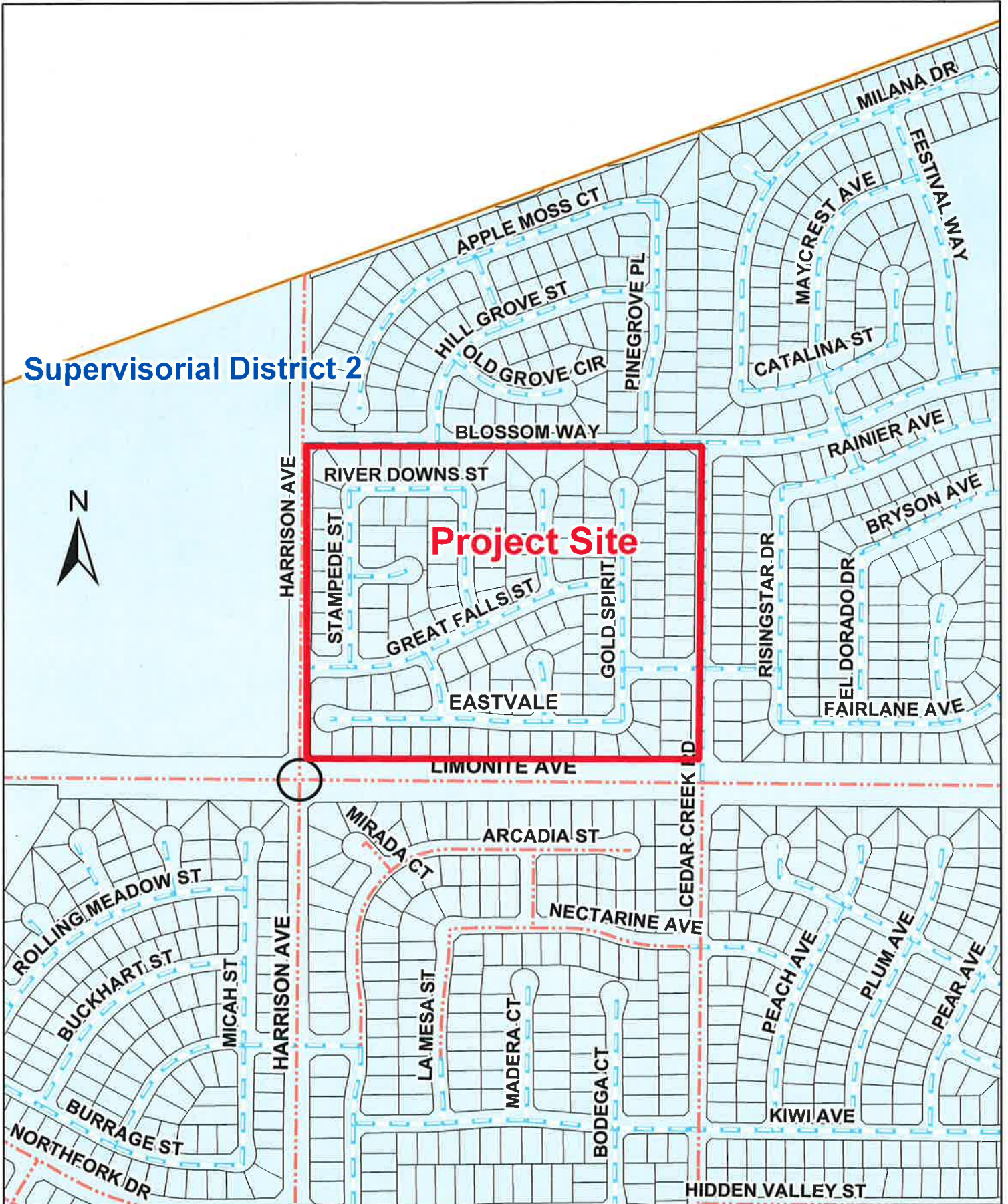
Tract 31580

Vicinity Map

0 210 420 840 Feet
1 inch = 417 feet

Orthophotos Flown 4/09 (WR, CV) or 4/07 (REMAP, Blythe)
Printed by rfairhur on 4/25/11

Supervisorial District 2



SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") is made and entered into by and between THE COUNTY OF RIVERSIDE, ("County"), and Arch Insurance Company ("ARCH") effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside ("Effective Date").

I. RECITALS

A. WHEREAS, on or about November 30, 2004 WL Homes, LLC, dba John Laing Homes ("Developer"), entered into Subdivision Agreements with the County to furnish all labor, equipment and materials necessary to perform and complete street, drainage, monuments, water and sewer system improvements for a portion of a land division known as Tract 30575-1 ("Project"). The Subdivision Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit "A".

B. WHEREAS, on or about September 4, 2004, pursuant to California Government Code Sections 66499 et seq., ARCH issued the following surety bonds for the Project: (1) Faithful Performance Bond No. SU5009748 in the amount of \$1,815,000 (reduced to \$652,600) to guarantee the completion of the following improvements: Streets and Drainage \$1,352,000, Water System \$196,000 and Sewer System \$267,000; (2) Material and Labor Bond No. SU5009748 in the amount of \$1,083,500 allocable as follows: Streets and Drainage \$852,000, Water System \$98,000 and Sewer System \$133,500; and (3) Subdivision Monument Bond No. SU5009749 in the amount of \$27,000. (Collectively "Bonds") The Bonds are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit "B".

C. WHEREAS, subsequently thereafter, Developer performed work on the improvements but thereafter failed to complete the remaining work per the Subdivision Agreements.

D. WHEREAS, on or about January 7, 2011 the County advised that Developer was in default and the County made a claim against the Bonds.

E. WHEREAS, in or about February 15, 2012, ARCH agreed to complete certain work identified in the Subdivision Agreements with one or more Completion Contractors ("Completion Contractors").

F. WHEREAS, this Agreement is intended to resolve all remaining issues between ARCH and the County with regard to the remaining improvements on the Project, fully, finally and forever, as set forth herein.

NOW, THEREFORE, based on the exchange of valuable consideration, the receipt and sufficiency of which is acknowledged, ARCH and the County agree to the following terms and conditions:

II. TERMS AND CONDITIONS

1. Recitals. The above Recitals and the Terms and Conditions are contractual and are not merely recitals, and the agreements contained herein and consideration transferred are to satisfy rights and obligations between the County and Arch.

2. Incorporation of the Plans for the Subdivision Improvements on the Project. The following plans are incorporated by reference into this Agreement as though fully set forth herein and are expressly made a part of this Agreement.

- a. Tract Map of Tract 30575-1 (attached hereto as Exhibit "C")
- b. Street and Drainage Improvement Plans
- c. Water and Sewer Improvement Plans

The plans listed above shall hereinafter be referred to as the "Plans," for purposes of the Agreement and any attachments.

3. ARCH to Perform Portion of Remaining Work. ARCH shall be responsible for the completion of the work as shown in the "Plans" and as described in Exhibit "D" through one or more Completion Contractor(s) engaged by ARCH.

a. Prior to commencement of the work described in Exhibit D and in accordance with the Plans, the Completion Contractor(s) will obtain approval for and implementation of all traffic control throughout the duration of the work described in Exhibit D and in accordance with the Plans pursuant to the County of Riverside Transportation Department and/or the City of Eastvale.

b. All work shall be in compliance with General Notes, Basis of Bearings, Engineer's Notes, Notice to the Contractor, Legends, Notifications, Jurupa Community Services District Notes and Limitations, or any other references depicted on any of the Plans described in Exhibit D and in accordance with the Plans. The work shall incorporate best management practices for Storm Water Pollution Prevention Plans (SWPPP) as they apply to general construction practices in the Santa Ana Watershed.

c. The County agrees to provide assistance to the Completion Contractor in obtaining access to properties it owns and/or has an easement for public use or right of way over properties adjacent to or in connection with the Project as required to complete the work.

d. ARCH will complete the work described in Exhibit D within 360 days, which will begin when ARCH retains a Completion Contractor and acquires all permits, licenses and any other documentation necessary to proceed with the work described in Exhibit D.

e. ARCH's completion of the work described in Exhibit D shall be in accordance with the Plans, subject, however, to the limitation in California Government Code Section 66499.9(b) that ARCH shall not perform any changes or alterations to the Plans which exceed the original estimated cost of the improvement by more than 10%.

f. It is agreed that the items on the completion detail list(s), Exhibit D, is the anticipated full extent of the work necessary to complete. If any further work is deemed necessary by the County that is not included on Exhibit D, the County reserves the right to demand performance by Arch.

g. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed.

h. The Completion Contractor(s) shall not commence the work described in Exhibit D and in accordance with the Plans until it has obtained and paid for an encroachment permit, verified or paid for a grading permit and paid for any other fees as may be reasonably required by the County of Riverside and the City of Eastvale for the Project. County to advise surety of all inspection fees required for the work described.

i. ARCH reserves the right to terminate the Completion Contractor with or without cause and enter into a contract with another Completion Contractor upon written notice to the County.

