

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

312 A



FROM: TLMA – Transportation Department

SUBMITTAL DATE:
October 9, 2013

SUBJECT: Tract 26686, Subdivision Improvement Takeover Agreement and Tolling Agreement, Fifth Supervisorial District/Fifth Supervisorial District [\$0]

RECOMMENDED MOTION: That the Board of Supervisors approve and execute the attached Takeover Agreement and Tolling Agreement, which allow Arch Insurance Company to complete the necessary improvements for public health and safety bonded subdivision improvements in place of the defaulted developer.

BACKGROUND:

Summary

On May 17, 2005, pursuant to Government Code Section 66462, the County of Riverside (County), acting through the Board of Supervisors and The Cove at Palm Springs, LP entered into Subdivision Improvement Agreements for the construction of streets and the installation of water and sewer systems within the above-referenced subdivision. Faithful Performance Bonds with Materials and Labor Bonds were posted by Arch Insurance Company to guarantee the completion of the improvements within the subdivision. The required improvements have only been partially completed in accordance with the approved plans, and The Cove at Palm Springs, LP abandoned the project and defaulted on the Subdivision Improvement Agreements.

Juan C. Perez
Director of Transportation and Land Management

FINANCIAL DATA	Current Fiscal Year:	Next Fiscal Year:	Total Cost:	Ongoing Cost:	POLICY/CONSENT (Per Exec. Office)
COST	\$ 0	\$ 0	\$ 0	\$ 0	Consent <input type="checkbox"/> Policy <input checked="" type="checkbox"/>
NET COUNTY COST	\$ 0	\$ 0	\$ 0	\$ 0	

SOURCE OF FUNDS: N/A
There are no General Funds used in this project.

Budget Adjustment: N/A
For Fiscal Year: N/A

C.E.O. RECOMMENDATION: APPROVE
BY:
Tina Grande
County Executive Office Signature

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Jeffries, seconded by Supervisor Ashley and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Jeffries, Tavaglione, Stone and Ashley
Nays: None
Absent: Benoit
Date: November 5, 2013
xc: Transp.

Kecia Harper-Ihem
Clerk of the Board
By:
Deputy

Prev. Agn. Ref.: 5/17/05, Item 2-16 | District: 5/5 | Agenda Number:

3-57

APPROVED COUNTY COUNSEL
ELEN M. BOEVA
DATE 10-10-13

- A-30
- Positions Added
- 4/5 Vote
- Change Order

SUBMITTAL TO THE BOARD OF SUPERVISORS, COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
FORM 11: Tract 26686, Subdivision Improvement Takeover Agreement, Fifth Supervisorial District/Fifth Supervisorial District

DATE: October 9, 2013

PAGE: 2 of 2

BACKGROUND:

Summary (continued)

On July 28, 2008, the County, through Transportation Department, issued a Notice of Default to The Cove at Palm Springs, LP notifying them and their surety, Arch Insurance Company, of the default. The County also made a demand upon Arch Insurance Company, as surety issuing the subdivision bonds, to complete the bonded improvements within the subdivision and to pay the subcontractors that performed work and supplied materials to The Cove at Palm Springs, LP.

The subdivision has only a small portion of the total tract improvements complete with some residential dwelling units, which are constructed and occupied. Only improvements necessary for the safety and welfare of these residents and the surrounding public and environment need to be installed at this time. Arch Insurance Company has agreed to take over and procure completion of certain improvements necessary for the safety and welfare of these residents, the surrounding public, and environment on the above-referenced tract. The improvements necessary to be constructed at this time for Tract 26686 are more fully described in Exhibit C to the attached Takeover Agreement.

Impact on Citizens and Businesses

The execution of this agreement allows for certain improvements for the safety and welfare of these residents, the surrounding public, and environment to be constructed. This construction will make the neighborhood more complete and allow for full public use, including allowing more homes to be built, filling out this portion of the community and eliminating blight.

SUPPLEMENTAL

Additional Fiscal Information

There is no fiscal impact to the County.

Contract History and Price Reasonableness

N/A

312A

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into by and between Arch Insurance Company ("Arch") and the County of Riverside ("County") effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside ("Effective Date").

RECITALS

A. WHEREAS, The Cove at Palm Springs, L.P. ("Cove") was the owner and developer of a residential housing project in the County of Riverside ("County"), Tract No. 26686, commonly referred to as the "Cove at Palm Springs" ("Project").

B. WHEREAS, on or about May 17, 2005, the Cove entered into the Subdivision Improvement Agreements with the County for the installation of streets and drainage improvements, water system improvements, sewer system improvements and placement of survey monuments for the Project. The Subdivision Improvement Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this Agreement, and are attached hereto as Exhibit "A".

C. WHEREAS, on or about April 1, 2005, pursuant to California Government Code Section 66499 et seq., Arch issued Faithful Performance Bonds and Material and Labor Bonds each bearing number SU5014092, and a Subdivision Monument Bond numbered SU5014093 (collectively the "Bonds") for the Project, as security for the construction of the public improvements to be installed under the Subdivision Improvement Agreements. 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 are attached hereto as Exhibit "B".

D. WHEREAS, after construction of the public improvements at the Project commenced, the Cove experienced financial difficulties as a result of disputes with the Project's lender over a funding of the remaining improvements necessary to complete the scope of construction covered by the Subdivision Improvement Agreements and was unable to complete the remaining work.

E. WHEREAS, the County, as a beneficiary under the Bonds, made a demand upon Arch to complete construction of the public improvements at the Project, and on April 8, 2010 filed an action in the Superior Court for the County of Riverside, entitled County of Riverside v. The Cove at Palm Springs, L.P. et al., case No. RIC 10006574, against the Cove and Arch (the "Action").

F. WHEREAS, Arch, through its consultants, in cooperation with the County, has generated a list of the items to be completed and scope of work to be performed to the satisfaction of the County to resolve some claims against the Bonds and the Action. Said list is attached hereto as Exhibit "C" and incorporated hereat by this reference.

G. WHEREAS, Arch, as surety, has agreed to fund the cost to complete the public improvements described in Exhibit "C" with one or more Completion Contractors ("Completion Contractors"). In exchange, the County has agreed to reduce the Bonds once the scope of work described in Exhibit "C" has been completed to the satisfaction and approval of the County. The County agrees that as to the balance of improvement work provided under the Subdivision Improvement Agreements, it will request that any new developer who seeks to continue with the subdivision development, to provide replacement bonds or other acceptable form of security, and to complete the balance of the improvements.

H. WHEREAS, the County and Arch have agreed to toll the running of any statute of limitations with respect to any and all rights, claims, or causes of action that could or might be asserted by the County against Arch that are based on, arise out of, or in any way relate to the Bonds, the Cove at Palm Springs Project or Cove's alleged failure to perform, install, complete, or maintain certain improvements and perform certain obligations in connection therewith ("Claims").

NOW, THEREFORE, in light of the foregoing facts and in further consideration of the promises and agreements of the parties set forth hereinbelow, it is mutually agreed as follows:

1. The recitals set forth hereinabove in paragraphs A through H, inclusive, are incorporated herein by this reference as though fully set forth herein at length.

2. The County has reviewed and approved the scope of work and list of items to be completed as set forth in the attached Exhibit "C" ("Scope of Work") to the satisfaction of the County. Once this Agreement is executed by the parties and approved by the Board of Supervisors for the County of Riverside, the Scope of Work will not be subject to further revision or change. If any further work is deemed necessary by the County to address unforeseen public health and safety issues that is not included on Exhibit C, the County reserves the right to demand performance by Arch.

3. Arch shall cause its Completion Contractors to perform the Scope of Work described in Exhibit "C" in accordance with the Subdivision Improvement Agreements and Ordinance 461, subject, however, to the limitations of California Government Code Section 66499.9. Upon completion of the Scope of Work described in Exhibit "C" to the satisfaction of the County and in accordance with the accepted practices and standards within the industry associated with the performance of construction of public improvements, and at the request of Arch, the County shall inspect and approve the

public improvements described in Exhibit "C". The request for the inspection and acceptance/approval by the County shall be made only after the full completion of the Scope of Work described in Exhibit "C". The County shall not unreasonably withhold its approval and acceptance of the completed work.

4. Upon the County's initial approval and acceptance of the Scope of Work performed by Arch and its Completion Contractors as provided under the Subdivision Improvement Agreements, the County shall reduce the Faithful Performance Bond and the Subdivision Monument Bond in amounts that reflect the improvement and monumentation work that has been completed, in accordance with the provisions of County of Riverside Ordinance 460 and Government Code Sections 66499.7 and 66499.9. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements. Until completion of all required work for the Project and/or the County's release of the Faithful Performance Bonds and Subdivision Monument Bond, the Subdivision Improvement Agreements and the Bonds (in their reduced penal sum amounts) shall remain in full force and effect, and the County shall have reserved in its favor all rights and remedies it may have against the Cove and/or Arch under the Subdivision Improvement Agreements and the Bonds.

5. Upon expiration of the one-year maintenance period, Arch shall apply to the County for its final acceptance and final approval of the public improvements described in Exhibit "C". The County shall not unreasonably withhold its final approval and final acceptance of the public improvements described in Exhibit "C".

6. The aggregate liability of Arch, under this Agreement and the Faithful Performance Bond, and the Subdivision Monument Bond, is limited to and shall not exceed, the penal sums of said bonds. Nothing in this Agreement constitutes a waiver of such penal sums or increase in the liability of Arch under the Bonds. The amounts expended by Arch in completing the public improvements and in completing the monumentation work shall be a credit to the penal sums of each such bond, respectively. Arch will furnish to the County documentation reflecting the costs of completing such work.

7. The Material and Labor Bond shall remain in full force and effect in accordance with its terms and provisions. The total liability of Arch under the Material and Labor Bond is limited to and shall not exceed the penal sum of the Material and Labor Bond. Nothing in this Agreement constitutes a waiver of such penal sums or any increase in the liability of Arch under the Material and Labor Bond.

8. The running of any statute of limitations with respect to the Bonds and Claims shall be tolled until June 30, 2016, in accordance with that certain Tolling Agreement between the parties. The Tolling Agreement is incorporated in this Settlement

Agreement by reference as though fully set forth herein and is expressly made part of this Settlement Agreement, and is attached hereto as Exhibit D.

9. It is agreed that Arch, by its execution of this Agreement, is acting in its capacity as the surety for the Cove in making arrangements for the performance and completion of the items set forth in the Scope of Work, and not as a completing contractor; and that Arch, by agreeing to fund the work to be performed as contemplated by this Agreement, is not assuming any obligations or liabilities beyond those set forth in the Bonds, the Subdivision Improvement Agreements and as required by law.

10. Arch shall indemnify, defend and save harmless the County and its 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 "C" undertaken by Arch and its Completion Contractors pursuant to this Agreement, except, however, Arch shall not be responsible to indemnify, defend and save harmless the County for damages caused by the County's breach of contract or active negligence. Arch shall further indemnify, defend and save harmless the County and its officers, agents and employees from any and all liability, claims, demands, suits, or causes of action for damages by any third party claiming that the County should have required all improvement work to be completed under the applicable subdivision agreements and bonds. This subparagraph shall survive the termination of this Agreement.

11. The Completion Contractor(s) will be properly licensed in the category of work to be performed. The Completion Contractor(s) shall be a contractor to Arch, and no contractual relationship, pursuant to this Agreement, shall exist between County and the Completion Contractor except that through the Arch Representative, the County or its authorized representative has the authority over the Completion Contractor as stated in the Contract and that said Completion Contractor is bound by all Contract requirements. County shall communicate with the Completion Contractor through the Arch Representative. Completion Contractor shall communicate to County through Arch Representative. These communications include all matters of contract administration (i.e., contractual or other notices required by law, payments, Change Orders, extensions of time, delays, claims, among other matters). The Completion Contractor(s) shall provide all types of insurance coverage(s) required under the Subdivision Improvement Agreements and as required by law, but shall not be required to provide Payment and/or Performance Bonds, unless requested to do so by Arch. Arch reserves the right to terminate the Completion Contractor(s) at any time and to contract with other Completion Contractor(s). County reserves its rights to control the progress of the Work according to the Subdivision Improvement Agreements and as provided by law.

12. Each of the parties hereto agrees to execute such documents as may be necessary to carry out the terms, conditions and intent of this Agreement.

13. Each of the parties acknowledges that no representations or promises of any kind whatsoever except as expressly set forth in this Agreement have been made to it in order to induce the execution of this Agreement, and each acknowledges that it has not executed this Agreement in reliance upon any such other representations or promises.

14. It is mutually agreed by the parties hereto that they are compromising disputed claims against one another and by executing this Agreement:

(a) No party is admitting that their claims, demands or causes of action were or were not without merit; and

(b) No party is admitting liability with respect to any claims, demands or causes of action, and each has expressly denied all of the other parties' allegations of liability and wrong doing.

15. This Agreement and all agreements and documents incorporated herein shall constitute the entire Agreement between the parties hereto concerning the subject matter hereof and shall supersede all previous negotiations, commitments, and writings, if any.

16. This Agreement may not be modified or altered in any way except by an instrument in writing executed by the parties hereto.

