

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

This agreement, made and entered into by and between the City of Menifee, State of California, hereinafter called City, and **KB HOME Coastal Inc.**, hereinafter called Developer.

WITNESSETH:

FIRST: Developer, for and in consideration of the approval by City of the final map of that certain land division known as **Tr 30142-1 Backbone**, hereby agrees, at Developer'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 **(Backbone Street Improvement Plan – 3 Traffic Signals)** for said land division which have been approved by the City Engineer, and are on file in the office of the Menifee Engineering Department, and do all work incidental thereto in accordance with the standards set forth in Riverside County Ordinance No. 460, as amended, or its successor, 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 City Engineer, and shall not be deemed complete until approved and accepted as complete by the City. Developer further agrees to maintain the above required improvements for a period of one year following acceptance by the City, and during this one year period to repair or replace, to the satisfaction of the City Engineer, any defective work or labor done or defective materials furnished. Developer 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 *****FIVE HUNDRED FORTY THOUSAND AND NO/100*** DOLLARS, (\$540,000.00).**

SECOND: Developer agrees to pay to City the actual cost of such inspections of the work and improvements as may be required by the City Engineer. Developer 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 City in successfully enforcing such obligations shall be paid by Developer, including reasonable attorney's fees, and that, upon entry of judgment, all such costs, expenses and fees shall be taxed as costs and included in any judgment rendered.

THIRD: City shall not, nor shall any officer or employee of City, 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 City 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 Developer, its agents or employees, in the performance of the work, and all or said liabilities are assumed by Developer. Developer agrees to protect, defend, and hold harmless City and the officers and employees thereof from all loss, liability or claim because of, or arising out of the acts or omissions of Developer, its 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 Developer hereby grants to City, or any agent or employee of City, 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 Developer has completed work within the time specified or any extension thereof granted by the City.

FIFTH: The Developer 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 Developer 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: Developer, its agents and employees, shall give notice to the City Engineer at least 48 hours before beginning any work and shall furnish said City of Menifee Engineering all reasonable facilities for obtaining full information with respect to the progress and manner of work.

SEVENTH: If Developer, its 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 City, or if Developer violates, neglects, refuses, or fails to perform satisfactorily any of the provisions of the plans and specifications, Developer shall be in default of this agreement and notice of such default shall be served upon Developer. City shall have the power, on recommendation of the City Engineer, to terminate all rights of Developer because of such default. The determination by the City Engineer 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 Developer, 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 City under law. The failure of the Developer to commence construction shall not relieve the Developer or surety from completion of the improvements required by this agreement.

EIGHTH: Developer agrees to file with City, 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 as amended 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. Developer 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 City Engineer that the sureties or amounts are insufficient. Notwithstanding any other provisions herein, if Developer fails to take such action as is necessary to comply with said notice, Developer shall be in default of this agreement unless all required improvements are completed within ninety (90) days of the date on which the City Engineer notified Developer 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 City, either at its own option, or upon request of Developer, and such extensions shall in no way affect the validity of this agreement or release the surety or sureties on such bonds. Developer 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:

City

Developer

City of Menifee
29714 Haun Road
Menifee, CA 92586

KB HOME Coastal Inc.
36310 Inland Valley Drive
Wildomar, CA 92595
951-691-5300
951-677-2190 FAX

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

Dated: 4-6, 2010

By:


Michael H. Freeman, Jr.

Vice President, Land and Planning

By:

CITY OF MENIFEE

By


Wallace W. Edgerton, Mayor

ATTEST:

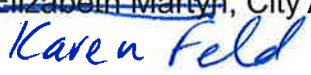
APPROVED AS TO FORM:

By


Kathy Bennett, City Clerk

By:


Elizabeth Martyn, City Attorney


Karen Feld

**SIGNATURES OF DEVELOPER MUST BE ACKNOWLEDGED BY NOTARY
AND EXECUTED IN TRIPLICATE**

Revised 3/19/10

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

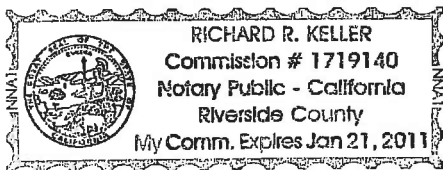
State of California

County of Riverside

On April 6, 2010 before me, Richard R. Keller, Notary Public, personally appeared Michael H. Freeman, Jr., who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.