4. Selection of Completion Contractors. No later than 75 days after the date of this Agreement, ARCH will hire Completion Contractors with aggregate bids to complete the work described in Exhibit D and in accordance with the Plans.

5. Relationship of ARCH to Completion Contractors. ARCH warrants and represents that ARCH and its officers, officials, employees, and/or agents have no ownership interest in any of the Completion Contractors that ARCH hires to perform the work under this Agreement. ARCH also warrants and represents that ARCH and its officers, officials, employees, and/or agents have not and will not receive any rebates, refunds, dividends, payments or any other type of consideration from the Completion Contractors officers, officials, employees, or agents.

6. Release of Bonds.

a. Except as limited by paragraph 3(f), upon completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work provided in this Agreement by the County, as provided under the Subdivision Improvement Agreements and Subdivision Improvement Bonds, the County shall reduce the amount of the Performance Bond No. SU5009748 by ninety percent (90%) in accordance with the provisions of County of Riverside Ordinance 460 and California Government Code 66499.7 and 66499.9. Upon Completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work described in Exhibit D and in accordance with the Plans by the County, Monument Bond No. SU5009749 shall be released. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed. Inspections and completion shall be set forth in the Subdivision Agreement. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements.

b. Upon completion of the one-year maintenance of the work described in Exhibit D and in accordance with the Plans by ARCH and its Completion Contractors, agents and assigns, as provided under the Subdivision Improvement agreements and Subdivision Improvement Bonds, the County shall release the remaining balance of Performance Bond No. SU5009748 in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

c. Payment bonds shall be released in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

7. County's and ARCH Obligations with respect to the work described in this Agreement. For purposes of completing the work provided in this Agreement, the County and ARCH shall have all rights, obligations, and responsibilities under the Subdivision Agreements with respect to each other, to the same extent and effect as if ARCH had executed the Subdivision Agreements initially and in addition to Developer.

8. Bonds Penal Amount. The Performance Bond, Payment Bonds and Monument Bond ("Bonds") remain in full force and effect in accordance with their terms and provisions; provided, however, that the aggregate liability of ARCH, under this Agreement and the bonds is limited to, and shall not exceed, the penal sums of said bonds.

9. Indemnification by ARCH. ARCH shall indemnify, defend, and save harmless the County, the City of Eastvale and their officers, agents, and employees from any and all liability, claims, demands, suits, or causes of action for damages arising out of the completion of the work described in Exhibit D and in accordance with the Plans undertaken by ARCH pursuant to this Agreement, except, however, ARCH shall not be responsible to indemnify, defend and save harmless the County for damages caused solely by the County's breach of contract or active negligence. This Section shall survive the termination of this Agreement.

10. Notices. All notices and correspondence to the County shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

County of Riverside Transportation Department
Attn: Hugh Smith
2950 Washington Street
Riverside, Ca. 92504

With a copy to:

County of Riverside
Office of County Counsel
Attn: Sunshine Sykes, Esq.
3960 Orange Street, Suite 500
Riverside, Ca. 92501-3674

All notices and correspondence to ARCH shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

Arch Insurance
Attn: Gail Latham
1601 Cherry Street, Suite 1500
Philadelphia, Pa. 19102

With a copy to:

Wilson, Elser, Moskowitz, Edelman & Dicker LLP
Attn: John Immordino, Esq.
555 South Flower Street, Suite 2900
Los Angeles, Ca. 90071-2407

11. No Third-Party Rights. Except as expressly provided herein, nothing in this Agreement shall be deemed to create any rights in favor of, or to inure to the benefit of, any third parties, or to waive or release any defense of limitation against third party claims.

12. All Claims referred to ARCH. The County recognizes that ARCH may be liable to unpaid contractors, subcontractors, or suppliers of Developer. The County agrees to make no representations or promises of payment to these contractors, subcontractors, or suppliers and to refer all inquiries to ARCH.

13. Performance Rights Confirmed. Nothing shall limit ARCH's rights as a completing surety under the Subdivision Agreements and applicable law, including the right of equitable subrogation which affords to ARCH all rights and remedies of the County against Developer, among others. Further, ARCH subrogated to Developer's rights as ARCH is a performing surety under the Bonds. The County acknowledges that: (1) ARCH is entering into this Agreement not as a contractor, but as a means of satisfying ARCH's bond obligations, (2) ARCH will provide one or more Completion Contractors who are properly licensed and insured to perform the work described in this Agreement; and (3) the County hereby forever releases and discharges any and all claims that ARCH is an unlicensed contractor.

14. Agreement Binding on Successors. This Agreement shall be binding upon the successors and assignees of ARCH and the County.

15. No Modification Except in Writing. This Agreement cannot be modified except in a writing signed by both the County and ARCH.

16. This Agreement Controls. In case of conflict between the provisions of this Agreement and the provisions of the Subdivision Agreements, the Bonds and the Plans, this Agreement shall control. Further, this Agreement, the Subdivision Agreements, the Bonds and the Plans constitute the entire Agreement between the County and ARCH and, together, supersede all prior negotiations, representations, offers, other writings, and oral statements of every description.

17. Construction and Application of Law. The parties stipulate that this Agreement and all agreements or documents incorporated herein shall not be subject to the rule of construction that a written agreement is construed against the party preparing or drafting that Agreement. The parties also agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the state of California.

18. Validity. Invalidity of any portion or provisions of the Subdivision Agreements or this Agreement by reason of the laws of any State or for any other reason shall not render any other provisions or portions of the Subdivision Agreements or this Agreement invalid.

19. No Waiver. The failure of either party to exercise in any respect a right provided for in the Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

20. Reservation. Other than expressly waived herein, ARCH and the County fully reserve all rights and defenses against each other, with respect to the Bonds, the Subdivision Agreements and Plans and ARCH expressly reserves all rights and defenses against Developer as the bond principal. Moreover, nothing in this Agreement constitutes a waiver of the penal amount or an increase in the liability of ARCH under the Bonds.

21. Counterparts/Facsimile. This Agreement may be executed in any number of counterparts each of which, when executed and delivered, shall be deemed to be an original with all the counterparts constituting but one and the same instrument. The execution of this Agreement by any parties hereto will not become effective until counterparts hereof have been executed by all parties. Additionally, a facsimile signature shall bind the undersigned.

WHEREFORE, the parties have executed this Agreement by their authorized representatives.

DATED: _____

COUNTY OF RIVERSIDE

By: John Tavaglione, Chairman, Board of Supervisors

ATTEST:

Kecia Harper-Ihem
Clerk of the Board

BY: _____
Deputy

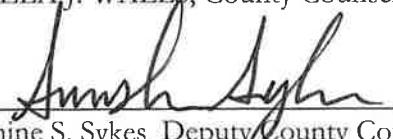
DATED: 10/18/12

ARCH INSURANCE COMPANY


By: Gail Latham, Assistant Vice President

APPROVED AS TO FORM:

PAMELA J. WALLS, County Counsel

By: 
Sunshine S. Sykes, Deputy County Counsel

DATED: 11/6/12

By: 
John Immordino, Attorney for Arch Insurance Company

DATED: 10-24-12

EXHIBIT "A"

AGREEMENT
FOR THE CONSTRUCTION OF ROAD/DRAINAGE IMPROVEMENTS

EXHIBIT A

This agreement, made and entered into by and between the County of Riverside, State of California, hereinafter called County, and WL HOMES LLC, A DELAWARE LIMITED LIABILITY COMPANY DBA JOHN LAING HOMES, hereinafter called Contractor.