17. In the event there is any action or proceeding brought to enforce or interpret this Agreement, the prevailing party shall be entitled to its reasonable expenses, including reasonable attorney's fees and costs incurred in enforcing the terms thereof, whether or not litigation be commenced.

18. The undersigned individuals and agents of the respective parties to this Agreement freely and voluntarily execute the same with the approval and advice of the counsel who represent them, and further represent and warrant to each other that they have executed this Agreement after independent investigation and without fraud, duress or undue influence.

19. Upon execution of this Agreement by the County of Riverside Board of Supervisors, the County will dismiss the Action without prejudice. Upon completion of all the work described in Exhibit "C", County's final acceptance of said work, and one-year maintenance of said work by Arch and its Completion Contractors, Arch and the County, for themselves, and for all of their successors and assigns, fully and forever release, discharge and dismiss all present and future claims, demands, actions, causes of action, rights, damages, costs, expenses and compensations whatsoever, in law or in equity, in the nature of an administrative proceeding or otherwise (known, unknown,

contingent, accrued, inchoate or otherwise), that they have, have had or may have, now or in the future, against one another, arising out of or relating in any way to the work so completed and as described in Exhibit "C". Arch and the County do not release each other from the obligations expressly set forth in this Agreement, or from any obligations for the work under the Subdivision Improvement Agreements that has not been completed and for which the reduced Bonds remain as security, for any deterioration of the constructed improvements described in Exhibit "C" that are on private land that will not be dedicated to the County as provided in the Subdivision Tract Map and the Conditions of Approval, and any claims or matters unrelated to Tract 26686, all of which survive this release and bind the parties hereto.

20. Each of the parties hereto represents and warrants to each of the other parties that it has received sufficient information either through the party's own counsel or other sources of the party's own selection so as to enable the party to make an intelligent judgment as to whether to enter into this Agreement. Each of the parties hereto further represents and warrants to each of the other parties that the party has read this Agreement in its entirety prior to the execution thereof and that the party has executed this Agreement voluntarily with competence and capacity to contract and with full knowledge of the terms, significance and legal effect of this Agreement.

21. This Agreement is the result of negotiations between the parties who have negotiated and reviewed its terms. The fact that one party has drafted this Agreement shall not be used to interpret any ambiguity or dispute against that party.

22. The parties stipulate and agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California.

23. Invalidity of any portion or provision of the Subdivision Improvement 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 Improvement Agreements or this Agreement invalid.

24. The failure of either party to exercise in any respect a right provided for in this Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

25. Other than expressly waived herein, Arch and the County fully reserve all rights and defenses against each other, with respect to the Bonds and the Subdivision Improvement Agreements. Moreover, nothing in this Agreement constitutes a waiver of the penal amount of the Bonds or an increase in the liability of Arch under the Bonds.

26. This Agreement may be executed in one or more counterparts each of which, when executed and delivered, shall be deemed to be an original with all counterparts constituting one instrument.

27. The execution of this Agreement by any party hereto will not become effective until counterparts hereof have been executed by all parties and approved by the Board of Supervisors for the County of Riverside.

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

DATED: 8-16-13

ARCH INSURANCE COMPANY

By: Susan D. Neff
Name: Susan D. Neff, Esq.
Title: Senior Surety Counsel

DATED: NOV 05 2013

COUNTY OF RIVERSIDE

John J. Benoit
By: John J. Benoit,
Chairman, Board of Supervisors

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

BY: Kecia Harper-Ihem
Deputy

APPROVED AS TO FORM:

DATED: 8.19.13

WILSON, ELSER, MOSKOWITZ,
EDELMAN & DICKER LLP

By: 

JOHN J. IMMORDINO
Attorneys for ARCH INSURANCE
COMPANY

DATED: 9-26-13

PAMELA J. WALLS, County
Counsel

By: 

ELENA M. BOEVA
Deputy County Counsel
Attorneys for COUNTY OF
RIVERSIDE

Exhibit A

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



413 B

FROM: TLMA – Transportation Dept.

SUBMITTAL DATE:

MAY 9, 2005

SUBJECT: Approval of TRACT 26686

A Schedule "A" Subdivision in the PALM SPRINGS AREA

RECOMMENDED MOTION: That the Board approve the Improvement Agreements and Securities as approved by County Counsel, approve the final map and authorize the Chairman to sign the Improvement Agreements and map for Tract 26686.

BACKGROUND: This map complies in all respects with the provisions of Division 3 of Title 15 of the Government Code and applicable local ordinances. The developer desires to enter into Improvement Agreements to guarantee the construction of the required improvements and has submitted Improvement Agreements and Securities which have been approved by County Counsel.

Departmental Concurrence

HS:lf

Submittals: Final Map
Road/Drainage Improvement Agrmts
Water System Improvement Agrmts
Sewer System Improvement Agrmts
Survey Monument Agreements

for Mark S. Bernice
George A. Johnson
Director of Transportation

MINUTES OF THE BOARD OF SUPERVISORS

On motion of Supervisor Tavaglione, seconded by Supervisor Wilson and duly carried, IT WAS ORDERED that the above matter is approved as recommended.

Ayes: Buster, Tavaglione, Stone and Wilson
Nays: None
Absent: Ashley
Date: May 17, 2005
xc: Transp., COB

Nancy Romero
Clerk of the Board

By: Chlemmer
Deputy

Prev. Agn. Ref.:

District: 5

Agenda Number:

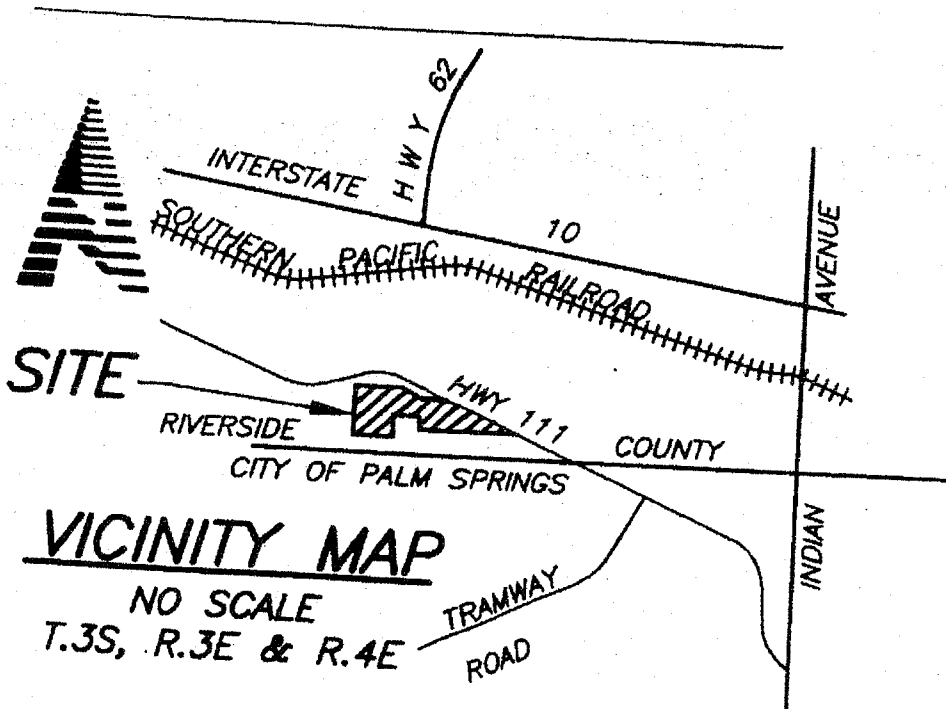
ATTACHMENTS FILED
WITH THE CLERK OF THE BOARD

2.16

REVIEWED BY EXECUTIVE OFFICE
[Signature]
DATE 5/12/05

Policy
 Policy
 Consent
 Consent

Dep't Recomm.:
Per Exec. Ofc.:



VICINITY MAP

NO SCALE
T.3S, R.3E & R.4E

**AGREEMENT
FOR THE CONSTRUCTION OF ROAD/DRAINAGE IMPROVEMENTS**

This agreement, made and entered into by and between the County of Riverside, State of California, hereinafter called County, and THE COVE AT PALM SPRINGS, L.P., a California limited partnership, 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 26686, 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 Three million eight hundred fifteen thousand and no/100 Dollars (\$3,815,000.00).

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.

FIFTH: The Contractor shall provide adequate notice and warning to the traveling public of each and every hazardous or dangerous condition caused or created by the construction of the works of improvement at all times up to the completion and formal acceptance of the works of improvement. The Contractor shall protect all persons from such hazardous or dangerous conditions by use of traffic regulatory control methods, including, but not limited to, stop signs, regulatory signs or signals, barriers, or detours.

SIXTH: Contractor, his agents and employees, shall give notice to the Director of Transportation at least 48 hours before beginning any work and shall furnish said Director of Transportation all reasonable facilities for obtaining full information with respect to the progress and manner of work.

SEVENTH: If Contractor, his agents or employees, neglects, refuses, or fails to prosecute the work with such diligence as to insure its completion within the specified time, or within such extensions of time which have been granted by County, or if Contractor violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, he shall be in default of this agreement and notice of such default shall be served upon him. County shall have the power, on recommendation of the Director of Transportation, to terminate all rights of Contractor because of such default. The determination by the Director of Transportation of the question as to whether any of the terms of the agreement or specifications have been violated, or have not been performed satisfactorily, shall be conclusive upon the Contractor, and any and all parties who may have any interest in the agreement or any portion thereof. The foregoing provisions of this section shall be in addition to all other rights and remedies available to County under law. The failure of the Contractor to commence construction shall not relieve the Contractor or surety from completion of the improvements required by this agreement.

EIGHTH: Contractor agrees to file with County, prior to the date this agreement is executed, a good and sufficient improvement security in an amount not less than the estimated cost of the work and improvements for the faithful performance of the terms and conditions of this agreement, and good and sufficient security for payment of labor and materials in the amount prescribed by Article XVII of Riverside County Ordinance 460 to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code of the State of California. Contractor agrees to renew each and every said bond or bonds with good and sufficient sureties or increase the amount of said bonds, or both, within ten (10) days after being notified by the Director of Transportation that the sureties or amounts are insufficient. Notwithstanding any other provisions herein, if Contractor fails to take such action as is necessary to comply with said notice, he shall be in default of this agreement unless all required improvements are completed within ninety (90) days of the date on which the Director of Transportation notified Contractor of the insufficiency of the security or the amount of the bonds or both.

NINTH: It is further agreed by and between the parties hereto, including the surety or sureties on the bonds securing this agreement, that, in the event it is deemed necessary to extend the time of completion of the work contemplated to be done under this agreement, extensions of time may be granted, from time to time, by County, either at its own option, or upon request of Contractor, and such extensions shall in no way affect the validity of this agreement or release the surety or sureties on such bonds. Contractor further agrees to maintain the aforesaid bond or bonds in full force and effect during the terms of this agreement, including any extensions of time as may be granted therein.

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

Contractor

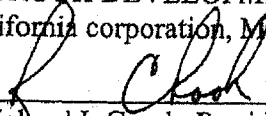
Construction Engineer
Riverside County Transportation Dept.
2950 Washington Street
Riverside, CA 92504

THE COVE AT PALM SPRINGS, L.P.
a California limited partnership
200 E Washington Avenue, Suite 100
Escondido, CA 92025

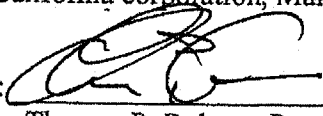
IN WITNESS WHEREOF, Contractor has affixed his name, address and seal.

By: THE COVE AT PALM SPRINGS MANAGEMENT, LLC
a California limited liability partnership, its General Partner

By: ASHBROOK DEVELOPMENT COMPANY, INC.,
a California corporation, Managing Member

By: 
Richard L Crook, President

By: INNOVATIVE RESORT COMMUNITIES, INC.,
a California corporation, Managing Member

By: 
Thomas P. Dobron, President

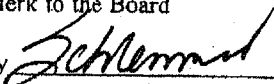
COUNTY OF RIVERSIDE

By: 

BOB BUSTER
ATTY.

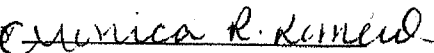
VICE-CHAIRMAN, BOARD OF SUPERVISORS

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 TRIPLICATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

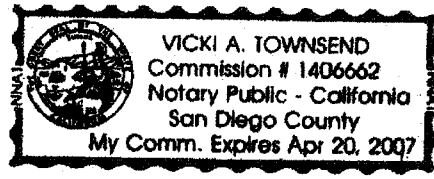
State of California }
County of San Diego } ss.

On March 29, 2005 before me, Vicki A. Townsend, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas P. Dobson
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) is/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.
Vicki A. Townsend
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: _____

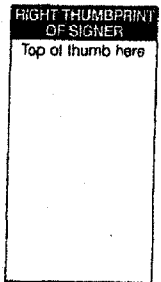
Signer(s) Other Than Named Above: _____

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: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego } SS.

On March 29, 2005, before me, Traci L. Patton, Notary Public

Date

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard Crook

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) is/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.

