

BOND# SU5022536
Premium: Included in
cost of performance.

SECURITY BOND FOR LABORERS AND MATERIALMEN

WHEREAS, the Board of Supervisors of the County of Monterey, State of California,
and William Lyon Homes, Inc. (hereinafter designated as
(Name of Subdivider)
"principal") have entered into an agreement whereby principal agrees to install and complete certain
designated improvements, which said agreement, dated _____, 2003, and
identified as Erosion Control bond for condition 235.3 - East Garrison Phase*
(Name of Subdivision or Project) *1, 2, 3 & Town Center
is hereby referred to and made a part hereof; and Offsite Drainage

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 Monterey 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
bound unto the County of Monterey and all contractor's, sub-contractor's, laborers, materialmen and other
persons employed in the performance of the aforesaid agreement and referred to in the aforesaid code of
Civil Procedure in the sum of Five Hundred Thousand Dollars and 00/100 Dollars
(\$ 500,000.00), 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 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 judgment therein rendered.

It is hereby expressly stipulated and agreed that this bond shall inure to the benefit of any and all persons, companies and corporations entitled to file 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.

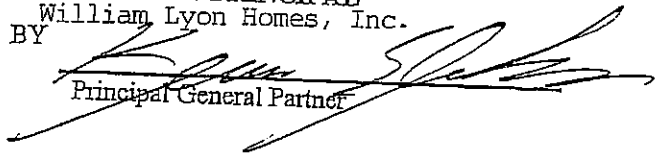
The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or the specifications accompanying the same shall in anywise affect its obligations on this bond, and it does hereby waive notice of any such change, extension, of time, alteration or addition to the terms of the agreement or to the work or to the specifications.

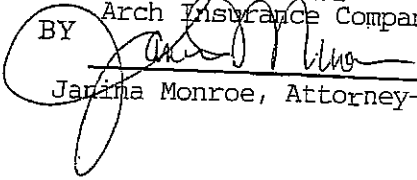
In witness whereof, this instrument has been duly executed by the principal and surety above named, on February 1st, 2007

BY N/A
General Partner

BY N/A
General Partner

BY N/A
General Partner

NAME OF PRINCIPAL
William Lyon Homes, Inc.
BY 
Principal General Partner

NAME OF SURETY
Arch Insurance Company
BY 
Jarina Monroe, Attorney-in-Fact

(To be followed by appropriate acknowledgements of the signatures of those signing for the Principal and the Surety.)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

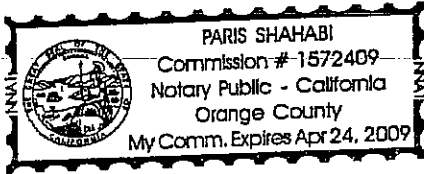
State of California

County of Orange

On FEB 01 2007 before me, Paris Shahabi, Notary Public
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Janina Monroe
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

[Handwritten Signature]
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: _____

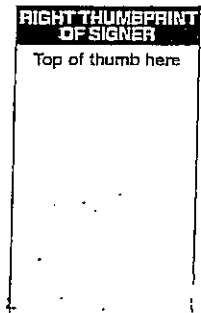
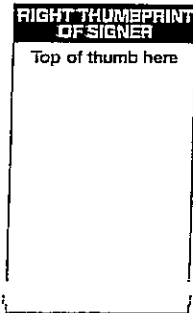
Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

Signer's Name: _____

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

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



Signer Is Representing: _____

Signer Is Representing: _____

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

Victoria M. Campbell, Thomas G. McCall and Janina Monroe of Irvine, CA (EACH)
Christine Marotta of Chicago, IL

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.