WITNESSETH:

FIRST: Contractor, for and in consideration of the approval by County of the final map of that certain land division known as Tract 30575-1, hereby agrees, at Contractor's own cost and expense, to furnish all labor, equipment and materials necessary to perform and complete, within 24 months from the date this agreement is executed, in a good and workmanlike manner, all road and drainage improvements in accordance with those Road Plans for said land division which have been approved by the County Director of Transportation, and are on file in the office of the Riverside County Transportation Department, and do all work incidental thereto in accordance with the standards set forth in Riverside County Ordinance No. 461, as amended, which are hereby expressly made a part of this agreement. All the above required work shall be done under the inspection of and to the satisfaction of the County Director of Transportation, and shall not be deemed complete until approved and accepted as complete by the County. Contractor further agrees to maintain the above required improvements for a period of one year following acceptance by the County, and during this one year period to repair or replace, to the satisfaction of the Director of Transportation, any defective work or labor done or defective materials furnished. Contractor further agrees that all underground improvements shall be completed prior to the paving of any roadway. The estimated cost of said work and improvements is the sum of One million three hundred fifty-two thousand and no/100 Dollars (\$1,352,000.00).

SECOND: Contractor agrees to pay to County the actual cost of such inspections of the work and improvements as may be required by the Director of Transportation. Contractor further agrees that, if suit is brought upon this agreement or any bond guaranteeing the completion of the road and drainage improvements, all costs and reasonable expenses and fees incurred by County in successfully enforcing such obligations shall be paid by Contractor, including reasonable attorney's fees, and that, upon entry of judgement, all such costs, expenses and fees shall be taxed as costs and included in any judgement rendered.

THIRD: County shall not, nor shall any officer or employee of County, be liable or responsible for any accident, loss or damage happening or occurring to the works specified in this agreement prior to the completion and acceptance thereof, nor shall County or any officer or employee thereof, be liable for any persons or property injured by reason of the nature of the work, or by reason of the acts or omissions of Contractor, his agents or employees, in the performance of the work, and all or said liabilities are assumed by Contractor. Contractor agrees to protect, defend, and hold harmless County and the officers and employees thereof from all loss, liability or claim because of, or arising out of the acts or omissions of Contractor, his agents and employees, in the performance of this agreement or arising out of the use of any patent or patented article in the performance of this agreement.


FOURTH: The Contractor hereby grants to County, or any agent or employee of County, the irrevocable permission to enter upon the lands of the subject land division for the purpose of completing the improvements. This permission shall terminate in the event that Contractor has completed work within the time specified or any extension thereof granted by the County.

ELEVENTH: Any notice of notices required or permitted to be given pursuant to this agreement shall be served on the other party by mail, postage prepaid, at the following addresses:

County
Construction Engineer
Riverside County Transportation Dept.
2950 Washington Street
Riverside, CA 92504

Contractor
WL HOMES LLC,
A DELAWARE LIMITED LIABILITY COMPANY
DBA JOHN LAING HOMES
255 E. RINCON STREET, SUITE 100
CORONA, CA 92879

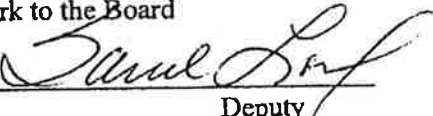
IN WITNESS WHEREOF, Contractor has affixed his name, address and seal.

By 
Title Vice President of Land Development
By _____
Title _____

COUNTY OF RIVERSIDE
By 
ROY WILSON CHAIRMAN, BOARD OF SUPERVISORS

ATTEST:

NANCY ROMERO,
Clerk to the Board

By 
Deputy

APPROVED AS TO FORM

WILLIAM C. KATZENSTEIN, County Counsel

By 

SIGNATURES OF CONTRACTOR MUST BE WITNESSES BY NOTARY
AND EXECUTED IN TRIPPLICATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

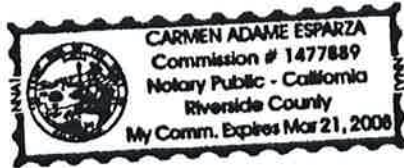
State of California }
County of Riverside } ss.

On Sept. 7, 2004 before me, Carmen Adame Esparza Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Timothy R. Jones
Name(s) of Signer(s)

- personally known to me
- proved to me on the basis of satisfactory evidence

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



WITNESS my hand and official seal.
Carmen Adame Esparza
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

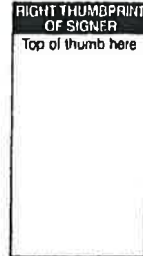
Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

- Individual
- Corporate Officer — Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____

Signer Is Representing: _____



**AGREEMENT
FOR THE CONSTRUCTION OF WATER SYSTEM IMPROVEMENTS**

This agreement, made and entered into by and between the County of Riverside, State of California, hereinafter called County, and WL HOMES LLC, A DELAWARE LIMITED LIABILITY COMPANY DBA JOHN LAING HOMES, hereinafter called Contractor.

WITNESSETH:

FIRST: Contractor, for and in consideration of the approval by County of the final map of that certain land division known as Tract 30575-1, hereby agrees, at Contractor's own cost and expense, to construct or cause to have constructed, within **24** months from the date this agreement is executed, in a good and workmanlike manner, a water distribution system, complete with all necessary pipes, valves, fire hydrants, connections and appurtenances necessary to the satisfactory operation of said distribution system, and, further, to extend main or mains from the existing supply system maintained and operated by Jurupa Community Services District to connect with the distribution system described above with all pipe laid at such a depth as to provide a full thirty-six inch (36") minimum cover from the top of the pipe to street grade, unless otherwise specified by the Director of Transportation, all in accordance with those plans and specifications which have been approved by both the County Health Director and Director of Transportation, and are on file in the office of the Riverside County Transportation Department. Said approved plans and specifications are hereby made a part of this agreement as fully as though set forth herein. All of the above required work shall be done under the inspection of, and to the satisfaction of, the County Director of Transportation and the County Health Officer, and shall not be deemed complete until approved and accepted as complete by the County. Contractor further agrees to maintain the above required improvements for a period of one year following acceptance by the County, and during this one year period to repair or replace, to the satisfaction of the Director of Transportation, any defective work or labor done or defective materials furnished. Contractor further agrees that all underground improvements shall be completed prior to the paving of any roadway. The estimated cost of said work and improvements is the sum of One hundred ninety-six thousand and no/100 Dollars (\$196,000.00).

SECOND: Contractor agrees to pay to County the actual cost of such inspections of the work and improvements as may be required by the Director of Transportation. Contractor further agrees that, if suit is brought upon this agreement or any bond guaranteeing the completion of the water system improvements, all costs and reasonable expenses and fees incurred by County in successfully enforcing such obligations shall be paid by Contractor, including reasonable attorney's fees, and that, upon entry of judgement, all such costs, expenses and fees shall be taxed as costs and included in any judgement rendered.

THIRD: County shall not, nor shall any officer or employee of County, be liable or responsible for any accident, loss or damage happening or occurring to the works specified in this agreement prior to the completion and acceptance thereof, nor shall County or any officer or employee thereof, be liable for any persons or property injured by reason of the nature of the work, or by reason of the acts or omissions of Contractor, his agents or employees, in the performance of the work, and all or said liabilities are assumed by Contractor. Contractor agrees to protect, defend, and hold harmless County and the officers and employees thereof from all loss, liability or claim because of, or arising out of the acts or omissions of Contractor, his agents and employees, in the performance of this agreement or arising out of the use of any patent or patented article in the performance of this agreement.