Traci L. Patton
Signature of Notary Public

Place Notary Seal Above

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: _____

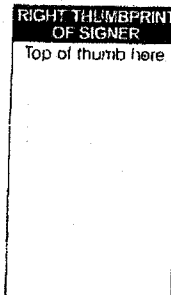
Signer(s) Other Than Named Above: _____

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 THE COVE AT PALM SPRINGS, L.P., a California limited partnership, 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 26686, 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 Desert Water Agency 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 million one hundred ninety-six thousand five hundred and no/100 Dollars (\$1,196,500.00).

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.

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.

FIFTH: The Landowner shall provide adequate notice and warning to the traveling public of each and every hazardous or dangerous condition caused or created by the construction of the works of improvement at all times up to the completion and formal acceptance of the works of improvement. The Landowner shall protect all persons from such hazardous or dangerous conditions by use of traffic regulatory control methods, including, but not limited to, stop signs, regulatory signs or signals, barriers, or detours.

SIXTH: Contractor, his agents and employees, shall give notice to the Director of Transportation at least 48 hours before beginning any work and shall furnish said Director of Transportation all reasonable facilities for obtaining full information with respect to the progress and manner of work.

SEVENTH: If Contractor, his agents or employees, neglects, refuses, or fails to prosecute the work with such diligence as to insure its completion within the specified time, or within such extensions of time which have been granted by County, or if Contractor violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, he shall be in default of this agreement and notice of such default shall be served upon him. County shall have the power, on recommendation of the Director of Transportation, to terminate all rights of Contractor because of such default. The determination by the Director of Transportation of the question as to whether any of the terms of the agreement or specifications have been violated, or have not been performed satisfactorily, shall be conclusive upon the Contractor, and any and all parties who may have any interest in the agreement or any portion thereof. The foregoing provisions of this section shall be in addition to all other rights and remedies available to County under law. The failure of the Contractor to commence construction shall not relieve the Contractor or surety from completion of the improvements required by this agreement.

EIGHTH: Contractor agrees to file with County, prior to the date this agreement is executed, a good and sufficient improvement security in an amount not less than the estimated cost of the work and improvements for the faithful performance of the terms and conditions of this agreement, and good and sufficient security for payment of labor and materials in the amount prescribed by Article XVII of Riverside County Ordinance 460 to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code of the State of California. Contractor agrees to renew each and every said bond or bonds with good and sufficient sureties or increase the amount of said bonds, or both, within ten (10) days after being notified by the Director of Transportation that the sureties or amounts are insufficient. Notwithstanding any other provisions herein, if Contractor fails to take such action as is necessary to comply with said notice, he shall be in default of this agreement unless all required improvements are completed within ninety (90) days of the date on which the Director of Transportation notified Contractor of the insufficiency of the security or the amount of the bonds or both.

NINTH: It is further agreed by and between the parties hereto, including the surety or sureties on the bonds securing this agreement, that, in the event it is deemed necessary to extend the time of completion of the work contemplated to be done under this agreement, extensions of time may be granted, from time to time, by County, either at its own option, or upon request of Contractor, and such extensions shall in no way affect the validity of this agreement or release the surety or sureties on such bonds. Contractor further agrees to maintain the aforesaid bond or bonds in full force and effect during the terms of this agreement, including any extensions of time as may be granted therein.

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

Contractor

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

THE COVE AT PALM SPRINGS, L.P.
a California limited partnership.
200 E Washington Avenue, Suite 100
Escondido, CA 92025

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

By: THE COVE AT PALM SPRINGS MANAGEMENT, LLC
a California limited liability partnership, its General Partner

By: ASHBROOK DEVELOPMENT COMPANY, INC.,
a California corporation, Managing Member

By: [Signature]
Richard L Crook, President

By: INNOVATIVE RESORT COMMUNITIES, INC.,
a California corporation, Managing Member

By: [Signature]
Thomas P. Dobron, President

COUNTY OF RIVERSIDE

By: [Signature]

ATTEST: **BOB BUSTER** VICE-CHAIRMAN, BOARD OF SUPERVISORS

NANCY ROMERO,
Clerk to the Board

By: [Signature]
Deputy

APPROVED AS TO FORM
WILLIAM C. KATZENSTEIN, County Counsel

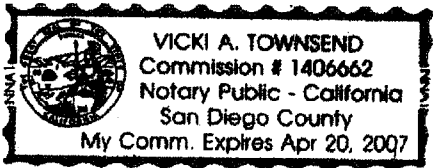
By: [Signature]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of San Diego } ss.

On March 29, 2005 before me, Vicki A. Townsend Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Thomas P. Dobron
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) is/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.
Vicki A. Townsend
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.

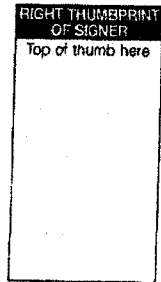
Description of Attached Document

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: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

San Diego

} ss.

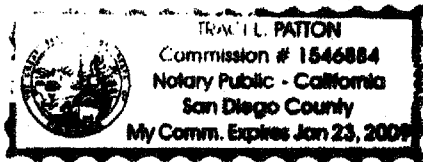
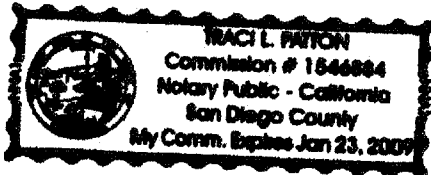
On March 29, 2005, before me, Traci L Patton, Notary Public

Date

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard Crook

Name(s) of Signer(s)



Place Notary Seal Above

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

to be the person(s) whose name(s) is/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.

Traci L. Patton
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.

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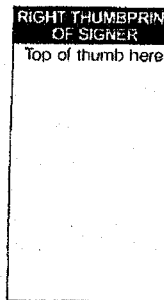
Signer(s) Other Than Named Above: _____

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 SEWER SYSTEM IMPROVEMENTS**

This agreement, made and entered into by and between the County of Riverside, State of California, hereinafter called County, and THE COVE AT PALM SPRINGS, L.P., a California limited partnership 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 26686, 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 sanitary sewer system, complete with all necessary pipes, valves, fire hydrants, connections and appurtenances necessary to the satisfactory operation of said sanitary sewer system. Contractor further agrees to extend the main or mains from the existing sewer system maintained and operated by Desert Water Agency to connect with the sanitary sewer system required to be constructed by this agreement. All the above required work shall be in accordance with those plans and specifications which have been approved by the 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 and accepted by the above-named agency into its sewer system. 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. The estimated cost of said work and improvements is the sum of One million one hundred forty-two thousand five hundred and no/100 Dollars (\$1,142,500.00).

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.

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.

FIFTH: The Contractor shall provide adequate notice and warning to the traveling public of each and every hazardous or dangerous condition caused or created by the construction of the works of improvement at all times up to the completion and formal acceptance of the works of improvement. The Contractor shall protect all persons from such hazardous or dangerous conditions by use of traffic regulatory control methods, including, but not limited to, stop signs, regulatory signs or signals, barriers, or detours.

SIXTH: Contractor, his agents and employees, shall give notice to the Director of Transportation at least 48 hours before beginning any work and shall furnish said Director of Transportation all reasonable facilities for obtaining full information with respect to the progress and manner of work.

SEVENTH: If Contractor, his agents or employees, neglects, refuses, or fails to prosecute the work with such diligence as to insure its completion within the specified time, or within such extensions of time which have been granted by County, or if Contractor violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, he shall be in default of this agreement and notice of such default shall be served upon him. County shall have the power, on recommendation of the Director of Transportation, to terminate all rights of Contractor because of such default. The determination by the Director of Transportation of the question as to whether any of the terms of the agreement or specifications have been violated, or have not been performed satisfactorily, shall be conclusive upon the Contractor, and any and all parties who may have any interest in the agreement or any portion thereof. The foregoing provisions of this section shall be in addition to all other rights and remedies available to County under law. The failure of the Contractor to commence construction shall not relieve the Contractor or surety from completion of the improvements required by this agreement.

EIGHTH: Contractor agrees to file with County, prior to the date this agreement is executed, a good and sufficient improvement security in an amount not less than the estimated cost of the work and improvements for the faithful performance of the terms and conditions of this agreement, and good and sufficient security for payment of labor and materials in the amount prescribed by Article XVII of Riverside County Ordinance 460 to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code of the State of California. Contractor agrees to renew each and every said bond or bonds with good and sufficient sureties or increase the amount of said bonds, or both, within ten (10) days after being notified by the Director of Transportation that the sureties or amounts are insufficient. Notwithstanding any other provisions herein, if Contractor fails to take such action as is necessary to comply with said notice, he shall be in default of this agreement unless all required improvements are completed within ninety (90) days of the date on which the Director of Transportation notified Contractor of the insufficiency of the security or the amount of the bonds or both.

NINTH: It is further agreed by and between the parties hereto, including the surety or sureties on the bonds securing this agreement, that, in the event it is deemed necessary to extend the time of completion of the work contemplated to be done under this agreement, extensions of time may be granted, from time to time, by County, either at its own option, or upon request of Contractor, and such extensions shall in no way affect the validity of this agreement or release the surety or sureties on such bonds. Contractor further agrees to maintain the aforesaid bond or bonds in full force and effect during the terms of this agreement, including any extensions of time as may be granted therein.

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:

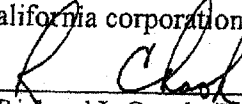
County
Construction Engineer
Riverside County Transportation Dept.
2950 Washington Street
Riverside, CA 92504

Contractor
THE COVE AT PALM SPRINGS, L.P.
a California limited partnership
200 E Washington Avenue, Suite 100
Escondido, CA 92025

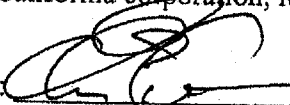
IN WITNESS WHEREOF, Contractor has affixed his name, address and seal.

By: THE COVE AT PALM SPRINGS MANAGEMENT, LLC
a California limited liability partnership, its General Partner

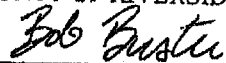
By: ASHBROOK DEVELOPMENT COMPANY, INC.,
a California corporation, Managing Member

By: 
Richard L. Crook, President

By: INNOVATIVE RESORT COMMUNITIES, INC.,
a California corporation, Managing Member

By: 
Thomas P. Dobron, President

COUNTY OF RIVERSIDE

By: 


ATTEST: **BOB BUSTER** VICE-CHAIRMAN, BOARD OF SUPERVISORS

NANCY ROMERO,
Clerk to the Board

By: 
Deputy

APPROVED AS TO FORM

WILLIAM C. KATZENSTEIN, County Counsel



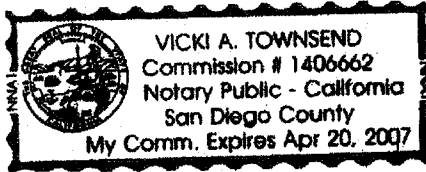
CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of San Diego } SS.

On March 29, 2005 before me, Vicki A. Townsend, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Thomas P. Dobson
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) is/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.

Vicki A. Townsend
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.

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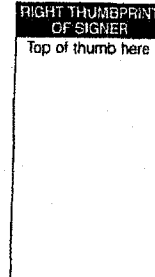
Signer(s) Other Than Named Above: _____

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: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego } SS.

on March 29, 2005 before me, Traci L. Patton, Notary Public

personally appeared Richard Crook
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) is/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.



Place Notary Seal Above

WITNESS my hand and official seal.

Traci L. Patton
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.

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Signer's Name: _____

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

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

**AGREEMENT
FOR THE PLACEMENT OF SURVEY MONUMENTS**

This agreement, made and entered into by and between the County of Riverside, State of California, hereinafter called County, and THE COVE AT PALM SPRINGS, L.P., a California limited partnership 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 26686, hereby agrees, at Contractor's own cost and expense, to furnish all labor, equipment and materials necessary to set, within 24 months from the date this agreement is executed, in a good and workmanlike manner, all survey monuments and tie points and to furnish to the County Surveyor tie notes for said tract in accordance with the standards set forth in Riverside County Ordinance No. 461 and Section 8771 et seq. of the Business and Professions Code of the State of California. Contractor further agrees to pay, within 30 days of presentation to contractor of the final billing of any surveyor or engineer for work performed by him as provides for in Article 9 of Chapter 4, Division 2 of Title 7 of the Government Code of the State of California (commencing with Section 66495). Contractor further agrees that if payment to the surveyor or engineer is not made within 30 days, the surveyor or engineer notifies County that he has not been paid for setting the final monuments, and the Board of Supervisors, pursuant to Section 66497 of the Government Code, after providing Contractor with an opportunity to present evidence as to whether or not the surveyor or engineer has been paid, orders that payment be made by County to the engineer or surveyor, Contractor will, upon demand, and without proof of loss by County, reimburse County for any funds so expended. Notwithstanding any other provisions herein, the determination of County as to whether the surveyor or engineer has been paid shall be conclusive on Contractor, his surety, and all parties who may have an interest in the agreement or any portion thereof.

All of the above required work shall be done under the inspection of, and to the satisfaction of, the County Surveyor, and shall not be deemed complete until approved and accepted as complete by the County. The estimated cost of said work and improvements is the sum of Two hundred sixty-four thousand three hundred and no/100 Dollars (\$264,300.00).

