

Bond# 5026101
Premium: \$7,495.00/annual

SECURITY BOND FOR FAITHFUL PERFORMANCE

WHEREAS, THE BOARD OF Supervisors of the County of Monterey, State of
California, and William Lyon Homes, Inc.
(Name of Subdivider)

hereinafter designated as "principal" have entered into an agreement whereby principal agrees to install
and complete certain designated improvements, which said agreement, dated July 18, 2006,

2003, and identified as East Garrison Agreement, Phase 1 & 2 - Erosion Control Bond
(Name of Subdivision or Project)

is hereby referred to and made a part hereof; and

WHEREAS, said principal is required under the terms of said agreement to furnish a bond for a
Faithful Performance of said agreement.

NOW, THEREFORE, we, the principal and Bond Safeguard Insurance Company

(Name of Bonding Company)

as surety are held and firmly bound unto County of Monterey, hereinafter called "County", in the penal
sum of One Million Four Hundred Ninety Nine Thousand* dollars (\$1,499,000.00)
lawful money of the United States, for the payments of which sum will and truly to be made, we bind
ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these
presents. *Dollars and 00/100.

The condition of this obligation is such that if the above bounded principal, his or its heirs,
executors, administrators, successors, or assigns, shall in all things stand to and abide by, and will 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 County, its officers, agents and employees, as therein stipulated, then this
obligation shall become null and void; otherwise it shall be and 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" fees, incurred by County in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

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.

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

In witness whereof, this instrument has been duly executed by the principal and surety above named, on January 26th, 2007, ~~XXXXX~~

BY N/A
General Partner

BY N/A
General Partner

BY N/A
General Partner

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

NAME OF SURETY
Bond Safeguard Insurance Company
BY [Signature]
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 JAN 26 2007 before me, Paris Shahabi, Notary Public
Name and Title of Officer (e.g., "Jane Doe, Notary Public")

personally appeared Janina Monroe
Names) 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

Paris Shahabi
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: _____

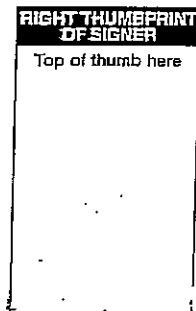
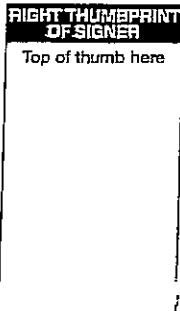
Capacity(ies) Claimed by Signer(s)

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: _____

AD 47605

POWER OF ATTORNEY

Bond Safeguard INSURANCE COMPANY

KNOW ALL MEN BY THESE PRESENTS, that **BOND SAFEGUARD INSURANCE COMPANY**, an Illinois Corporation with its principal office in Lombard, Illinois, does hereby constitute and appoint: Janina Monroe, Thomas G. McCall, Maria A. Quiroz, * Paul Boucher *****

its true and lawful Attorney(s)-In-Fact to make, execute, seal and deliver for, and on its behalf as surely, any and all bonds, undertakings or other writings obligatory in nature of a bond.

This authority is made under and by the authority of a resolution which was passed by the Board of Directors of **BOND SAFEGUARD INSURANCE COMPANY** on the 7th day of November, 2001 as follows:

Resolved, that the President of the Company is hereby authorized to appoint and empower any representative of the Company or other person or persons as Attorney-In-Fact to execute on behalf of the Company any bonds, undertakings, policies, contracts of indemnity or other writings obligatory in nature of a bond not to exceed \$1,000,000.00, One Million Dollars, which the Company might execute through its duly elected officers, and affix the seal of the Company thereto. Any said execution of such documents by an Attorney-In-Fact shall be as binding upon the Company as if they had been duly executed and acknowledged by the regularly elected officers of the Company. Any Attorney-In-Fact, so appointed, may be removed for good cause and the authority so granted may be revoked as specified in the Power of Attorney.

Resolved, that the signature of the President and the seal of the Company may be affixed by facsimile on any power of attorney granted, and the signature of the Vice President, and the seal of the Company may be affixed by facsimile to any certificate of any such power and any such power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company.

IN WITNESS THEREOF, **BOND SAFEGUARD INSURANCE COMPANY** has caused this instrument to be signed by its President, and its Corporate seal to be affixed this 7th day of November, 2001.



BOND SAFEGUARD INSURANCE COMPANY

BY *David E. Campbell*
David E. Campbell
President

ACKNOWLEDGEMENT

On this 7th day of November, 2001, before me, personally came David E. Campbell to me known, who being duly sworn, did depose and say that he is the President of **BOND SAFEGUARD INSURANCE COMPANY**, the corporation described in and which executed the above instrument; that he executed said instrument on behalf of the corporation by authority of his office under the By-laws of said corporation.

"OFFICIAL SEAL"
MAUREEN K. AYE
Notary Public, State of Illinois
My Commission Expires 09/21/09

Maureen K. Aye
Maureen K. Aye
Notary Public

CERTIFICATE

I, the undersigned, Secretary of **BOND SAFEGUARD INSURANCE COMPANY**, An Illinois Insurance Company, DO HEREBY CERTIFY that the original Power of Attorney of which the foregoing is a true and correct copy, is in full force and effect and has not been revoked and the resolutions as set forth are now in force.

Signed and Sealed at Lombard, Illinois this _____ Day of JAN 26 2007, 20_____



Donald D. Buchanan
Donald D. Buchanan
Secretary