TENTH: It is understood and agreed by the parties hereto that if any part, term or provision of this agreement is by the courts held to be unlawful and void, the validity of the remaining portions shall not be affected and the rights and obligations of the parties shall be construed and enforced as if the agreement did not contain that particular part, term or provision held to be invalid.

ELEVENTH: Any notice or notices required or permitted to be given pursuant to this agreement shall be served on the other party by mail, postage prepaid, at the following addresses:

County
Construction Engineer
Riverside County Transportation Dept.
2950 Washington Street
Riverside, CA 92504

Contractor
WL HOMES LLC,
A DELAWARE LIMITED LIABILITY COMPANY
DBA JOHN LAING HOMES
255 E. RINCON STREET, SUITE 100
CORONA, CA 92879

IN WITNESS WHEREOF, Contractor has affixed his name, address and seal.

By Timothy R. J.

Title Vice President of Land Development

By _____

Title _____

COUNTY OF RIVERSIDE

By Roy Wilson
ROY WILSON CHAIRMAN, BOARD OF SUPERVISORS

ATTEST:

NANCY ROMERO,
Clerk to the Board

By Samuel Long
Deputy

APPROVED AS TO FORM

WILLIAM C. KATZENSTEIN, County Counsel

By William C. Katzenstein

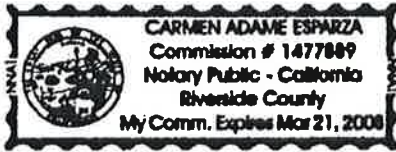
SIGNATURES OF CONTRACTOR MUST BE WITNESSES BY NOTARY
AND EXECUTED IN TRIPPLICATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
 County of Riverside } ss.

On Sept. 7, 2004 before me, Carmen Adame Esparza, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
 personally appeared Timothy R. Jones
Name(s) of Signer(s)

personally known to me
 proved to me on the basis of satisfactory evidence



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

WITNESS my hand and official seal.
Carmen A
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

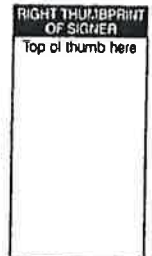
Description of Attached Document

Title or Type of Document: _____
 Document Date: _____ Number of Pages: _____
 Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____
 Individual
 Corporate Officer — Title(s): _____
 Partner — Limited General
 Attorney-in-Fact
 Trustee
 Guardian or Conservator
 Other: _____

Signer is Representing: _____



SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (“Agreement”) is made and entered into by and between THE COUNTY OF RIVERSIDE, (“County”), and Arch Insurance Company (“ARCH”) effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside (“Effective Date”).

I. RECITALS

A. WHEREAS, on or about December 13, 2005 WL Homes, LLC, dba John Laing Homes (“Developer”), entered into Subdivision Agreements with the County to furnish all labor, equipment and materials necessary to perform and complete street, drainage, monuments, water and sewer system improvements for a portion of a land division known as Tract 31220, and offsite improvements for a portion of Tract 30575-1 (“Project”). The Subdivision Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit “A”.

B. WHEREAS, on or about January 20, 2005, pursuant to California Government Code Sections 66499 et seq., ARCH issued the following surety bonds for the Project: (1) Performance Bond No. SU5012279 in the amount of \$407,000.00 (reduced to \$74,200.00) to guarantee the completion of the following improvements: Streets and Drainage \$265,000, Water System \$63,000 and Sewer System \$79,000; (2) Material and Labor Bond No. SU5012279 in the amount of \$ 203,500 allocable as follows: Streets and Drainage \$132,500, Water System \$31,500 and Sewer System \$39,500; (3) Subdivision Monument Bond No. SU5012280 in the amount of \$19,000; (4) Performance Bond No. SU5013371 in the amount of \$228,500 (reduced to \$40,050) to guarantee the completion of the following offsite improvements: Streets and Drainage \$178,000, Water System \$17,000 and Sewer System \$33,500 and (5) Material and Labor Bond No. SU5013371 (offsite) in the amount of \$114,250 allocable as follows: Streets and Drainage \$89,000, Water System \$8,500 and Sewer System \$16,750; (Collectively “Bonds”). The Bonds are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit “B”.

C. WHEREAS, subsequently thereafter, Developer performed work on the improvements but thereafter failed to complete the remaining work per the Subdivision Agreements.

D. WHEREAS, on or about April 7, 2011 the County advised that Developer was in default and the County made a claim against the Bonds.

E. WHEREAS, on or about February 15, 2012, ARCH agreed to complete certain work identified in the Subdivision Agreements with one or more Completion Contractors (“Completion Contractors”).

F. WHEREAS, this Agreement is intended to resolve all remaining issues between ARCH and the County with regard to the remaining improvements on the Project, fully, finally and forever, as set forth herein.

NOW, THEREFORE, based on the exchange of valuable consideration, the receipt and sufficiency of which is acknowledged, ARCH and the County agree to the following terms and conditions:

II. TERMS AND CONDITIONS

1. Recitals. The above Recitals and the Terms and Conditions are contractual and are not merely recitals, and the agreements contained herein and consideration transferred are to satisfy rights and obligations between the County and Arch.

2. Incorporation of the Plans for the Subdivision Improvements on the Project. The following plans are incorporated by reference into this Agreement as though fully set forth herein and are expressly made a part of this Agreement.

- a. Tract map for Tract 31220 (attached hereto as Exhibit "C")
- b. Street and Drainage Improvement Plans
- c. Water and Sewer Improvement Plans

The plans listed above shall hereinafter be referred to as the "Plans," for purpose of the Agreement and any attachments.

3. ARCH to Perform Remaining Work. ARCH shall be responsible for the completion of the work as shown in the "Plans" and as described in Exhibit "D" through one or more Completion Contractor(s) engaged by ARCH.

a. Prior to commencement of the work described in Exhibit D and in accordance with the Plans, the Completion Contractor(s) will obtain approval for and implementation of all traffic control throughout the duration of the work described in Exhibit D and in accordance with the Plans pursuant to the County of Riverside Transportation Department and/or the City of Eastvale.

b. All work shall be in compliance with General Notes, Basis of Bearings, Engineer's Notes, Notice to the Contractor, Legends, Notifications, Jurupa Community Services District Notes and Limitations, or any other references depicted on any of the Plans described in Exhibit D and in accordance with the Plans. The work shall incorporate best management practices for Storm Water Pollution Prevention Plans (SWPPP) as they apply to general construction practices in the Santa Ana Watershed.

c. The County agrees to provide assistance to the Completion Contractor in obtaining access to properties it owns and/or has an easement for public use or right of way over properties adjacent to or in connection with the Project as required to complete the work.

d. ARCH will complete the work described in Exhibit D within 360 days, which will begin when ARCH retains a Completion Contractor and acquires all permits, licenses and any other documentation necessary to proceed with the work described in Exhibit D.

e. ARCH's completion of the work described in Exhibit D shall be in accordance with the Plans, subject, however, to the limitation in California Government Code Section 66499.9(b) that ARCH shall not perform any changes or alterations to the Plans which exceed the original estimated cost of the improvement by more than 10%.

f. It is agreed that the items on the completion detail list(s), Exhibit D, is the anticipated full extent of the work necessary to complete. If any further work is deemed necessary by the County that is not included on Exhibit D, the County reserves the right to demand performance by Arch.

g. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed.

h. The Completion Contractor(s) shall not commence the work described in Exhibit D and in accordance with the Plans until it has obtained and paid for an encroachment permit, verified or paid for a grading permit and paid for any other fees as may be reasonably required by the County of Riverside and the City of Eastvale for the Project. County to advise surety of all inspection fees required for the work described.

i. ARCH reserves the right to terminate the Completion Contractor with or without cause and enter into a contract with another Completion Contractor upon written notice to the County.

4. Selection of Completion Contractors. No later than 75 days after the date of this Agreement, ARCH will hire Completion Contractors with aggregate bids to complete the work described in Exhibit D and in accordance with the Plans.

