

PERFORMANCE BOND AGREEMENT FORM

Whereas, the Board of Supervisors of the County of El Dorado, State of California, and Serrano Associates, LLC (hereinafter designated as "principal") have entered into an agreement whereby principal agrees to install and complete certain designated public improvements, which said agreement, dated October 18, 2005, and identified as project **SERRANO VILLAGE K1 & K2, UNIT NO. 3** 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 the faithful performance of said agreement.

Now, therefore, we, the principal and The Continental Insurance Company, called ("Surety"), in the penal sum of **SEVEN HUNDRED SIXTY-ONE THOUSAND SEVEN HUNDRED EIGHTY AND NO/100 DOLLARS (\$761,780.00)** lawful money of the United States, for the payment of which sum well and truly to be made, we bind ourselves, our heirs, successors, executors and administrators, jointly and severally, firmly by these presents.

The conditions of this obligation is such that if the above bound 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 of 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 of El Dorado, 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 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 El Dorado County in successfully enforcing such obligation, all to be taxed as costs and included in any judgment rendered.

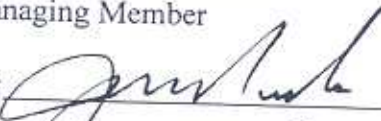

The surety hereby stipulates and agrees that no change, extension of time, alteration or addition to the terms of the agreement or to the work to be performed thereunder or the specifications accompanying the same shall in any ways affect its obligations on this bond, and it does hereby waive notice 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 June 2, 2005.

PRINCIPAL

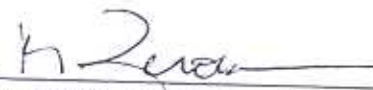
SERRANO ASSOCIATES, LLC
a Delaware limited liability company

By: Parker Development Company,
a California Corporation
Managing Member

By: 
Its: Vice President 

SURETY

The Continental Insurance Company

By: 
Katherine G. Zerounian, Attorney-In-Fact