Richard R. Keller



FAITHFUL PERFORMANCE BOND

CITY OF MENIFEE, STATE OF CALIFORNIA

(Government Code Section 66499.1)

Backbone Plan - 3 Traffic Signals

FOR: Streets and Drainage	\$ 540,000.00	Tract/Parcel Map	30142-1 Backbone
Water System	\$	Bond No.	1145786
Sewer System	\$	Premium	\$9,450.00

Surety Berkley Regional Insurance Company

Address 505 N. Brand Blvd., Suite 1040

City/State Glendale, CA

Zip code 91203

Phone 818-550-1403

Principal KB HOME Coastal Inc.

Address 36310 Inland Valley Drive

City/State Wildomar, CA

Zip 92595

Phone 951-691-5245

WHEREAS, the City of Menifee, State of California, and KB HOME Coastal Inc. (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) Tr 30142-1 Backbone, 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 Berkley Regional Insurance Company, as surety, are held and firmly bound unto the City of Menifee in the penal sum of Five Hundred Forty Thousand and No/100 Dollars (\$ 540,000.00) 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 City of Menifee, 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 City in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

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 there under 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 City of Menifee 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 August 6, 2010.

NAME OF PRINCIPAL: KB HOME Coastal Inc.

AUTHORIZED SIGNATURE(S):

By:

A handwritten signature in black ink, appearing to read "Michael H. Freeman, Jr.", written over a horizontal line.

Name: MICHAEL H. FREEMAN, JR.

Title: VP LAND + FORWARD PLANNING

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY:

Berkley Regional Insurance Company

AUTHORIZED SIGNATURE:

A handwritten signature in black ink, appearing to read "Brenda Wong", written over a horizontal line.

Its Attorney-in-Fact

Title

Brenda Wong, Attorney-in-Fact

(IF CORPORATION, AFFIX SEAL)

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

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

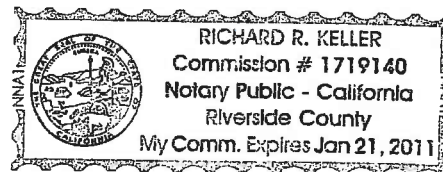
State of California

County of Riverside

On August 10, 2010 before me, Richard R. Keller, Notary Public, personally appeared Michael H. Freeman, Jr., who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Richard R. Keller
Richard R. Keller

(SEAL)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Los Angeles

On August 6, 2010 before me, Tracy Aston, Notary Public, personally appeared Brenda Wong, who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



A handwritten signature in cursive script, appearing to read 'Tracy Aston', written over a horizontal line.

Tracy Aston

POWER OF ATTORNEY
BERKLEY REGIONAL INSURANCE COMPANY
 WILMINGTON, DELAWARE

NOTICE: The warning found elsewhere in this Power of Attorney affects the validity thereof. Please review carefully.

KNOW ALL MEN BY THESE PRESENTS, that BERKLEY REGIONAL INSURANCE COMPANY (the "Company"), a corporation duly organized and existing under the laws of the State of Delaware, having its principal office in Urbandale, Iowa, has made, constituted and appointed, and does by these presents make, constitute and appoint: **Thomas S. Branigan, Ashraf Elmasry, Brenda Wong, Marina B. Tapia, Edward C. Spector, Noemi Quiroz or Simone Gerhard of Aon Risk Insurance Services West, Inc. of Los Angeles, CA** its true and lawful Attorney-in-Fact, to sign its name as surety only as delineated below and to execute, seal, acknowledge and deliver any and all bonds and undertakings, with the exception of Financial Guaranty Insurance, providing that no single obligation shall exceed **Fifty Million and 00/100 Dollars (\$50,000,000.00)**, to the same extent as if such bonds had been duly executed and acknowledged by the regularly elected officers of the Company at its principal office in their own proper persons.