5. Relationship of ARCH to Completion Contractors. ARCH warrants and represents that ARCH and its officers, officials, employees, and/or agents have no ownership interest in any of the Completion Contractors that ARCH hires to perform the work under this Agreement. ARCH also warrants and represents that ARCH and its officers, officials, employees, and/or agents have not and will not receive any rebates, refunds, dividends, payments or any other type of consideration from the Completion Contractors officers, officials, employees, or agents.

6. Release of Bonds.

a. Except as limited by paragraph 3(f), upon completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work provided in this Agreement by the County, as provided under the Subdivision Improvement Agreements and Subdivision Improvement Bonds, the County shall reduce the amount of the Performance Bonds No. SU5012279 and SU5013371 by ninety percent (90%) in accordance with the provisions of County of Riverside Ordinance 460 and California Government Code 66499.7 and 66499.9. Upon Completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work described in Exhibit D and in accordance with the Plans by the County, Monument Bond No. SU5012280 shall be released. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed. Inspections and completion shall be set forth in the Subdivision Agreement. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements.

b. Upon completion of the one-year maintenance of the work described in Exhibit D and in accordance with the Plans by ARCH and its Completion Contractors, agents and assigns, as provided under the Subdivision Improvement agreements and Subdivision Improvement Bonds, the County shall release the remaining balance of Performance Bond Numbers SU5012279 and SU5013371 in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

c. Payment bonds shall be released in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

7. County's and ARCH Obligations with respect to the work described in this Agreement.

For purposes of completing the work described in this Agreement the County and ARCH shall have all rights, obligations, and responsibilities under the Subdivision Agreements with respect to each other, to the same extent and effect as if ARCH had executed the Subdivision Agreements initially and in addition to Developer.

8. Bonds Penal Amount. The Performance Bond, Payment Bonds and Monument Bond ("Bonds") remain in full force and effect in accordance with their terms and provisions; provided, however, that the aggregate liability of ARCH, under this Agreement and the bonds is limited to, and shall not exceed, the penal sums of said bonds.

9. Indemnification by ARCH. ARCH shall indemnify, defend, and save harmless the County, the City of Eastvale and their officers, agents, and employees from any and all liability, claims, demands, suits, or causes of action for damages arising out of the completion of the work described in Exhibit D and in accordance with the Plans undertaken by ARCH pursuant to this Agreement, except, however, ARCH shall not be responsible to indemnify, defend and save

harmless the County for damages caused solely by the County's breach of contract or active negligence. This Section shall survive the termination of this Agreement.

10. Notices. All notices and correspondence to the County shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

County of Riverside Transportation Department
Attn: Hugh Smith
2950 Washington Street
Riverside, Ca. 92504

With a copy to:

County of Riverside
Office of County Counsel
Attn: Sunshine Sykes, Esq.
3960 Orange Street, Suite 500
Riverside, Ca. 92501-3674

All notices and correspondence to ARCH shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

Arch Insurance
Attn: Gail Latham
1601 Cherry Street, Suite 1500
Philadelphia, Pa. 19102

With a copy to:

Wilson, Elser, Moskowitz, Edelman & Dicker LLP
Attn: John Immordino, Esq.
555 South Flower Street, Suite 2900
Los Angeles, Ca. 90071-2407

11. No Third-Party Rights. Except as expressly provided herein, nothing in this Agreement shall be deemed to create any rights in favor of, or to inure to the benefit of, any third parties, or to waive or release any defense of limitation against third party claims.

12. All Claims referred to ARCH. The County recognizes that ARCH may be liable to unpaid contractors, subcontractors, or suppliers of Developer. The County agrees to make no representations or promises of payment to these contractors, subcontractors, or suppliers and to refer all inquiries to ARCH.

13. Performance Rights Confirmed. Nothing shall limit ARCH's rights as a completing surety under the Subdivision Agreements and applicable law, including the right of equitable subrogation which affords to ARCH all rights and remedies of the County against Developer, among others. Further, ARCH subrogated to Developer's rights as ARCH is a performing surety under the Bonds. The County acknowledges that: (1) ARCH is entering into this Agreement not as a contractor, but as a means of satisfying ARCH's bond obligations, (2) ARCH will provide one or more Completion Contractors who are properly licensed and insured to perform the work described in this Agreement; and (3) the County hereby forever releases and discharges any and all claims that ARCH is an unlicensed contractor.

14. Agreement Binding on Successors. This Agreement shall be binding upon the successors and assignees of ARCH and the County.

15. No Modification Except in Writing. This Agreement cannot be modified except in a writing signed by both the County and ARCH.

16. This Agreement Controls. In case of conflict between the provisions of this Agreement and the provisions of the Subdivision Agreements, the Bonds and the Plans, this Agreement shall control. Further, this Agreement, the Subdivision Agreements, the Bonds and the Plans constitute the entire Agreement between the County and ARCH and, together, supersede all prior negotiations, representations, offers, other writings, and oral statements of every description.

17. Construction and Application of Law. The parties stipulate that this Agreement and all agreements or documents incorporated herein shall not be subject to the rule of construction that a written agreement is construed against the party preparing or drafting that Agreement. The parties also agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the state of California.

18. Validity. Invalidation of any portion or provisions of the Subdivision Agreements or this Agreement by reason of the laws of any State or for any other reason shall not render any other provisions or portions of the Subdivision Agreements or this Agreement invalid.

19. No Waiver. The failure of either party to exercise in any respect a right provided for in the Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

20. Reservation. Other than expressly waived herein, ARCH and the County fully reserve all rights and defenses against each other, with respect to the Bonds, the Subdivision Agreements and Plans and ARCH expressly reserves all rights and defenses against Developer as the bond principal. Moreover, nothing in this Agreement constitutes a waiver of the penal amount or an increase in the liability of ARCH under the Bonds.

21. Counterparts/Facsimile. This Agreement may be executed in any number of counterparts each of which, when executed and delivered, shall be deemed to be an original with all the counterparts constituting but one and the same instrument. The execution of this Agreement by any parties hereto will not become effective until counterparts hereof have been executed by all parties. Additionally, a facsimile signature shall bind the undersigned.

WHEREFORE, the parties have executed this Agreement by their authorized representatives.

DATED: _____

COUNTY OF RIVERSIDE

By: John Tavaglione, Chairman, Board of Supervisors

ATTEST:

Kecia Harper-Ihem
Clerk of the Board

BY: _____
Deputy

DATED: 10/18/12

ARCH INSURANCE COMPANY

Gail Latham
By: Gail Latham, Assistant Vice President

APPROVED AS TO FORM:

PAMELA J. WALLS, County Counsel

By: Sunshine S. Sykes
Sunshine S. Sykes, Deputy County Counsel

DATED: 11/6/12

By: John Immordino
John Immordino, Attorney for Arch Insurance Company

DATED: 10-24-12

EXHIBIT "A"

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT (“Agreement”) is made and entered into by and between THE COUNTY OF RIVERSIDE, (“County”), and Arch Insurance Company (“ARCH”) effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside (“Effective Date”).

I. RECITALS

A. WHEREAS, on or about December 20, 2005 WL Homes, LLC, dba John Laing Homes (“Developer”), entered into Subdivision Agreements with the County to furnish all labor, equipment and materials necessary to perform and complete street, drainage, monuments, water and sewer system improvements for a portion of a land division known as Tract 31386 (“Project”). The Subdivision Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit “A”.

B. WHEREAS, on or about February 7, 2005, pursuant to California Government Code Sections 66499 et seq., ARCH issued the following surety bonds for the Project: (1) Faithful Performance Bond No. SU5012975 in the amount of \$2,754,755 (reduced to \$1,225,000) to guarantee the completion of the Streets and Drainage; (2) Material and Labor Bond No. SU5012975 in the amount of \$1,404,755 allocable to the Streets and Drainage; (3) Faithful Performance Bond No. SU5012976 in the amount of \$419,000 (reduced to \$83,800) to guarantee the completion of the Water System; (4) Material and Labor Bond No. SU5012976 in the amount of \$309,500 allocable to the Water System; (5) Faithful Performance Bond No. SU5012977 in the amount of \$436,500 (reduced to \$87,300) to guarantee the completion of the Sewer System; (6) Material and Labor Bond No. SU5012977 in the amount of \$218,250 allocable to the Sewer System; and (7) Subdivision Monument Bond No. SU5012978 in the amount of \$57,800. (Collectively “Bonds”) The Bonds are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit “B”.