SECOND: Contractor agrees to pay to County the actual cost of such inspections of the work and improvements as may be required by the County Surveyor. Contractor further agrees that, if suit is brought upon this agreement or any bond guaranteeing the completion of the monuments, 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

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, the Surety upon any bond, and to the agents, employees and contractors of either or them, the irrevocable permission to enter upon the lands of the subject land division for the purpose of completing the monumentation. This permission shall terminate in the event that Contractor or the Surety has completed work within the time specified or any extension thereof granted by the County. It is further agreed that Contractor shall have control of the ground reserved for the installation of said work, and the streets in which they are to be placed, as is necessary to allow him to carry out this agreement.

FIFTH: Contractor agrees to file with County prior to the date this contract is executed, an acceptable and sufficient improvement security in an amount not less than the estimated cost of the work, as above specified, for the faithful performance of the terms and conditions of this agreement, and for the payment of the amount of the improvement security to the County for the benefit of any surveyor or engineer who has not been paid by the Contractor, as provided for by Section 66495 et seq. of the Government Code of the State of California. Contractor agrees to renew each and every said bond or bonds with good and sufficient sureties or increase the amount of said bonds, or both, within ten (10) days after being notified by the Director of Transportation that the sureties or amounts are insufficient. Notwithstanding any other provisions herein, if Contractor fails to take such action as is necessary to comply with said notice, he shall be in default of this agreement unless all required improvements are completed within ninety (90) days of the date on which the Director of Transportation notified Contractor of the insufficiency of the security or the amount of the bonds or both.

SIXTH: If contractor neglects, refuses, or fails to prosecute the work as to insure its completion within the time specifies, or within such extensions of time which have been granted by County, or if Contractor violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, he shall be in default of this agreement. County shall have the power, on recommendation of the Director of Transportation, to terminate all rights of Contractor in such agreement, but said termination shall not affect or terminate any of the rights of County as against Contractor or his Surety then existing or which thereafter accrue because of such default. The determination of the County Surveyor of the question as to whether any of the terms of the agreement or specifications have been violated, or have not been performed satisfactorily, shall be conclusive upon the Contractor, his Surety, and any and all parties who may have any interest in the agreement or any portion thereof. The foregoing provisions of this section shall be in addition to all other rights and remedies available to County under law. The failure of the Contractor to commence construction shall not relieve the Contractor or surety from completion of the improvements required by this agreement.

SEVENTH: It is further agreed by and between the parties hereto, including the surety or sureties on the bonds securing this agreement, that, in the event it is deemed necessary to extend the time of completion of the work contemplated to be done under this agreement, extensions of time may be granted, from time to time, by County, either at its own option, or upon request of Contractor, and such extensions shall in no way affect the validity of this agreement or release the surety or sureties on such bonds. Contractor further agrees to maintain the aforesaid bond or bonds in full force and effect during the terms of this agreement, including any extensions of time as may be granted therein.

EIGHTH: 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.

NINTH: 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

Contractor

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

THE COVE AT PALM SPRINGS, L.P.
a California limited partnership
200 E Washington Avenue, Suite 100
Escondido, CA 92025

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

By: THE COVE AT PALM SPRINGS MANAGEMENT, LLC
a California limited liability partnership, its General Partner

By: ASHBROOK DEVELOPMENT COMPANY, INC.,
a California corporation, Managing Member

By: [Signature]
Richard L Crook, President

By: INNOVATIVE RESORT COMMUNITIES, INC.,
a California corporation, Managing Member

By: [Signature]
Thomas P. Dobron, President

COUNTY OF RIVERSIDE

By [Signature]

BOB BUSTER VICE-CHAIRMAN, BOARD OF SUPERVISORS
ATTEST:

NANCY ROMERO,
Clerk to the Board

By [Signature]
Deputy

APPROVED AS TO FORM

WILLIAM C. KATZENSTEIN, County Counsel

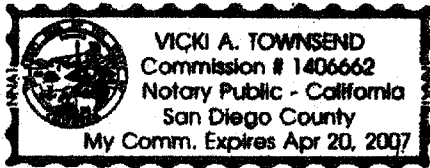
By [Signature]

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Diego } ss.

On March 29, 2005 before me, Vicki A. Townsend, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Thomas P. Dobron
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) is/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.

Vicki A. Townsend
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: _____

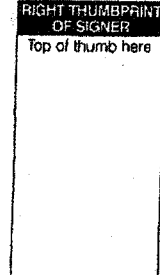
Signer(s) Other Than Named Above: _____

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: _____



CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California }
County of San Diego } ss.

On March 29, 2005, before me, Traci L. Patton, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard Crook
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) is/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.

Traci L. Patton
Signature of Notary Public

Place Notary Seal Above

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: _____

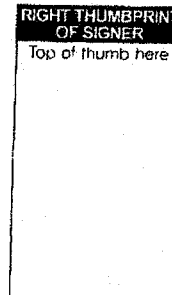


Exhibit B

FAITHFUL PERFORMANCE BOND
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
(Government Code Section 66499.1)

FOR: Streets and Drainage \$ 3,815,000 Tract No. 26686
Water System \$ 1,196,500 Parcel Map No. _____
Sewer System \$ 1,42,500 Bond No. SU5014092
Premium \$92,310.00

Surety ARCH INSURANCE COMPANY Principal THE COVE AT PALM SPRINGS LP
Address 135 N. ROBLES #825 Address 200 E. WASHINGTON AVE #100
City/State PASADENA, CA City/State ESCONDIDO, CA
Zip 91101 Zip 92025
Phone (626)639-5255 Phone 760-839-8238

WHEREAS, the County of Riverside, State of California, and _____
THE COVE AT PALM SPRINGS, LP

(hereinafter designated as "principal") have entered into, or are about to enter into, the attached agreement(s) whereby principal agrees to install and complete the above designated public improvements relating to (Tract/Parcel) 26686, which agreement(s) is/are hereby referred to and made a part hereof; and,

WHEREAS, said principal is required under the terms of said agreement(s) to furnish bond(s) for the faithful performance of said agreement(s);

NOW, THEREFORE, we the principal and ARCH INSURANCE COMPANY, as surety, are held and firmly bound unto the County of Riverside in the penal sum of Six Million One Hundred Fifty-Four Thousand and NO/100 Dollars (\$ 6,154,000.00) lawful money of the United States, for the payment of which sum will and truly be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The condition of this obligation is such that if the above bonded principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and provisions in the said agreement and any alteration thereof made as therein provided, on his or their part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless the County of Riverside, its officers, agents and employees, as therein stipulated, then this obligation shall become null and void; otherwise, it shall remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefore, there shall be included costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the County in successfully enforcing such obligation, all to be taxed as costs and included in any judgement rendered.

FORM APPROVED
COUNTY COUNSEL

MAY 02 2005

Bill Remick

FAITHFUL PERFORMANCE BOND

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of this agreement or to the work to be performed thereunder or the specifications accompanying the same shall in anywise affect its obligation on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition. Surety further stipulates and agrees that the provisions of Section 2845 of the Civil Code and commencement of construction are not conditions precedent to surety's obligations hereunder and are hereby waived by surety.

When the work covered by the agreement is complete, the County of Riverside will accept the work and thereupon, the amount of the obligation of this bond is reduced by 90% with the remaining 10% held as security for the one-year maintenance period provided for in the agreements(s).

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005.

NAME OF PRINCIPAL: THE COVE AT PALM SPRINGS, LP

By: The Cove at Palm Springs Management, LLC

~~By: Innovative Resort Communities, Inc.~~
Managing Member

AUTHORIZED SIGNATURE(S): By: [Signature]

By: Ashbrook Development Company, Inc.
Managing Member

[Signature]
Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: [Signature]

[Signature]
Its Attorney-in-Fact
BARRY D. NORDSTROM

President
Title

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA }
COUNTY OF SAN DIEGO }

On April 29, 2005 before me, Marianne Allen, Notary Public,
Personally appeared Thomas P. Dobron

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint
Bary D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



Joseph S. Labell

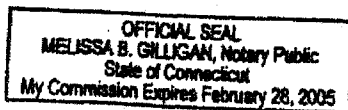
Joseph S. Labell, Corporate Secretary

Thomas P. Luckstone
Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS

COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



Melissa B. Gilligan
Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2005.

Joseph S. Labell
Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

00ML0013 00 03 03

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Faithful Performance Bond

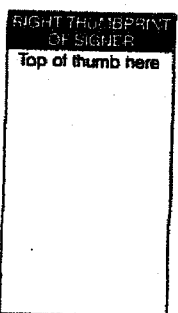
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

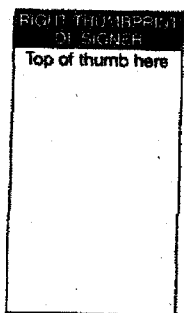
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego } ss.

On 4-29-05

Date

before me, Traci L. Patton, Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard L. Crook

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) is/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.



Place Notary Seal Above

WITNESS my hand and official seal.

Traci L. Patton
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: _____

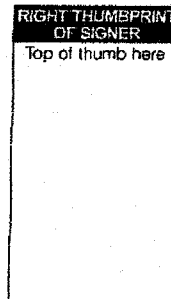
Signer(s) Other Than Named Above: _____

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: _____



FIRM PREMIUM FULLY EARNED

PREMIUM: \$3,985.00

TERM: 4/1/05 to 4/1/06

SUBDIVISION MONUMENT BOND
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
(Government Code Section 66496)

Tract/Parcel Map No. 26686
Bond No. SU5014093

Surety ARCH INSURANCE COMPANY
Address 135 N. ROBLES #825
City/State PASADENA, CA
Zip 91101
Phone (626)639-5255

Principal THE COVE AT PALM SPRINGS, LP
Address 200 E. WASHINGTON AVE #100
City/State ESCONDIDO, CA
Zip 92025
Phone 760-939-8238

KNOW ALL MEN BY THESE PRESENTS:

That, THE COVE AT PALM SPRINGS, LP
subdivider, as principal, and ARCH INSURANCE COMPANY
a corporation, as surety, are hereby jointly and severally bound to pay to the County of Riverside
the sum of Dollars (\$264,300.00).
*TWO HUNDRED SIXTY-FOUR THOUSAND THREE HUNDRED DOLLARS and NO/100

The condition of this obligation is that, whereas the subdivider, as a condition of the filing of the
final map of Tract/Parcel Map Number 26686, entered into an agreement with the
County of Riverside to set Survey Monuments and Tie Points in said tract and furnish Tie Notes
therefore and to pay the engineer or surveyor performing the work, in full, within 30 days after
completion.

NOW, THEREFORE, if the subdivider shall well and truly perform said agreement during the
original term thereof, or of any extension of said term that may be granted by the County of
Riverside, with or without notice to the surety, then this obligation shall become null and void;
otherwise, it shall remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefore,
there shall be included costs and reasonable expenses and fees, including reasonable attorney's
fees, incurred by the County in successfully enforcing such obligation, all to be taxed as costs
and included in any judgement rendered.

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition
to the terms of this agreement or to the work to be performed thereunder or the specifications
accompanying the same shall in anywise affect its obligation on this bond, and it does hereby
waive notice of any such change, extension of time, alteration or addition. Surety further
stipulates and agrees that the provisions of Section 2845 of the Civil Code and commencement of
construction are not conditions precedent to surety's obligations hereunder and are hereby
waived by surety.

FORM APPROVED
COUNTY COUNSEL

MAY 02 2005

BC [Signature]

SUBDIVISION MONUMENT BOND

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005.

NAME OF PRINCIPAL: THE COVE AT PALMS SPRINGS, LP
By: The Cove at Palm Springs Management, LLC
By: Innovative Resort Communities, Inc.
Managing Member

AUTHORIZED SIGNATURE(S): By: [Signature]
Title
By: Ashbrook Development Company, Inc.
Managing Member [Signature]
Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: [Signature] President
Its Attorney-in-Fact Title
BARRY D. NORDSTROM

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

}
}

On April 29, 2005 before me, Marianne Allen,
Personally appeared Thomas P. Dobron

Notary Public,

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint
Barry D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



[Handwritten signature of Joseph S. Labell]

Joseph S. Labell, Corporate Secretary

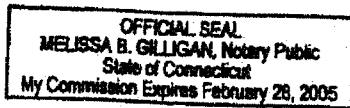
[Handwritten signature of Thomas P. Luckstone]

Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS

COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



[Handwritten signature of Melissa B. Gilligan]

Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2005.

[Handwritten signature of Joseph S. Labell]

Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Monument Bond

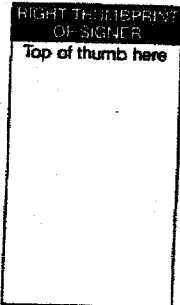
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

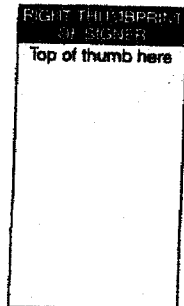
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer Is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Diego } ss.