This Power of Attorney shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereof. This Power of Attorney is granted pursuant to the following resolutions which were duly and validly adopted at a meeting of the Board of Directors of the Company held on August 21, 2000:

"RESOLVED, that the proper officers of the Company are hereby authorized to execute powers of attorney authorizing and qualifying the attorney-in-fact named therein to execute bonds, undertakings, recognizances, or other suretyship obligations on behalf of the Company, and to affix the corporate seal of the Company to powers of attorney executed pursuant hereto; and further

RESOLVED, that such power of attorney limits the acts of those named therein to the bonds, undertakings, recognizances, or other suretyship obligations specifically named therein, and they have no authority to bind the Company except in the manner and to the extent therein stated; and further

RESOLVED, that such power of attorney revokes all previous powers issued on behalf of the attorney-in-fact named; and further

RESOLVED, that the signature of any authorized officer and the seal of the Company may be affixed by facsimile to any power of attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligation of the Company; and such signature and seal when so used shall have the same force and effect as though manually affixed. The Company may continue to use for the purposes herein stated the facsimile signature of any person or persons who shall have been such officer or officers of the Company, notwithstanding the fact that they may have ceased to be such at the time when such instruments shall be issued."

IN WITNESS WHEREOF, the Company has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 19 day of January, 2010.

Attest:

Berkley Regional Insurance Company

(Seal)

By

Ira S. Lederman
 Senior Vice President & Secretary

By

Robert P. Cole
 Senior Vice President

WARNING: THIS POWER INVALID IF NOT PRINTED ON BLUE "BERKLEY" SECURITY PAPER.

STATE OF CONNECTICUT)

) ss:

COUNTY OF FAIRFIELD)

Sworn to before me, a Notary Public in the State of Connecticut, this 19 day of January, 2010, by Robert P. Cole and Ira S. Lederman who are sworn to me to be the Senior Vice President, and the Senior Vice President and Secretary, respectively, of Berkley Regional Insurance Company.

EILEEN KILLEEN
NOTARY PUBLIC

MY COMMISSION EXPIRES JUNE 30, 2012

Eileen Killeen
 Notary Public, State of Connecticut

CERTIFICATE

I, the undersigned, Assistant Secretary of BERKLEY REGIONAL INSURANCE COMPANY, DO HEREBY CERTIFY that the foregoing is a true, correct and complete copy of the original Power of Attorney; that said Power of Attorney has not been revoked or rescinded and that the authority of the Attorney-in-Fact set forth therein, who executed the bond or undertaking to which this Power of Attorney is attached, is in full force and effect as of this date.

Given under my hand and seal of the Company, this _____ day of AUG - 6 2010.

(Seal)

Steven Coward
 Steven Coward

the certification seal at the bottom is embossed. The background imprint, warning and confirmation (on reverse) must be in blue ink.



MATERIAL AND LABOR BOND
CITY OF MENIFEE, STATE OF CALIFORNIA
(Government Code Section 66499.1)

Backbone Street Plan - 3 Traffic Signals

FOR: Streets and Drainage \$ 270,000.00 Tract/Parcel Map 30142-1 Backbone
Water System \$ _____ Bond No. 1145786
Sewer System \$ _____ Premium Included in the Faithful Performance Bond

Surety Berkley Regional Insurance Company
Address 505 N. Brand Blvd., Suite 1040
City/State Glendale, CA
Zip 91203
Phone 818-550-1403

Principal KB HOME Coastal Insurance
Address 36310 Inland Valley Drive
City/State Wildomar, CA
Zip 92525
Phone 951-691-5245

WHEREAS, the City of Menifee, State of California, and KB HOME Coastal Inc.

(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) Tr 30142-1 Backbone, 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 City of Menifee 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 City of Menifee and all contractors, subcontractors, laborers, material persons and other persons employed in the performance of said Civil Code in the sum of Two Hundred Seventy Thousand and No/100— Dollars (\$ 270,000.00) 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 City 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 entitled 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.

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 August 6, 2010.

NAME OF PRINCIPAL: KB HOME Coastal Inc.

AUTHORIZED SIGNATURE(S):

By:



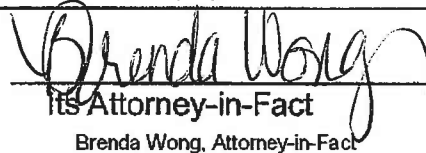
Name: MICHAEL H. FREEMAN, JR.