C. WHEREAS, subsequently thereafter, Developer performed work on the improvements but thereafter failed to complete the remaining work per the Subdivision Agreements.

D. WHEREAS, on or about October 18, 2010 the County advised that Developer was in default and the County made a claim against the Bonds.

E. WHEREAS, in or about February 15, 2012, ARCH agreed to complete certain work identified in the Subdivision Agreements with one or more Completion Contractors (“Completion Contractors”).

F. WHEREAS, this Agreement is intended to resolve all remaining issues between ARCH and the County with regard to the remaining improvements on the Project, fully, finally and forever, as set forth herein.

NOW, THEREFORE, based on the exchange of valuable consideration, the receipt and sufficiency of which is acknowledged, ARCH and the County agree to the following terms and conditions:

II. TERMS AND CONDITIONS

1. Recitals. The above Recitals and the Terms and Conditions are contractual and are not merely recitals, and the agreements contained herein and consideration transferred are to satisfy rights and obligations between the County and Arch.

2. Incorporation of the Plans for the Subdivision Improvements on the Project. The following plans are incorporated by reference into this Agreement as though fully set forth herein and are expressly made a part of this Agreement .

- a. Tract map for Tract 31386, dated December 2003 (attached hereto as Exhibit "C")
- b. Street and Drainage Improvement Plans
- c. Water and Sewer Improvement Plans

The plans listed above shall hereinafter be referred to as the "Plans," for purposed of the Agreement and any attachments.

3. ARCH to Perform Portion of Remaining Work. ARCH shall be responsible for the completion of the work as shown in the "Plans" and as described in Exhibit "D" through one or more Completion Contractor(s) engaged by ARCH.

a. Prior to commencement of the work described in Exhibit D and in accordance with the Plans, the Completion Contractor(s) will obtain approval for and implementation of all traffic control throughout the duration of the work described in Exhibit D and in accordance with the Plans pursuant to the County of Riverside Transportation Department and/or the City of Eastvale.

b. All work shall be in compliance with General Notes, Basis of Bearings, Engineer's Notes, Notice to the Contractor, Legends, Notifications, Jurupa Community Services District Notes and Limitations, or any other references depicted on any of the Plans described in Exhibit D and in accordance with the Plans. The work shall incorporate best management practices for Storm Water Pollution Prevention Plans (SWPPP) as they apply to general construction practices in the Santa Ana Watershed.

c. The County agrees to provide assistance to the Completion Contractor in obtaining access to properties it owns and/or has an easement for public use or right of way over properties adjacent to or in connection with the Project as required to complete the work.

d. ARCH will complete the work described in Exhibit D within 360 days, which will begin when ARCH retains a Completion Contractor and acquires all permits, licenses and any other documentation necessary to proceed with the work described in Exhibit D.

e. ARCH's completion of the work described in Exhibit D shall be in accordance with the Plans, subject, however, to the limitation in California Government Code Section 66499.9(b) that ARCH shall not perform any changes or alterations to the Plans which exceed the original estimated cost of the improvement by more than 10%.

f. It is agreed that the items on the completion detail list(s), Exhibit D, is the anticipated full extent of the work necessary to complete. If any further work is deemed necessary by the County that is not included on Exhibit D, the County reserves the right to demand performance by Arch.

g. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed.

h. The Completion Contractor(s) shall not commence the work described in Exhibit D and in accordance with Exhibit C until it has obtained and paid for an encroachment permit, verified or paid for a grading permit and paid for any other fees as may be reasonably required by the County of Riverside and the City of Eastvale for the Project. County to advise surety of all inspection fees required for the work described.

i. ARCH reserves the right to terminate the Completion Contractor with or without cause and enter into a contract with another Completion Contractor upon written notice to the County.

4. Selection of Completion Contractors. No later than 75 days after the date of this Agreement, ARCH will hire Completion Contractors with aggregate bids to complete the work described in Exhibit D and in accordance with Exhibit C.

5. Relationship of ARCH to Completion Contractors. ARCH warrants and represents that ARCH and its officers, officials, employees, and/or agents have no ownership interest in any of the Completion Contractors that ARCH hires to perform the work under this Agreement. ARCH also warrants and represents that ARCH and its officers, officials, employees, and/or agents have not and will not receive any rebates, refunds, dividends, payments or any other type of consideration from the Completion Contractors officers, officials, employees, or agents.

6. Release of Bonds.

a. Except as limited by paragraph 3(f), upon completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work described in provided in this Agreement by the County, as provided under the Subdivision Improvement Agreements and Subdivision Improvement Bonds, the County shall reduce the amount of the Performance Bond Nos. SU5012975, SU5012976, and SU5012977 by ninety percent (90%) in accordance with the provisions of County of Riverside Ordinance 460 and California Government Code 66499.7 and 66499.9. Upon Completion of the work described in Exhibits C and D by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work described in Exhibits C and D by the County, Monument Bond No. SU5012978 shall be released. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed. Inspections and completion shall be set forth in the Subdivision Agreement. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements.

b. Upon completion of the one-year maintenance of the work described in this Agreement by ARCH and its Completion Contractors, agents and assigns, as provided under the Subdivision Improvement agreements and Subdivision Improvement Bonds, the County shall release the remaining balance of Performance Bond Numbers SU5012975, SU5012976, and SU5012977 in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

c. Payment bonds shall be released in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

7. County's and ARCH Obligations with respect to the work described in this Agreement. For purposes of completing the work described in this Agreement, the County and ARCH shall have all rights, obligations, and responsibilities under the Subdivision Agreements with respect to each other, to the same extent and effect as if ARCH had executed the Subdivision Agreements initially and in addition to Developer.

8. Bonds Penal Amount. The Performance Bond, Payment Bonds and Monument Bond ("Bonds") remain in full force and effect in accordance with their terms and provisions; provided, however, that the aggregate liability of ARCH, under this Agreement and the bonds is limited to, and shall not exceed, the penal sums of said bonds.

9. Indemnification by ARCH. ARCH shall indemnify, defend, and save harmless the County, the City of Eastvale and their officers, agents, and employees from any and all liability, claims, demands, suits, or causes of action for damages arising out of the completion of the work described in Exhibit D and in accordance with Exhibit C undertaken by ARCH pursuant to this

Agreement, except, however, ARCH shall not be responsible to indemnify, defend and save harmless the County for damages caused solely by the County's breach of contract or active negligence. This Section shall survive the termination of this Agreement.

10. Notices. All notices and correspondence to the County shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

County of Riverside Transportation Department
Attn: Hugh Smith
2950 Washington Street
Riverside, Ca. 92504

With a copy to:

County of Riverside
Office of County Counsel
Attn: Sunshine Sykes, Esq.
3960 Orange Street, Suite 500
Riverside, Ca. 92501-3674

All notices and correspondence to ARCH shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

Arch Insurance
Attn: Gail Latham
1601 Cherry Street, Suite 1500
Philadelphia, Pa. 19102

With a copy to:

Wilson, Elser, Moskowitz, Edelman & Dicker LLP
Attn: John Immordino, Esq.
555 South Flower Street, Suite 2900
Los Angeles, Ca. 90071-2407

11. No Third-Party Rights. Except as expressly provided herein, nothing in this Agreement shall be deemed to create any rights in favor of, or to inure to the benefit of, any third parties, or to waive or release any defense of limitation against third party claims.

12. All Claims referred to ARCH. The County recognizes that ARCH may be liable to unpaid contractors, subcontractors, or suppliers of Developer. The County agrees to make no representations or promises of payment to these contractors, subcontractors, or suppliers and to refer all inquiries to ARCH.