On 4-29-05 before me, Traci L. Patton, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Richard L. Crook
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) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/hers/their authorized capacity(ies), and that by his/hers/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



Place Notary Seal Above

WITNESS my hand and official seal.
Traci L. Patton
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: _____

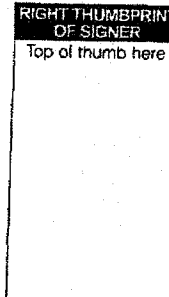
Signer(s) Other Than Named Above: _____

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: _____



MATERIAL AND LABOR BOND
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
(Government Code Section 66499.1)

FOR: Streets and Drainage	\$ <u>1,907,500</u>	Tract No.	<u>26686</u>
Water System	\$ <u>598,250</u>	Parcel Map No.	_____
Sewer System	\$ <u>571,250</u>	Bond No.	<u>SU5014092</u>
		Premium	<u>N/A</u>
Surety <u>ARCH INSURANCE COMPANY</u>		Principal	<u>THE COVE AT PALM SPRINGS, LP</u>
Address <u>135 N. ROBLES #825</u>		Address	<u>200 E. WASHINGTON AVE # 100</u>
City/State <u>PASADENA, CA</u>		City/State	<u>ESCALON CALIF. CA</u>
Zip <u>91101</u>		Zip	<u>92025</u>
Phone <u>(626)639-5255</u>		Phone	<u>760-839-8238</u>

WHEREAS, the County of Riverside, State of California, and THE COVE AT PALM SPRINGS, LP
(hereinafter designated as "principal") have entered into, or are about to enter into, the attached agreement(s) whereby principal agrees to install and complete the above designated public improvements relating to (Tract/Parcel) 26686, which agreement(s) is/are hereby referred to and made a part hereof; and,

WHEREAS, under the terms of said agreement, principal is required, before entering upon the performance of the work, to file a good and sufficient payment bond with the County of Riverside to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code of the State of California;

NOW, THEREFORE, said principal and the undersigned, as corporate surety, are held firmly unto the County of Riverside and all contractors, subcontractors, laborers, material persons and other persons employed in the performance of said Civil Code in the sum of Three Million Seventy-Seven Thousand and NO/100 Dollars (\$ 3,077,000.00) for materials furnished or labor thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to such work or labor, that said surety will pay the same in an amount not exceeding the amount hereinabove set forth, and also in case suit is brought upon this bond, will pay, in addition to the face amount thereof, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the County in successfully enforcing such obligation, to be awarded and fixed by the court, and to be taxed as costs and to be included in the judgement therein rendered.

It is hereby expressly stipulated and agreed upon that this bond shall inure to the benefit of any and all persons, companies and corporations entitles to full claims under Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond.

Should the condition of this bond be fully performed, then this obligation shall become null and void; otherwise, it shall be and remain in full force and effect.

FORM APPROVED
COUNTY COUNSEL

MAY 02 2005

BY: [Signature]

MATERIAL AND LABOR BOND

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of this agreement or to the specifications accompanying the same shall in anywise affect its obligation on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition. Surety further stipulates and agrees that the provisions of Section 2845 of the Civil Code are not a condition precedent to surety's obligations hereunder and are hereby waived by surety.

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005.

NAME OF PRINCIPAL: THE COVE AT PALM SPRINGS, LP
By: The Cove at Palm Springs Management, LLC
By: Innovative Resort Communities, Inc.
Managing Member

AUTHORIZED SIGNATURE(S): By: [Signature]
By: Ashbrook Development Company, Inc.
Managing Member [Signature]
Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: [Signature] President
Its Attorney-in-Fact BARRY D. NORDSTROM Title

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

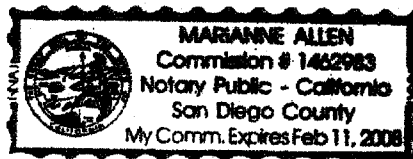
}
}

On April 29, 2005 before me, Marianne Allen,
Personally appeared Thomas P. Dobron

Notary Public,

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature

Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint
Barry D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



[Handwritten signature of Joseph S. Labell]

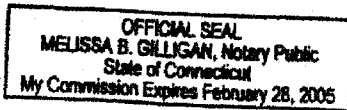
Joseph S. Labell, Corporate Secretary

[Handwritten signature of Thomas P. Luckstone]
Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS

COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



[Handwritten signature of Melissa B. Gilligan]
Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2006.

[Handwritten signature of Joseph S. Labell]
Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

00ML0013 00 03 03

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me – OR – proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Material + Labor Bond

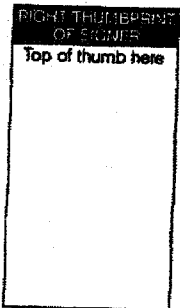
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

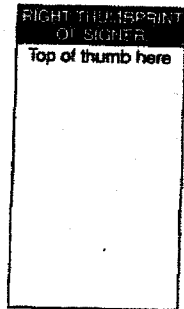
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer Is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Diego } ss.

On 4-29-05 before me, Traci L. Patton, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Richard L. Crook
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) is/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.
Traci L. Patton
Signature of Notary Public

Place Notary Seal Above

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: _____

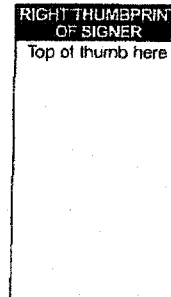


Exhibit C

Exhibit C

SCOPE OF WORK

Bonded Improvements per County of Riverside Punch List Tract 26686 / IP 040042

STREETS, DRAINAGE, WATER AND SEWER IMPROVEMENTS

Furnish all labor, equipment and materials necessary to perform and complete in a good and workmanlike manner, all improvements listed below and as provided for by the County of Riverside Punch List in accordance with the listed approved improvement plans:

1. Sweep and Clean all streets, curb and gutter with sweeper truck as directed
 - Includes the portion of Overture Drive from the intersection of Highway 111 and Overture Drive to the intersection of Overture Drive and Range View Drive, Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, and Bobbee Lou Lane as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28

2. Clean all fuel, oil spills, paint and other materials spilled on the Portland Cement concrete as directed
 - Includes Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, and Bobbee Lou Lane as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28

3. Remove miscellaneous debris, dead landscaping and spoils from the Public Rights of Way:
 - Includes Overture Drive from Highway 111 to Range View Drive as indicated on Street Improvement Plans for Tract 26686 – On-Site Improvements Sheet 9
 - Includes Highway 111 right of way

4. Remove and replace broken or sub-standard Portland cement concrete sidewalk, curb and gutter, cross-gutters, driveways, as marked
 - Includes the portion of Overture Drive from the intersection of Highway 111 and Overture Drive to the intersection of Overture Drive and Range View Drive, Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, Bobbee Lou Lane and intersection of Rose Ann Lane as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28
5. Patch all chips in Portland cement concrete as directed (not marked)
 - Includes the portion of Overture Drive from the intersection of Highway 111 and Overture Drive to the intersection of Overture Drive and Range View Drive, Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, Bobbee Lou Lane and intersection of Rose Ann Lane and Bobbee Lou Lane, as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28
6. Clean all catch basins, CMPs, RCPs and drains as directed
 - If applicable this will include any Catch Basins, CMPs RCPs near Margee Road as indicated on Street Improvement Plans for Tract 26686 – Storm Drain Plan – Sheet 28
7. Align, adjust, and tighten all street name signs as directed
 - If applicable, will include Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, the intersection of Rose Ann Lane and Bobbee Lou Lane as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28
8. Finish cap pave on: Range View Drive from Overture Drive to Bobbee Lou Lane, Bobbee Lou Lane from Range View Drive to Margee Road, Margee Road from Bobbee Lou Lane to Range View Drive
 - Final Cap pave along Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, and Bobbee Lou Lane as indicated on Street Improvement Plans for Tract 26686 - On-Site Street Improvements Sheets 7, 8, 9, 10, 11, 12 and 28. Cap paving shall extend through to the end of

the curb returns on Range View Dr., and the intersection of Bobbee Lou Lane. and Rose Ann Lane.

- Adjust sewer manhole covers to finish grade along Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, and Bobbee Lou Lane as indicated on Sewer Improvement Plans for Tract 26686 - Sheets 5b, 6b, 10 and 12 [As provided in the attached letter from the Desert Water Agency dated December 3, 2012]
 - Adjust water valve covers to finish grade along Range View Drive from Overture Drive to Bobbee Lou Lane, Margee Road, and Bobbee Lou Lane as indicated on Water Improvement Plans for Tract 26686 - Sheets 3, 4, 5, 15 and 16. [As provided in the attached letter from the Desert Water Agency dated December 3, 2012]
 - Paint all Fire Hydrants [As provided in the attached letter from the Desert Water Agency dated December 3, 2012]
9. Verify and/or install right turn pocket deceleration lane on southbound (eastbound) Highway 111 and right turn pocket acceleration lane on southbound (eastbound) Highway 111 in accordance with the Caltrans approved plans as previously provided for on CalTrans Permit No. 08-04-6-MC-0781 dated 07/08/2004, Completion contractor shall cause CalTrans to re-issue an Encroachment Permit pursuant to their Standard Plans and Specifications as amended prior to the start of construction.
- Includes the eastbound right turn pocket deceleration lane along Highway 111 at Overture Drive per the Off-site Street Improvement plans Sheet 2
 - Includes the eastbound right turn pocket acceleration lane along Highway 111 at Overture Drive per the Off-site Street Improvement plans Sheet 3
 - Obtain all necessary approvals and permits from Cal Trans, pay all required fees, as well as implementation of all required traffic control throughout the duration of the work.
10. Install signing and striping per approved plans for Overture Drive, Range View Drive, right and left turn pockets on Highway 111

- Includes Highway 111 at Overture Drive per the Off-site Signing & Striping Plans – Sheets 1 and 2
- Obtain all necessary approvals and permits from Cal Trans, as well as implementation of all traffic control throughout the duration of the work.

MONUMENTATION

Furnish all labor, equipment and materials necessary to perform and complete in a good and workmanlike manner, the below described monumentation in the following area: Range View Drive from Overture Drive to Bobbee Lou Lane, Bobbee Lou Lane from Range View Drive to Margee Road, Margee Road from Bobbee Lou Lane to Range View Drive. See attached diagram of monument area locations.

1. Set final monuments as shown on Tract Map 26686 for lots 19-96 along with street centerline monuments for the same area. Lots without houses (lots 41-48, 53-55 and 61-88) shall have monuments installed on top of curb as required.
2. Prepare monument tie-sheets and process through Riverside County as required prior to inspection by the county.
3. Prepare and process certificate of correction for Tract Map 26686 as required by Riverside County.

All work to be performed in accordance with the Standards set forth in Riverside County Ordinance No. 461, and the Caltrans Standard Plans and Specifications, as amended.

In accordance with Ordinance 671, it may be necessary to provide additional deposit to continue inspections on Improvement Plan (IP) 040042. Additional funds may be necessary depending on the requirements for this particular project.

Completion Contractor(s) shall not commence the work until it has paid all required fees and deposits and obtained all necessary approvals, permits for implementation of all work and traffic control within County Right of Way throughout the duration of the project from the Transportation Department.

Completion Contractor(s) shall not commence the work until it has paid all required fees and deposits and obtained all necessary approvals, permits for implementation of all work and traffic control within SH 111, State Right of Way throughout the duration of the project from Caltrans.

Completion Contractor(s) shall pay all required fees and deposits and obtain all necessary approvals and permits in regard to sewer and water facilities from Desert Water Agency.

Notification to Construction Inspection Division shall be provided at least two (2) days in advance of starting any remedial or remaining work so that inspection of work in progress can be scheduled. Notification to Caltrans will be in accordance with the applicant's permit for work within the State Right of Way.

Patricia G. Oygaz
President
F. Thomas Kieley, III
Vice President
James Cioffi
Secretary/Treasurer
Craig A. Ewing
Joseph K. Stuart

David K. Luker
General Manager
Chief Engineer
Best, Best & Krieger
General Counsel
Krieger & Stewart
Consulting Engineers

DESERT WATER



Desert Water Agency
1200 Gene Autry Trail South
P.O. Box 1710
Palm Springs, CA 92263-1710
Telephone 760 323-4971
Fax 760 325-6505
www.dwa.org

December 3, 2012

County of Riverside
Transportation Department
Construction inspection
Attn: Hugh M. Smith
2950 Washington Street
Riverside, CA 92504

RE: TRACT 26686 – WATER & SEWER FACILITY IMPROVEMENTS

Dear Mr. Smith:

Desert Water agency has been in contact with Ms. Luana Roth in regards to the bond enforcement of the above mentioned tract, and the Scope of Work Punch List that is required to satisfy these bonds.

Desert Water agency requests the following items of work to be attached to the Scope of Work once cap paving is completed on Overture Drive, Range View Drive Bobbee Lou Lane, Margee Road and Highway 111:

1. Clean, raise, mortar and paint all water valve cans within cap paving of the above mentioned streets per Desert Water agency Standards.
2. Clean, raise, mortar all manholes within cap paving of the above mentioned street per Desert Water Agency Standards.
3. Paint all fire hydrants within above mentioned streets.
4. Contractor to pay all fees and charges as required by Desert Water Agency.

The above list only includes those items as they relate to the Agreement being formulated between Arch Insurance Company and the County of Riverside, as this Agency understands it. There are many other issues that need to be addressed and completed for Desert Water Agency to provide Formal Acceptance of these facilities. All water and sewer facilities are subject to



final inspection and will not be approved until all final Punch List items, paperwork and fee requirements are completed. A final field inspection will be conducted by the field inspector and our construction department to determine that all items have been completed to this Agency's satisfaction. Metered water service will remain on a temporary basis until Final Acceptance is given. This Agency reserves the right not to set additional water meters until all water line and sewer issues are satisfied.