Title: UP LAND + FORWARD PLANNING

(IF CORPORATION, AFFIX SEAL)

NAME OF SURETY: Berkley Regional Insurance Company

AUTHORIZED SIGNATURE:



Its Attorney-in-Fact

Title

Brenda Wong, Attorney-in-Fact

(IF CORPORATION, AFFIX SEAL)

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

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

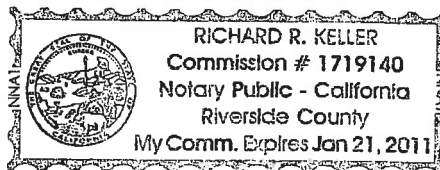
State of California

County of Riverside

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I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.




Richard R. Keller

(SEAL)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of Los Angeles

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WITNESS my hand and official seal.



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Tracy Aston

POWER OF ATTORNEY
BERKLEY REGIONAL INSURANCE COMPANY
 WILMINGTON, DELAWARE

NOTICE: The warning found elsewhere in this Power of Attorney affects the validity thereof. Please review carefully.

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This Power of Attorney shall be construed and enforced in accordance with, and governed by, the laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereof. This Power of Attorney is granted pursuant to the following resolutions which were duly and validly adopted at a meeting of the Board of Directors of the Company held on August 21, 2000:

"RESOLVED, that the proper officers of the Company are hereby authorized to execute powers of attorney authorizing and qualifying the attorney-in-fact named therein to execute bonds, undertakings, recognizances, or other suretyship obligations on behalf of the Company, and to affix the corporate seal of the Company to powers of attorney executed pursuant hereto; and further

RESOLVED, that such power of attorney limits the acts of those named therein to the bonds, undertakings, recognizances, or other suretyship obligations specifically named therein, and they have no authority to bind the Company except in the manner and to the extent therein stated; and further

RESOLVED, that such power of attorney revokes all previous powers issued on behalf of the attorney-in-fact named; and further

RESOLVED, that the signature of any authorized officer and the seal of the Company may be affixed by facsimile to any power of attorney or certification thereof authorizing the execution and delivery of any bond, undertaking, recognizance, or other suretyship obligation of the Company; and such signature and seal when so used shall have the same force and effect as though manually affixed. The Company may continue to use for the purposes herein stated the facsimile signature of any person or persons who shall have been such officer or officers of the Company, notwithstanding the fact that they may have ceased to be such at the time when such instruments shall be issued."

IN WITNESS WHEREOF, the Company has caused these presents to be signed and attested by its appropriate officers and its corporate seal hereunto affixed this 19 day of January, 2010.

Attest:

(Seal)

By

Ira S. Lederman
 Senior Vice President & Secretary

Berkley Regional Insurance Company

By

Robert P. Cole
 Senior Vice President

WARNING: THIS POWER INVALID IF NOT PRINTED ON BLUE "BERKLEY" SECURITY PAPER.

STATE OF CONNECTICUT)

) ss:

COUNTY OF FAIRFIELD)

Sworn to before me, a Notary Public in the State of Connecticut, this 19 day of January, 2010, by Robert P. Cole and Ira S. Lederman who are sworn to me to be the Senior Vice President, and the Senior Vice President and Secretary, respectively, of Berkley Regional Insurance Company.

EILEEN KILLEEN
NOTARY PUBLIC
 MY COMMISSION EXPIRES JUNE 30, 2012

Eileen Killeen
 Notary Public, State of Connecticut

CERTIFICATE

I, the undersigned, Assistant Secretary of BERKLEY REGIONAL INSURANCE COMPANY, DO HEREBY CERTIFY that the foregoing is a true, correct and complete copy of the original Power of Attorney; that said Power of Attorney has not been revoked or rescinded and that the authority of the Attorney-in-Fact set forth therein, who executed the bond or undertaking to which this Power of Attorney is attached, is in full force and effect as of this date.

Given under my hand and seal of the Company, this _____ day of AUG - 6 2010.

(Seal)

Steven Coward
 Steven Coward

the certification seal at the bottom is embossed. The background imprint, warning and confirmation (on reverse) must be in blue ink.