13. Performance Rights Confirmed. Nothing shall limit ARCH's rights as a completing surety under the Subdivision Agreements and applicable law, including the right of equitable subrogation which affords to ARCH all rights and remedies of the County against Developer, among others. Further, ARCH subrogated to Developer's rights as ARCH is a performing surety under the Bonds. The County acknowledges that: (1) ARCH is entering into this Agreement not as a contractor, but as a means of satisfying ARCH's bond obligations, (2) ARCH will provide one or more Completion Contractors who are properly licensed and insured to perform the work described in this Agreement; and (3) the County hereby forever releases and discharges any and all claims that ARCH is an unlicensed contractor.

14. Agreement Binding on Successors. This Agreement shall be binding upon the successors and assignees of ARCH and the County.

15. No Modification Except in Writing. This Agreement cannot be modified except in a writing signed by both the County and ARCH.

16. This Agreement Controls. In case of conflict between the provisions of this Agreement and the provisions of the Subdivision Agreements, the Bonds and the Plans, this Agreement shall control. Further, this Agreement, the Subdivision Agreements, the Bonds and the Plans constitute the entire Agreement between the County and ARCH and, together, supersede all prior negotiations, representations, offers, other writings, and oral statements of every description.

17. Construction and Application of Law. The parties stipulate that this Agreement and all agreements or documents incorporated herein shall not be subject to the rule of construction that a written agreement is construed against the party preparing or drafting that Agreement. The parties also agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the state of California.

18. Validity. Invalidity of any portion or provisions of the Subdivision Agreements or this Agreement by reason of the laws of any State or for any other reason shall not render any other provisions or portions of the Subdivision Agreements or this Agreement invalid.

19. No Waiver. The failure of either party to exercise in any respect a right provided for in the Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

20. Reservation. Other than expressly waived herein, ARCH and the County fully reserve all rights and defenses against each other, with respect to the Bonds, the Subdivision Agreements and Plans and ARCH expressly reserves all rights and defenses against Developer as the bond principal. Moreover, nothing in this Agreement constitutes a waiver of the penal amount or an increase in the liability of ARCH under the Bonds.

21. Counterparts/Facsimile. This Agreement may be executed in any number of counterparts each of which, when executed and delivered, shall be deemed to be an original with all the counterparts constituting but one and the same instrument. The execution of this Agreement by any parties hereto will not become effective until counterparts hereof have been executed by all parties. Additionally, a facsimile signature shall bind the undersigned.

WHEREFORE, the parties have executed this Agreement by their authorized representatives.

DATED: _____

COUNTY OF RIVERSIDE

By: John Tavaglione, Chairman, Board of Supervisors

ATTEST:

Kecia Harper-Ihem
Clerk of the Board

BY: _____
Deputy

DATED: 10/18/12

ARCH INSURANCE COMPANY

Gail Latham
By: Gail Latham, Assistant Vice President

APPROVED AS TO FORM:

PAMELA J. WALLS, County Counsel

By: Sunshine S. Sykes
Sunshine S. Sykes, Deputy County Counsel

DATED: 11/6/12

By: John Lammordino
John Lammordino, Attorney for Arch Insurance Company

DATED: 10-24-12

SETTLEMENT AGREEMENT

This SETTLEMENT AGREEMENT ("Agreement") is made and entered into by and between THE COUNTY OF RIVERSIDE, ("County"), and Arch Insurance Company ("ARCH") effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside ("Effective Date").

I. RECITALS

A. WHEREAS, on or about November 22, 2005 WL Homes, LLC, dba John Laing Homes ("Developer"), entered into Subdivision Agreements with the County to furnish all labor, equipment and materials necessary to perform and complete street, drainage, monuments, water and sewer system improvements for a portion of a land division known as Tract 31580 ("Project"). The Subdivision Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit "A".

B. WHEREAS, on or about January 7, 2005, pursuant to California Government Code Sections 66499 et seq., ARCH issued the following surety bonds for the Project: (1) Faithful Performance Bond No. SU5012262 in the amount of \$4,717,600 (reduced to \$1,250,000) to guarantee the completion of the Streets and Drainage; (2) Material and Labor Bond No. SU5012262 in the amount of \$2,427,850 allocable to the Streets and Drainage; (3) Faithful Performance Bond No. SU5012263 in the amount of \$355,000 (reduced to \$71,000) to guarantee the completion of the Water System; (4) Material and Labor Bond No. SU5012263 in the amount of \$177,500 allocable to the Water System; (5) Faithful Performance Bond No. SU5012264 in the amount of \$412,000 reduced to \$82,400) to guarantee the completion of the Sewer System; (6) Material and Labor Bond No. SU5012264 in the amount of \$206,000 allocable to the Sewer System and (7) Subdivision Monument Bond No. SU5012265 in the amount of \$60,800. (Collectively "Bonds") The Bonds are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this agreement and attached hereto as Exhibit "B".

C. WHEREAS, subsequently thereafter, Developer performed work on the improvements but thereafter failed to complete the remaining work per the Subdivision Agreements.

D. WHEREAS, on or about April 7, 2011 the County advised that Developer was in default and the County made a claim against the Bonds.

E. WHEREAS, in or about February 15, 2012, ARCH agreed to complete certain work identified in the Subdivision Agreements with one or more Completion Contractors ("Completion Contractors").

F. WHEREAS, this Agreement is intended to resolve all remaining issues between ARCH and the County with regard to the remaining improvements on the Project, fully, finally and forever, as set forth herein.

NOW, THEREFORE, based on the exchange of valuable consideration, the receipt and sufficiency of which is acknowledged, ARCH and the County agree to the following terms and conditions:

II. TERMS AND CONDITIONS

1. Recitals. The above Recitals and the Terms and Conditions are contractual and are not merely recitals, and the agreements contained herein and consideration transferred are to satisfy rights and obligations between the County and Arch.

2. Incorporation of the Plans for the Subdivision Improvements on the Project. The following plans are incorporated by reference into this Agreement as though fully set forth herein and are expressly made a part of this Agreement.

- a. Tract map of Tract 31580 (attached hereto as Exhibit "C")
- b. Street and Drainage Improvement Plans
- c. Water and Sewer Improvement Plans

The plans listed above shall hereinafter be referred to as the "Plans," for purposes of the Agreement and any attachments.

3. ARCH to Perform Portion of Remaining Work. ARCH shall be responsible for the completion of the work as shown in the "Plans" and as described in Exhibit "D" through one or more Completion Contractor(s) engaged by ARCH.

a. Prior to commencement of the work described in Exhibit D and in accordance with the Plans, the Completion Contractor(s) will obtain approval for and implementation of all traffic control throughout the duration of the work described in Exhibit D and in accordance with the Plans pursuant to the County of Riverside Transportation Department and/or the City of Eastvale.

b. All work shall be in compliance with General Notes, Basis of Bearings, Engineer's Notes, Notice to the Contractor, Legends, Notifications, Jurupa Community Services District Notes and Limitations, or any other references depicted on any of the Plans described in Exhibit D and in accordance with the Plans. The work shall incorporate best management practices for Storm Water Pollution Prevention Plans (SWPPP) as they apply to general construction practices in the Santa Ana Watershed.

c. The County agrees to provide assistance to the Completion Contractor in obtaining access to properties it owns and/or has an easement for public use or right of way over properties adjacent to or in connection with the Project as required to complete the work.

d. ARCH will complete the work described in Exhibit D within 360 days, which will begin when ARCH retains a Completion Contractor and acquires all permits, licenses and any other documentation necessary to proceed with the work described in Exhibit D.

e. ARCH's completion of the work described in Exhibit D shall be in accordance with the Plans, subject, however, to the limitation in California Government Code Section 66499.9(b) that ARCH shall not perform any changes or alterations to the Plans which exceed the original estimated cost of the improvement by more than 10%.

f. It is agreed that the items on the completion detail list(s), Exhibit D, is the anticipated full extent of the work necessary to complete. If any further work is deemed necessary by the County that is not included on Exhibit D, the County reserves the right to demand performance by Arch.

g. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed.

h. The Completion Contractor(s) shall not commence the work described in Exhibit D and in accordance with the Plans until it has obtained and paid for an encroachment permit, verified or paid for a grading permit and paid for any other fees as may be reasonably required by the County of Riverside and the City of Eastvale for the Project. County to advise surety of all inspection fees required for the work described.

i. ARCH reserves the right to terminate the Completion Contractor with or without cause and enter into a contract with another Completion Contractor upon written notice to the County.