If you have any additional questions, please feel free to contact me.

Sincerely,

DESERT WATER AGENCY

A handwritten signature in cursive script that reads "Debbie Randall".

Debbie Randall
Sr. Engineering Technician

DAR/ldj

Cc: John Sherritt, Ainslie Communities, 7428 Capstan Drive, Carlsbad, CA 92011
Stephen Crevoiserat, Nolte Vertical Five, 42829 Cook Street, Suite 104, Palm Desert, CA 92211-5198
Homer Yen, Ginkago Pacific Cove, LLC, 2125 Palm Ave. #200, Alhambra, CA 91801

Exhibit D

TOLLING AGREEMENT

This Tolling Agreement ("Agreement" or "Tolling Agreement") is made 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"). The County and Arch Insurance Company are collectively referred to as "Parties" and individually as "Party."

RECITALS

A. WHEREAS, The Cove at Palm Springs, L.P. ("Cove") was the owner and developer of a residential housing project in the County of Riverside ("County"), Tract No. 26686, commonly referred to as the "Cove at Palm Springs" ("Project").

B. WHEREAS, on or about May 17, 2005, the Cove entered into the Subdivision Improvement Agreements with the County for the installation of streets and drainage improvements, water system improvements, sewer system improvements and placement of survey monuments for the Project.

C. WHEREAS, on or about April 1, 2005, pursuant to California Government Code Section 66499 et seq., Arch issued Faithful Performance Bonds and Material and Labor Bonds each bearing number SU5014092, and a Subdivision Monument Bond numbered SU5014093 (collectively the "Bonds") for the Project, as security for the construction of the public improvements to be installed under the Subdivision Improvement Agreements. 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 are attached hereto as Exhibit "A".

D. WHEREAS, after construction of the public improvements at the Project commenced, the Cove experienced financial difficulties as a result of disputes with the Project's lender over a funding of the remaining improvements necessary to complete the scope of construction covered by the Subdivision Improvement Agreements and was unable to complete the remaining work.

E. WHEREAS, the County, as a beneficiary under the Bonds, made a demand upon Arch to complete construction of the public improvements at the Project, and on April 8, 2010 filed an action in the Superior Court for the County of Riverside, entitled County of Riverside v. The Cove at Palm Springs, L.P. et al., case No. RIC 10006574, against the Cove and Arch (the "Action"). Arch answered the complaint denying liability on May 18, 2010.

F. WHEREAS the Parties have agreed that Arch will complete certain portions of the designated public improvements, and that upon completion the County will reduce the Faithful Performance Bonds and Subdivision Monument Bond, all in accordance with that certain Settlement Agreement between the Parties. The Settlement Agreement is incorporated in this Tolling Agreement by reference as though fully set forth herein and is expressly made part of this Tolling Agreement, and is attached hereto as Exhibit B.

G. WHEREAS, the Parties agree that it is in the best interest to defer litigation of County's claims against Arch in order to permit the Parties to resolve their claims; and

H. WHEREAS, the Parties desire to toll the running of any statute of limitations and any other time-related defense as of May 17, 2011, with respect to any and all rights, claims, or causes of action, that could or might be asserted by the County against Arch that are based on, arise out of, or in any way relate to the Bonds, the Cove at Palm Springs Project or Cove's alleged failure to perform, install, complete, or maintain certain improvements and perform certain obligations in connection therewith ("Claims"). This Agreement does not apply to any Claims, or portion thereof, for which the statute of limitations expired on May 17, 2011.

AGREEMENT

THEREFORE, in consideration of the mutual covenants and conditions set forth, the Parties hereto agree as follows:

1. Tolling of Claims. The Parties agree to toll any applicable statute of limitations, and any other time-related defense (collectively, "Statutes of Limitation"), if any, with respect to the Claims, until June 30, 2017 (the "Tolling Period"). The Tolling Period may be extended by written agreement of the Parties.

(a) The tolling shall apply to all Claims arising during the term of this Agreement, the period commencing with filing of the Action to the Effective Date of this Tolling Agreement, and which are not barred by the running of the statute of limitations on May 17, 2011.

(b) The tolling shall not apply to any or all Claims, or portion thereof, for which the statute of limitations has already expired or run on May 17, 2011.

(b) The Parties agree that the Tolling Period shall be excluded from all computations of any Statutes of Limitation applicable to the Claims. The Parties agree that each shall not plead, assert, or otherwise raise any Statutes of Limitation applicable to the Claims, to the extent such is tolled by this Agreement or as a bar to or other limitation on any Claims.

(c) The Parties agree that the Tolling Period shall not limit or otherwise affect the duty of a Party, if any, to mitigate losses, damages, or injury.

(d) This Agreement constitutes a valid and effective written agreement to toll pursuant to Section 360.5 of the California Code of Civil Procedure.

2. Covenant Not to Sue. The Parties agree not to sue or otherwise prosecute any Claims until either ninety (90) days prior to the expiration of the Tolling Period, as set forth in Section 1 (Tolling of Claims), or the termination of the Tolling Period, as set forth in Section 3 (Withdrawal from the Agreement).

3. Withdrawal from the Agreement. Either Party may, upon written notice to the other Party, sent by certified mail, return receipt requested, and properly addressed to the business offices of the other Party, elect to withdraw from this Agreement. Such withdrawal may occur irrespective of the consent of the other Party. The Tolling Period shall terminate ninety (90) days following the date of the notice of withdrawal.

4. Alternative Dispute Resolution. Nothing in this Agreement prohibits the Parties from engaging in informal alternative dispute resolution, including, but not limited to, mediation. Any agreement by the Parties to engage in informal alternative dispute resolution during the term of this Agreement does not affect the respective duties and obligations of the Parties.

5. No Waiver. This Agreement shall not constitute a waiver or release of any defenses of Arch Insurance Company based on the running of time under an applicable statute of limitations which arose, accrued, or would have barred any Claims prior to May 17, 2011. Arch Insurance Company is entitled to assert any statute of limitations defense(s) that arose, accrued, or would have barred any Claims, or portion thereof, prior to May 17, 2011.

6. Notices. Any notice, request, demand, consent, approval or other communication required or permitted hereunder or by law shall be deemed given or made only if in writing and intended, addressed as follows, or to such other address as may, from time to time, be designated by written notice to the other Parties:

To Arch:

John J. Immordino, Esq.
WILSON, ELSER, MOSKOWITZ,
EDELMAN & DICKER, LLP
555 South Flower Street, Suite 2900
Los Angeles, CA 90071-2407

Susan D. Neff, Esq.
Senior Surety Counsel
Arch Insurance Company
865 So. Figueroa Street, Suite 2700
Los Angeles, CA 90017

To the County:

Elena M. Boeva, Esq.
Deputy County Counsel
Riverside County Counsel Pamela J. Walls,
3960 Orange St., Suite 500,
Riverside, CA 92501-3674.

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

7. **Governing Law.** This Agreement shall be governed by and construed under the laws of the State of California.

8. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

9. **Breach.** The Parties understand and agree that no breach of any provision or provisions of this Agreement can be waived unless done so expressly in writing. A waiver of one breach shall not be deemed a waiver of any other breach of the same or any other provision of this Agreement.

10. **Severability.** If any provision of this Agreement is determined to be unenforceable for any reason, it shall be adjusted rather than voided, if possible, in order to achieve the intent of the Parties. In any event, the remaining provisions shall be deemed valid and enforceable to the maximum extent possible.

11. **Authority.** Each of the undersigned represents and warrants that he/she has the authority to bind the Party on behalf of whom he/she signs and that the other Party hereto is entitled to rely upon such representation for all legal purposes.

12. **Parties Covered.** This Agreement shall be signed by the Parties and shall inure to the benefit of the Parties' successors and assigns, departments, divisions, subsidiaries, parent, sister and related entities.

13. **No Admission of Liability.** Neither the execution of this Agreement nor anything contained in it is intended to be, nor shall be deemed to be, an admission by either Party of any liability or an admission of the existence of facts upon which liability could be based.

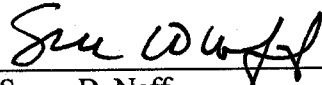
14. **Amendments and Modifications.** This Agreement may be amended or modified only by a written agreement signed by the Parties to this Agreement.

15. **Entire Agreement.** This Agreement constitutes the entire understanding between the Parties hereto with respect to the subject matter set forth herein and supersedes any and all prior or other contemporaneous understandings, correspondence, negotiations, or agreements written or oral, between them regarding the subject matter of this Agreement. No alterations, modifications or interpretations hereof shall be binding unless in writing and signed by the Parties.

IN WITNESS WHEREOF, the Parties hereto have executed this Tolling Agreement, as of the dates written below.

ARCH INSURANCE COMPANY

DATED: 8-16, 2013

By: 
Name: Susan D. Neff
Title: Senior Surety Counsel

COUNTY OF RIVERSIDE

DATED: _____, 2013

By: _____
By: John J. Benoit,
Chairman, Board of Supervisors

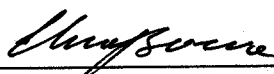
ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

BY: _____
Deputy

APPROVED AS TO FORM:

DATED: 9-26-13, 2013

By: 
Name: Elena M. Boeva
Attorney for County of Riverside

DATED: 8.19, 2013


By: 
Name: John J. Immordino
Attorney for Arch Insurance Company

Exhibit A

FIRST TERM PREMIUM FULLY EARNED
TERM: 4/1/05 to 4/1/07

FAITHFUL PERFORMANCE BOND
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
(Government Code Section 66499.1)

FOR: Streets and Drainage \$ 3,815,000 Tract No. 26686
Water System \$ 1,196,500 Parcel Map No. _____
Sewer System \$ 1,42,500 Bond No. SU5014092
Premium \$92,310.00

Surety ARCH INSURANCE COMPANY Principal THE COVE AT PALM SPRINGS LP
Address 135 N. ROBLES #825 Address 200 E. WASHINGTON AVE #100
City/State PASADENA, CA City/State ESCONDIDO, CA
Zip 91101 Zip 92025
Phone (626)639-5255 Phone 760-839-8238

WHEREAS, the County of Riverside, State of California, and THE COVE AT PALM SPRINGS, LP

(hereinafter designated as "principal") have entered into, or are about to enter into, the attached agreement(s) whereby principal agrees to install and complete the above designated public improvements relating to (Tract/Parcel) 26686, which agreement(s) is/are hereby referred to and made a part hereof; and,

WHEREAS, said principal is required under the terms of said agreement(s) to furnish bond(s) for the faithful performance of said agreement(s);

NOW, THEREFORE, we the principal and ARCH INSURANCE COMPANY, as surety, are held and firmly bound unto the County of Riverside in the penal sum of Six Million One Hundred Fifty-Four Thousand and NO/100 Dollars (\$ 6,154,000.00) lawful money of the United States, for the payment of which sum will and truly be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The condition of this obligation is such that if the above bonded principal, his or its heirs, executors, administrators, successors or assigns, shall in all things stand to and abide by, and well and truly keep and perform the covenants, conditions and provisions in the said agreement and any alteration thereof made as therein provided, on his or their part, to be kept and performed at the time and in the manner therein specified, and in all respects according to their true intent and meaning, and shall indemnify and save harmless the County of Riverside, its officers, agents and employees, as therein stipulated, then this obligation shall become null and void; otherwise, it shall remain in full force and effect.

As a part of the obligation secured hereby and in addition to the face amount specified therefore, there shall be included costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the County in successfully enforcing such obligation, all to be taxed as costs and included in any judgement rendered.

FORM APPROVED
COUNTY COUNSEL

MAY 02 2005

Bill Kamin

FAITHFUL PERFORMANCE BOND

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of this agreement or to the work to be performed thereunder or the specifications accompanying the same shall in anywise affect its obligation on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition. Surety further stipulates and agrees that the provisions of Section 2845 of the Civil Code and commencement of construction are not conditions precedent to surety's obligations hereunder and are hereby waived by surety.

When the work covered by the agreement is complete, the County of Riverside will accept the work and thereupon, the amount of the obligation of this bond is reduced by 90% with the remaining 10% held as security for the one-year maintenance period provided for in the agreements(s).

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005

NAME OF PRINCIPAL: THE COVE AT PALM SPRINGS, LP

By: The Cove at Palm Springs Management, LLC

~~By: Innovative Resort Communities, Inc.~~

~~Managing Member~~

AUTHORIZED SIGNATURE(S): By: [Signature]

By: Ashbrook Development Company, Inc.

Managing Member

[Signature]
Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: [Signature]

[Signature]
Its Attorney-in-Fact
BARRY D. NORDSTROM

President
Title

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

}
}

On April 29, 2005 before me, Marianne Allen,
Personally appeared Thomas P. Dobron

Notary Public,

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint Barry D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



[Handwritten signature of Joseph S. Labell]

Joseph S. Labell, Corporate Secretary

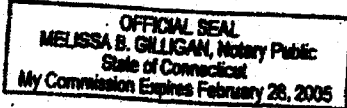
[Handwritten signature of Thomas P. Luckstone]

Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS

COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



[Handwritten signature of Melissa B. Gilligan]
Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2005.

