

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 May 13, 2004, and identified as project **SERRANO VILLAGE K6 – UNIT 1** 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 (hereinafter designated as "Surety"), are held and firmly bound unto the County of El Dorado, as Obligee, in the penal sum of **ONE MILLION SIX HUNDRED SIXTY ONE THOUSAND THREE HUNDRED THIRTY EIGHT AND 95/100 DOLLARS (\$1,661,338.95)** 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 are 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 anyway 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.

IT IS FURTHER UNDERSTOOD AND AGREED THAT:

1. Serrano Associates, LLC, Principal, shall be responsible for the completion of the public improvements as required in the described Subdivision Improvement Agreements.
2. Any claim or demand made by the Obligee shall be made against Serrano Associates, LLC and its surety.
3. Provided, further, that regardless of the period of time that this bond is in force and regardless of the number of demands made against this bond and the bonds listed on Attachment B, the Surety's obligations shall be limited in the cumulative aggregate amount of \$1,661,338.95 plus the costs, expenses and reasonable attorneys' fees to be paid by the Subdivider should the County of El Dorado be required to commence an action to enforce the provisions of the Agreement.
4. The cumulative obligation of the Principal under all of the agreements listed on Attachment B, shall be limited to the public improvements plans, specifications and cost estimates entitled Serrano – Greenview Drive, listed in Attachment A, pages 1

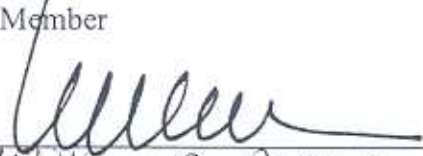
through 9 less the amount certified as partial completion of subdivision improvements certified on May 12, 2004 and accepted by the County of El Dorado.

In witness whereof, this instrument has been duly executed by the principal and surety above named, on May 18, 2004.

PRINCIPAL

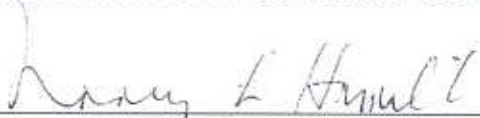
SERRANO ASSOCIATES, LLC
a Delaware limited liability company

By: Parker Development Company,
a California Corporation
Managing Member

By: 
Name: William R. Parker
Its: President

SURETY

THE CONTINENTAL INSURANCE COMPANY

By: 
Nancy L. Hamilton, Attorney-In-Fact