4. Selection of Completion Contractors. No later than 75 days after the date of this Agreement, ARCH will hire Completion Contractors with aggregate bids to complete the work described in Exhibit D and in accordance with the Plans.

5. Relationship of ARCH to Completion Contractors. ARCH warrants and represents that ARCH and its officers, officials, employees, and/or agents have no ownership interest in any of the Completion Contractors that ARCH hires to perform the work under this Agreement. ARCH also warrants and represents that ARCH and its officers, officials, employees, and/or agents have not and will not receive any rebates, refunds, dividends, payments or any other type of consideration from the Completion Contractors officers, officials, employees, or agents.

6. Release of Bonds.

a. Except as limited by paragraph 3(f), upon completion of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work provided in this Agreement by the County, as provided under the Subdivision Improvement

Agreements and Subdivision Improvement Bonds, the County shall reduce the amount of the Performance Bond Nos. SU5012262, SU5012263, and SU5012264 by ninety percent (90%) in accordance with the provisions of County of Riverside Ordinance 460 and California Government Code 66499.7 and 66499.9. Upon Completion of the work described in Exhibit D and in accordance with the Plans by ARCH and its Completion Contractors, agents and assigns, and acceptance of the work described in Exhibit D and in accordance with the Plans by the County, Monument Bond No. SU5012265 shall be released. The parties stipulate and agree that ARCH may request inspection and approval of any item of the work provided in this Agreement as the item is completed. Inspections and completion shall be set forth in the Subdivision Agreement. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements.

b. Upon completion of the one-year maintenance of the work provided in this Agreement by ARCH and its Completion Contractors, agents and assigns, as provided under the Subdivision Improvement agreements and Subdivision Improvement Bonds, the County shall release the remaining balance of Performance Bond Numbers SU5012262, SU5012263, and SU5012264 in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

c. Payment bonds shall be released in accordance with the County of Riverside Ordinance 460 and California Government Code 66499.7.

7. County's and ARCH Obligations with respect to the work described in this Agreement. For purposes of completing the work described in this Agreement, the County and ARCH shall have all rights, obligations, and responsibilities under the Subdivision Agreements with respect to each other, to the same extent and effect as if ARCH had executed the Subdivision Agreements initially and in addition to Developer.

8. Bonds Penal Amount. The Performance Bond, Payment Bonds and Monument Bond ("Bonds") remain in full force and effect in accordance with their terms and provisions; provided, however, that the aggregate liability of ARCH, under this Agreement and the bonds is limited to, and shall not exceed, the penal sums of said bonds.

9. Indemnification by ARCH. ARCH shall indemnify, defend, and save harmless the County, the City of Eastvale and their officers, agents, and employees from any and all liability, claims, demands, suits, or causes of action for damages arising out of the completion of the work described in Exhibit D and in accordance with the Plans undertaken by ARCH pursuant to this Agreement, except, however, ARCH shall not be responsible to indemnify, defend and save harmless the County for damages caused solely by the County's breach of contract or active negligence. This Section shall survive the termination of this Agreement.

10. Notices. All notices and correspondence to the County shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

County of Riverside Transportation Department
Attn: Hugh Smith
2950 Washington Street
Riverside, Ca. 92504

With a copy to:

County of Riverside
Office of County Counsel
Attn: Sunshine Sykes, Esq.
3960 Orange Street, Suite 500
Riverside, Ca. 92501-3674

All notices and correspondence to ARCH shall be mailed by U.S. Postal Service First Class Mail, with a copy by facsimile, to:

Arch Insurance
Attn: Gail Latham
1601 Cherry Street, Suite 1500
Philadelphia, Pa. 19102

With a copy to:

Wilson, Elser, Moskowitz, Edelman & Dicker LLP
Attn: John Immordino, Esq.
555 South Flower Street, Suite 2900
Los Angeles, Ca. 90071-2407

11. No Third-Party Rights. Except as expressly provided herein, nothing in this Agreement shall be deemed to create any rights in favor of, or to inure to the benefit of, any third parties, or to waive or release any defense of limitation against third party claims.

12. All Claims referred to ARCH. The County recognizes that ARCH may be liable to unpaid contractors, subcontractors, or suppliers of Developer. The County agrees to make no representations or promises of payment to these contractors, subcontractors, or suppliers and to refer all inquiries to ARCH.

13. Performance Rights Confirmed. Nothing shall limit ARCH's rights as a completing surety under the Subdivision Agreements and applicable law, including the right of equitable subrogation which affords to ARCH all rights and remedies of the County against Developer, among others. Further, ARCH subrogated to Developer's rights as ARCH is a performing surety

under the Bonds. The County acknowledges that: (1) ARCH is entering into this Agreement not as a contractor, but as a means of satisfying ARCH's bond obligations, (2) ARCH will provide one or more Completion Contractors who are properly licensed and insured to perform the work described in this Agreement; and (3) the County hereby forever releases and discharges any and all claims that ARCH is an unlicensed contractor.

14. Agreement Binding on Successors. This Agreement shall be binding upon the successors and assignees of ARCH and the County.

15. No Modification Except in Writing. This Agreement cannot be modified except in a writing signed by both the County and ARCH.

16. This Agreement Controls. In case of conflict between the provisions of this Agreement and the provisions of the Subdivision Agreements, the Bonds and the Plans, this Agreement shall control. Further, this Agreement, the Subdivision Agreements, the Bonds and the Plans constitute the entire Agreement between the County and ARCH and, together, supersede all prior negotiations, representations, offers, other writings, and oral statements of every description.

17. Construction and Application of Law. The parties stipulate that this Agreement and all agreements or documents incorporated herein shall not be subject to the rule of construction that a written agreement is construed against the party preparing or drafting that Agreement. The parties also agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the state of California.

18. Validity. Invalidation of any portion or provisions of the Subdivision Agreements or this Agreement by reason of the laws of any State or for any other reason shall not render any other provisions or portions of the Subdivision Agreements or this Agreement invalid.

19. No Waiver. The failure of either party to exercise in any respect a right provided for in the Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

20. Reservation. Other than expressly waived herein, ARCH and the County fully reserve all rights and defenses against each other, with respect to the Bonds, the Subdivision Agreements and Plans and ARCH expressly reserves all rights and defenses against Developer as the bond principal. Moreover, nothing in this Agreement constitutes a waiver of the penal amount or an increase in the liability of ARCH under the Bonds.

21. Counterparts/Facsimile. This Agreement may be executed in any number of counterparts each of which, when executed and delivered, shall be deemed to be an original with all the counterparts constituting but one and the same instrument. The execution of this Agreement by any parties hereto will not become effective until counterparts hereof have been executed by all parties. Additionally, a facsimile signature shall bind the undersigned.

WHEREFORE, the parties have executed this Agreement by their authorized representatives.

DATED: _____

COUNTY OF RIVERSIDE

By: John Tavaglione, Chairman, Board of Supervisors

ATTEST:

Kecia Harper-Ihem
Clerk of the Board

BY: _____
Deputy

DATED: 10/18/12

ARCH INSURANCE COMPANY

Gail Latham
By: Gail Latham, Assistant Vice President

APPROVED AS TO FORM:

PAMELA J. WALLS, County Counsel

By: Sunshine S. Sykes
Sunshine S. Sykes, Deputy County Counsel

DATED: 11/6/12

By: [Signature]
John Immordino, Attorney for Arch Insurance Company

DATED: 10-24-12