[Handwritten signature of Joseph S. Labell]
Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

00ML0013 00 03 03

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Faithful Performance Bond

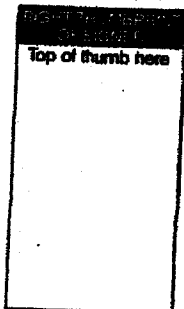
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

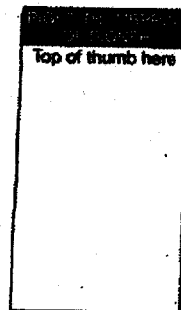
- Individual
- Corporate Officer
Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer Is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer Is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

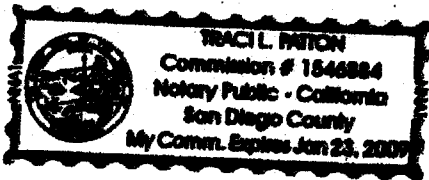
County of San Diego } ss.

On 4-29-05 before me, Traci L. Patton, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard L. Crook
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) is/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.



Place Notary Seal Above

WITNESS my hand and official seal.

Traci L. Patton
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: _____

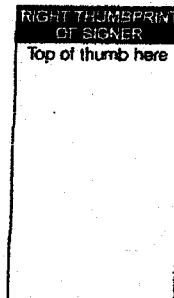
Signer(s) Other Than Named Above: _____

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: _____



SUBDIVISION MONUMENT BOND

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005.

NAME OF PRINCIPAL: THE COVE AT PALMS SPRINGS, LP

By: The Cove at Palm Springs Management, LLC

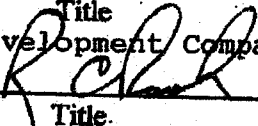
By: Innovative Resort Communities, Inc.

Managing Member

AUTHORIZED SIGNATURE(S): By: 

Title

By: Ashbrook Development Company, Inc.

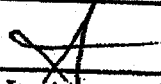
Managing Member 

Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: 

Its Attorney-in-Fact
BARRY D. NORDSTROM

President
Title

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

}
}

On April 29, 2005 before me, Marianne Allen,
Personally appeared Thomas P. Dobron

Notary Public,

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature

Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint Barry D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



[Handwritten signature of Joseph S. Labell]

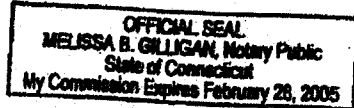
Joseph S. Labell, Corporate Secretary

[Handwritten signature of Thomas P. Luckstone]
Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS

COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



[Handwritten signature of Melissa B. Gilligan]
Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2005.

[Handwritten signature of Joseph S. Labell]
Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

00ML0013 00 03 03

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me - OR - proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Monument Bond

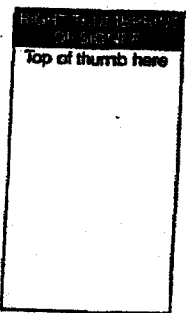
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

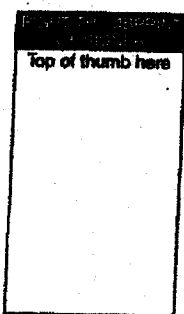
- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer is Representing:

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego } ss.

On 4-29-05
Date

before me, Traci L. Patton, Notary Public

Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Richard L. Crook

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) is/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.

Traci L. Patton
Signature of Notary Public

Place Notary Seal Above

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: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

MATERIAL AND LABOR BOND
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA
(Government Code Section 66499.1)

FOR: Streets and Drainage \$ 1,907,500 Tract No. 26686
Water System \$ 598,250 Parcel Map No. _____
Sewer System \$ 571,250 Bond No. SU5014092
Premium N/A

Surety ARCH INSURANCE COMPANY Principal THE COVE AT PALM SPRINGS, LP
Address 135 N. ROBLES #825 Address 200 E. WASHINGTON AVE # 100
City/State PASADENA, CA City/State ESCALON, CA
Zip 91101 Zip 92025
Phone (626)639-5255 Phone 960-839-8238

WHEREAS, the County of Riverside, State of California, and THE COVE AT PALM SPRINGS, LP
(hereinafter designated as "principal") have entered into, or are about to enter into, the attached agreement(s) whereby principal agrees to install and complete the above designated public improvements relating to (Tract/Parcel) 26686, which agreement(s) is/are hereby referred to and made a part hereof; and,

WHEREAS, under the terms of said agreement, principal is required, before entering upon the performance of the work, to file a good and sufficient payment bond with the County of Riverside to secure the claims to which reference is made in Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code of the State of California;

NOW, THEREFORE, said principal and the undersigned, as corporate surety, are held firmly unto the County of Riverside and all contractors, subcontractors, laborers, material persons and other persons employed in the performance of said Civil Code in the sum of Three Million Seventy-Seven Thousand and NO/100 Dollars (\$3,077,000.00) for materials furnished or labor thereon of any kind, or for amounts due under the Unemployment Insurance Act with respect to such work or labor, that said surety will pay the same in an amount not exceeding the amount hereinabove set forth, and also in case suit is brought upon this bond, will pay, in addition to the face amount thereof, costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the County in successfully enforcing such obligation, to be awarded and fixed by the court, and to be taxed as costs and to be included in the judgement therein rendered.

It is hereby expressly stipulated and agreed upon that this bond shall inure to the benefit of any and all persons, companies and corporations entitles to full claims under Title 15 (commencing with Section 3082) of Part 4 of Division 3 of the Civil Code, so as to give a right of action to them or their assigns in any suit brought upon this bond.

Should the condition of this bond be fully performed, then this obligation shall become null and void; otherwise, it shall be and remain in full force and effect.

FORM APPROVED
COUNTY COUNSEL

MAY 02 2005

BY: [Signature]

MATERIAL AND LABOR BOND

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of this agreement or to the specifications accompanying the same shall in anywise affect its obligation on this bond, and it does hereby waive notice of any such change, extension of time, alteration or addition. Surety further stipulates and agrees that the provisions of Section 2845 of the Civil Code are not a condition precedent to surety's obligations hereunder and are hereby waived by surety.

IN WITNESS WHEREOF, this instrument has been duly executed by the principal and surety above named, on APRIL 1, 2005

NAME OF PRINCIPAL: THE COVE AT PALM SPRINGS, LP

By: The Cove at Palm Springs Management, LLC
By: Innovative Resort Communities, Inc.
Managing Member

AUTHORIZED SIGNATURE(S): By: _____

By: Ashbrook Development Company, Inc.
Managing Member

[Signature]
Title

Title

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: ARCH INSURANCE COMPANY

AUTHORIZED SIGNATURE: _____

[Signature]
Its Attorney-in-Fact
BARRY D. NORDSTROM

President
Title

(IF CORPORATION, AFFIX SEAL)

ATTACH NOTARIAL ACKNOWLEDGMENT OF SIGNATURES OF PRINCIPAL AND ATTORNEY-IN-FACT.

STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

}
}

On April 29, 2005 before me, Marianne Allen,
Personally appeared Thomas P. Dobron

Notary Public,

personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



Signature

Marianne Allen

(NOTARY
SEAL)

POWER OF ATTORNEY

Know All Men By These Presents:

That the Arch Insurance Company, a corporation organized and existing under the laws of the State of Missouri, having its principal office in Kansas City, Missouri (hereinafter referred to as the "Company") does hereby appoint Barry D. Nordstrom of La Jolla, CA

its true and lawful Attorney(s)-in-Fact, to make, execute, seal, and deliver from the date of issuance of this power for and on its behalf as surety, and as its act and deed:

Any and all bonds and undertakings

EXCEPTION: NO AUTHORITY is granted to make, execute, seal and deliver bonds or undertakings that guarantee the payment or collection of any promissory note, check, draft or letter of credit.

This authority does not permit the same obligation to be split into two or more bonds in order to bring each such bond within the dollar limit of authority as set forth herein.

The Company may revoke this appointment at any time.

The execution of such bonds and undertakings in pursuance of these presents shall be as binding upon the said Company as fully and amply to all intents and purposes, as if the same had been duly executed and acknowledged by its regularly elected officers at its principal office in Kansas City, Missouri.

This Power of Attorney is executed by authority of resolutions adopted by unanimous consent of the Board of Directors of the Company on March 3, 2003, true and accurate copies of which are hereinafter set forth and are hereby certified to by the undersigned Secretary as being in full force and effect:

"VOTED, That the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, or the Secretary shall have the power and authority to appoint agents and attorneys-in-fact, and to authorize them to execute on behalf of the Company, and attach the seal of the Company thereto, bonds and undertakings, recognizances, contracts of indemnity and other writings, obligatory in the nature thereof, and any such officers of the Company may appoint agents for acceptance of process."

This Power of Attorney is signed, sealed and certified by facsimile under and by authority of the following resolution adopted by the unanimous consent of the Board of Directors of the Company on March 3, 2003:

VOTED, That the signature of the Chairman of the Board, the President, or any Vice President, or their appointees designated in writing and filed with the Secretary, and the signature of the Secretary, the seal of the Company, and certifications by the Secretary, may be affixed by facsimile on any power of attorney or bond executed pursuant to the resolution adopted by the Board of Directors on March 3, 2003, and any such power so executed, sealed and certified with respect to any bond or undertaking to which it is attached, shall continue to be valid and binding upon the Company.

In Testimony Whereof, the Company has caused this instrument to be signed and its corporate seal to be affixed by their authorized officers, this 10th day of October, 2003.

Attested and Certified

Arch Insurance Company



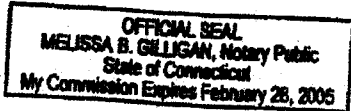
[Handwritten signature of Joseph S. Labell]

Joseph S. Labell, Corporate Secretary

[Handwritten signature of Thomas P. Luckstone]
Thomas P. Luckstone, Vice President

STATE OF CONNECTICUT SS
COUNTY OF FAIRFIELD SS

I Melissa B. Gilligan, a Notary Public, do hereby certify that Thomas P. Luckstone and Joseph S. Labell personally known to me to be the same persons whose names are respectively as Vice President and Corporate Secretary of the Arch Insurance Company, a Corporation organized and existing under the laws of the State of Missouri, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they being thereunto duly authorized signed, sealed with the corporate seal and delivered the said instrument as the free and voluntary act of said corporation and as their own free and voluntary acts for the uses and purposes therein set forth.



[Handwritten signature of Melissa B. Gilligan]
Melissa B. Gilligan, Notary Public
My commission expires 2-28-05

CERTIFICATION

I, Joseph S. Labell, Corporate Secretary of the Arch Insurance Company, do hereby certify that the attached Power of Attorney dated October 10, 2003 on behalf of the person(s) as listed above is a true and correct copy and that the same has been in full force and effect since the date thereof and is in full force and effect on the date of this certificate; and I do further certify that the said Thomas P. Luckstone, who executed the Power of Attorney as Vice President, was on the date of execution of the attached Power of Attorney the duly elected Vice President of the Arch Insurance Company.

IN TESTIMONY WHEREOF, I have hereunto subscribed my name and affixed the corporate seal of the Arch Insurance Company on this 1st day of April, 2006.

[Handwritten signature of Joseph S. Labell]
Joseph S. Labell, Corporate Secretary

This Power of Attorney limits the acts of those named therein to the bonds and undertakings specifically named therein and they have no authority to bind the Company except in the manner and to the extent herein stated.



Home Office: Kansas City, MO

00ML0013 00 03 03

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of San Diego

On 4-1-05 before me, Trisha A. Togonon, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Barry D. Nordstrom
Name(s) of Signer(s)

personally known to me -- OR -- proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/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.

Trisha A. Togonon
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: Material + Labor Bond

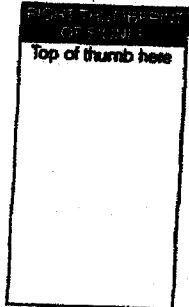
Document Date: 4-1-05 Number of Pages: 2

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: Barry D. Nordstrom

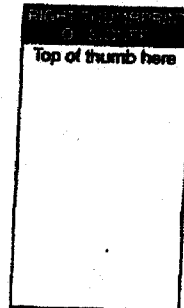
- Individual
- Corporate Officer
- Title(s): _____
- Partner — Limited General
- Attorney-in-Fact
- Trustee
- Guardian or Conservator
- Other: _____



Signer is Representing:
Arch Insurance Company

Signer's Name: _____

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



Signer is Representing: _____

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Diego } ss.

On 4-29-05 before me, Traci L. Patton, Notary Public
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Richard L. Cook
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) is/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.
Traci L. Patton
Signature of Notary Public

Place Notary Seal Above

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: _____

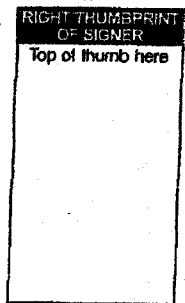


Exhibit B

SETTLEMENT AGREEMENT

This Settlement Agreement ("Agreement") is made and entered into by and between Arch Insurance Company ("Arch") and the County of Riverside ("County") effective on the date this Agreement is approved by the Board of Supervisors for the County of Riverside ("Effective Date").

RECITALS

- A. WHEREAS, The Cove at Palm Springs, L.P. ("Cove") was the owner and developer of a residential housing project in the County of Riverside ("County"), Tract No. 26686, commonly referred to as the "Cove at Palm Springs" ("Project").
- B. WHEREAS, on or about May 17, 2005, the Cove entered into the Subdivision Improvement Agreements with the County for the installation of streets and drainage improvements, water system improvements, sewer system improvements and placement of survey monuments for the Project. The Subdivision Improvement Agreements are incorporated in this Agreement by reference as though fully set forth herein and are expressly made a part of this Agreement, and are attached hereto as Exhibit "A".
- C. WHEREAS, on or about April 1, 2005, pursuant to California Government Code Section 66499 et seq., Arch issued Faithful Performance Bonds and Material and Labor Bonds each bearing number SU5014092, and a Subdivision Monument Bond numbered SU5014093 (collectively the "Bonds") for the Project, as security for the construction of the public improvements to be installed under the Subdivision Improvement Agreements. 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 are attached hereto as Exhibit "B".
- D. WHEREAS, after construction of the public improvements at the Project commenced, the Cove experienced financial difficulties as a result of disputes with the Project's lender over a funding of the remaining improvements necessary to complete the scope of construction covered by the Subdivision Improvement Agreements and was unable to complete the remaining work.
- E. WHEREAS, the County, as a beneficiary under the Bonds, made a demand upon Arch to complete construction of the public improvements at the Project, and on April 8, 2010 filed an action in the Superior Court for the County of Riverside, entitled County of Riverside v. The Cove at Palm Springs, L.P. et al., case No. RIC 10006574, against the Cove and Arch (the "Action").

F. WHEREAS, Arch, through its consultants, in cooperation with the County, has generated a list of the items to be completed and scope of work to be performed to the satisfaction of the County to resolve some claims against the Bonds and the Action. Said list is attached hereto as Exhibit "C" and incorporated hereat by this reference.

G. WHEREAS, Arch, as surety, has agreed to fund the cost to complete the public improvements described in Exhibit "C" with one or more Completion Contractors ("Completion Contractors"). In exchange, the County has agreed to reduce the Bonds once the scope of work described in Exhibit "C" has been completed to the satisfaction and approval of the County. The County agrees that as to the balance of improvement work provided under the Subdivision Improvement Agreements, it will request that any new developer who seeks to continue with the subdivision development, to provide replacement bonds or other acceptable form of security, and to complete the balance of the improvements.

H. WHEREAS, the County and Arch have agreed to toll the running of any statute of limitations with respect to any and all rights, claims, or causes of action that could or might be asserted by the County against Arch that are based on, arise out of, or in any way relate to the Bonds, the Cove at Palm Springs Project or Cove's alleged failure to perform, install, complete, or maintain certain improvements and perform certain obligations in connection therewith ("Claims").

NOW, THEREFORE, in light of the foregoing facts and in further consideration of the promises and agreements of the parties set forth hereinbelow, it is mutually agreed as follows:

1. The recitals set forth hereinabove in paragraphs A through H, inclusive, are incorporated herein by this reference as though fully set forth herein at length.

2. The County has reviewed and approved the scope of work and list of items to be completed as set forth in the attached Exhibit "C" ("Scope of Work") to the satisfaction of the County. Once this Agreement is executed by the parties and approved by the Board of Supervisors for the County of Riverside, the Scope of Work will not be subject to further revision or change. If any further work is deemed necessary by the County to address unforeseen public health and safety issues that is not included on Exhibit C, the County reserves the right to demand performance by Arch.

3. Arch shall cause its Completion Contractors to perform the Scope of Work described in Exhibit "C" in accordance with the Subdivision Improvement Agreements and Ordinance 461, subject, however, to the limitations of California Government Code Section 66499.9. Upon completion of the Scope of Work described in Exhibit "C" to the satisfaction of the County and in accordance with the accepted practices and standards within the industry associated with the performance of construction of public improvements, and at the request of Arch, the County shall inspect and approve the

public improvements described in Exhibit "C". The request for the inspection and acceptance/approval by the County shall be made only after the full completion of the Scope of Work described in Exhibit "C". The County shall not unreasonably withhold its approval and acceptance of the completed work.

4. Upon the County's initial approval and acceptance of the Scope of Work performed by Arch and its Completion Contractors as provided under the Subdivision Improvement Agreements, the County shall reduce the Faithful Performance Bond and the Subdivision Monument Bond in amounts that reflect the improvement and monumentation work that has been completed, in accordance with the provisions of County of Riverside Ordinance 460 and Government Code Sections 66499.7 and 66499.9. Such approval and acceptance by the County shall start the one year maintenance obligations under the Subdivision Improvement Agreements. Until completion of all required work for the Project and/or the County's release of the Faithful Performance Bonds and Subdivision Monument Bond, the Subdivision Improvement Agreements and the Bonds (in their reduced penal sum amounts) shall remain in full force and effect, and the County shall have reserved in its favor all rights and remedies it may have against the Cove and/or Arch under the Subdivision Improvement Agreements and the Bonds.

5. Upon expiration of the one-year maintenance period, Arch shall apply to the County for its final acceptance and final approval of the public improvements described in Exhibit "C". The County shall not unreasonably withhold its final approval and final acceptance of the public improvements described in Exhibit "C".

6. The aggregate liability of Arch, under this Agreement and the Faithful Performance Bond, and the Subdivision Monument Bond, is limited to and shall not exceed, the penal sums of said bonds. Nothing in this Agreement constitutes a waiver of such penal sums or increase in the liability of Arch under the Bonds. The amounts expended by Arch in completing the public improvements and in completing the monumentation work shall be a credit to the penal sums of each such bond, respectively. Arch will furnish to the County documentation reflecting the costs of completing such work.

7. The Material and Labor Bond shall remain in full force and effect in accordance with its terms and provisions. The total liability of Arch under the Material and Labor Bond is limited to and shall not exceed the penal sum of the Material and Labor Bond. Nothing in this Agreement constitutes a waiver of such penal sums or any increase in the liability of Arch under the Material and Labor Bond.

8. The running of any statute of limitations with respect to the Bonds and Claims shall be tolled until June 30, 2016, in accordance with that certain Tolling Agreement between the parties. The Tolling Agreement is incorporated in this Settlement

Agreement by reference as though fully set forth herein and is expressly made part of this Settlement Agreement, and is attached hereto as Exhibit D.

9. It is agreed that Arch, by its execution of this Agreement, is acting in its capacity as the surety for the Cove in making arrangements for the performance and completion of the items set forth in the Scope of Work, and not as a completing contractor; and that Arch, by agreeing to fund the work to be performed as contemplated by this Agreement, is not assuming any obligations or liabilities beyond those set forth in the Bonds, the Subdivision Improvement Agreements and as required by law.

10. Arch shall indemnify, defend and save harmless the County and its 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 "C" undertaken by Arch and its Completion Contractors pursuant to this Agreement, except, however, Arch shall not be responsible to indemnify, defend and save harmless the County for damages caused by the County's breach of contract or active negligence. Arch shall further indemnify, defend and save harmless the County and its officers, agents and employees from any and all liability, claims, demands, suits, or causes of action for damages by any third party claiming that the County should have required all improvement work to be completed under the applicable subdivision agreements and bonds. This subparagraph shall survive the termination of this Agreement.

11. The Completion Contractor(s) will be properly licensed in the category of work to be performed. The Completion Contractor(s) shall be a contractor to Arch, and no contractual relationship, pursuant to this Agreement, shall exist between County and the Completion Contractor except that through the Arch Representative, the County or its authorized representative has the authority over the Completion Contractor as stated in the Contract and that said Completion Contractor is bound by all Contract requirements. County shall communicate with the Completion Contractor through the Arch Representative. Completion Contractor shall communicate to County through Arch Representative. These communications include all matters of contract administration (i.e., contractual or other notices required by law, payments, Change Orders, extensions of time, delays, claims, among other matters). The Completion Contractor(s) shall provide all types of insurance coverage(s) required under the Subdivision Improvement Agreements and as required by law, but shall not be required to provide Payment and/or Performance Bonds, unless requested to do so by Arch. Arch reserves the right to terminate the Completion Contractor(s) at any time and to contract with other Completion Contractor(s). County reserves its rights to control the progress of the Work according to the Subdivision Improvement Agreements and as provided by law.

12. Each of the parties hereto agrees to execute such documents as may be necessary to carry out the terms, conditions and intent of this Agreement.

13. Each of the parties acknowledges that no representations or promises of any kind whatsoever except as expressly set forth in this Agreement have been made to it in order to induce the execution of this Agreement, and each acknowledges that it has not executed this Agreement in reliance upon any such other representations or promises.

14. It is mutually agreed by the parties hereto that they are compromising disputed claims against one another and by executing this Agreement:

(a) No party is admitting that their claims, demands or causes of action were or were not without merit; and

(b) No party is admitting liability with respect to any claims, demands or causes of action, and each has expressly denied all of the other parties' allegations of liability and wrong doing.

15. This Agreement and all agreements and documents incorporated herein shall constitute the entire Agreement between the parties hereto concerning the subject matter hereof and shall supersede all previous negotiations, commitments, and writings, if any.

16. This Agreement may not be modified or altered in any way except by an instrument in writing executed by the parties hereto.

17. In the event there is any action or proceeding brought to enforce or interpret this Agreement, the prevailing party shall be entitled to its reasonable expenses, including reasonable attorney's fees and costs incurred in enforcing the terms thereof, whether or not litigation be commenced.

18. The undersigned individuals and agents of the respective parties to this Agreement freely and voluntarily execute the same with the approval and advice of the counsel who represent them, and further represent and warrant to each other that they have executed this Agreement after independent investigation and without fraud, duress or undue influence.

19. Upon execution of this Agreement by the County of Riverside Board of Supervisors, the County will dismiss the Action without prejudice. Upon completion of all the work described in Exhibit "C", County's final acceptance of said work, and one-year maintenance of said work by Arch and its Completion Contractors, Arch and the County, for themselves, and for all of their successors and assigns, fully and forever release, discharge and dismiss all present and future claims, demands, actions, causes of action, rights, damages, costs, expenses and compensations whatsoever, in law or in equity, in the nature of an administrative proceeding or otherwise (known, unknown,

contingent, accrued, inchoate or otherwise), that they have, have had or may have, now or in the future, against one another, arising out of or relating in any way to the work so completed and as described in Exhibit "C". Arch and the County do not release each other from the obligations expressly set forth in this Agreement, or from any obligations for the work under the Subdivision Improvement Agreements that has not been completed and for which the reduced Bonds remain as security, for any deterioration of the constructed improvements described in Exhibit "C" that are on private land that will not be dedicated to the County as provided in the Subdivison Tract Map and the Conditions of Approval, and any claims or matters unrelated to Tract 26686, all of which survive this release and bind the parties hereto.

20. Each of the parties hereto represents and warrants to each of the other parties that it has received sufficient information either through the party's own counsel or other sources of the party's own selection so as to enable the party to make an intelligent judgment as to whether to enter into this Agreement. Each of the parties hereto further represents and warrants to each of the other parties that the party has read this Agreement in its entirety prior to the execution thereof and that the party has executed this Agreement voluntarily with competence and capacity to contract and with full knowledge of the terms, significance and legal effect of this Agreement.

21. This Agreement is the result of negotiations between the parties who have negotiated and reviewed its terms. The fact that one party has drafted this Agreement shall not be used to interpret any ambiguity or dispute against that party.

22. The parties stipulate and agree that this Agreement and its performance shall be governed by and construed in accordance with the laws of the State of California.

23. Invalidity of any portion or provision of the Subdivision Improvement 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 Improvement Agreements or this Agreement invalid.

24. The failure of either party to exercise in any respect a right provided for in this Agreement shall not be deemed to be a subsequent waiver of the same right or of any other right.

25. Other than expressly waived herein, Arch and the County fully reserve all rights and defenses against each other, with respect to the Bonds and the Subdivision Improvement Agreements. Moreover, nothing in this Agreement constitutes a waiver of the penal amount of the Bonds or an increase in the liability of Arch under the Bonds.

26. This Agreement may be executed in one or more counterparts each of which, when executed and delivered, shall be deemed to be an original with all counterparts constituting one instrument.

27. The execution of this Agreement by any party hereto will not become effective until counterparts hereof have been executed by all parties and approved by the Board of Supervisors for the County of Riverside.

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

DATED: 8-16-13

ARCH INSURANCE COMPANY

By: Susan D. Neff
Name: Susan D. Neff, Esq.
Title: Senior Surety Counsel

DATED: _____

COUNTY OF RIVERSIDE

By: _____
By: John J. Benoit,
Chairman, Board of Supervisors

ATTEST:

KECIA HARPER-IHEM
Clerk of the Board

BY: _____
Deputy

APPROVED AS TO FORM:

DATED: 8.19.13

WILSON, ELSER, MOSKOWITZ,
EDELMAN & ~~DISKER~~ LLP

By: 

JOHN J. IMMORDINO
Attorneys for ARCH INSURANCE
COMPANY

DATED: _____

PAMELA J. WALLS, County
Counsel

By: _____

ELENA M. BOEVA
Deputy County Counsel
Attorneys for COUNTY OF
RIVERSIDE