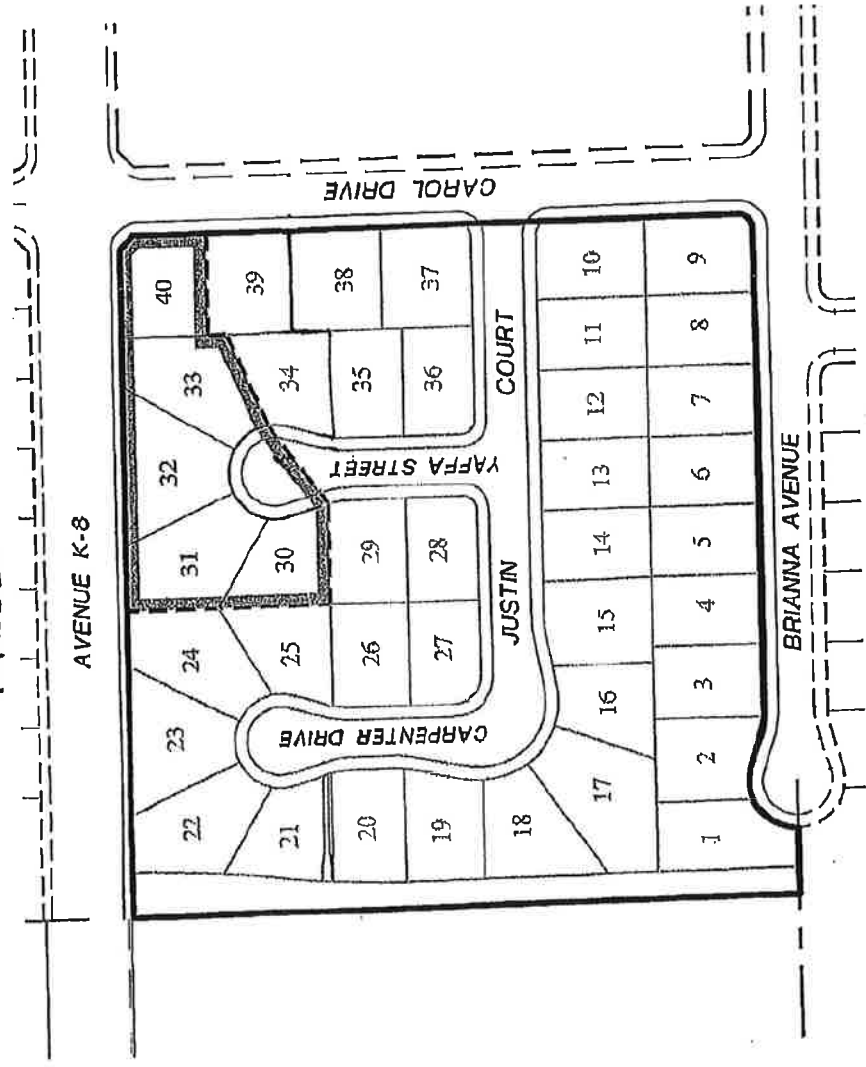


TRACT NO. 060943
CITY OF LANCASTER

LOTS 30-33, 40
PHASE II



NO SCALE

**UNDERTAKING AGREEMENT
(SUBDIVISION IMPROVEMENTS)
TRACT NO. 060943 PHASE 2**

THIS AGREEMENT made this _____ day of _____, 20__ by and between the City of Lancaster, (the "City") and KB Home Greater Los Angeles, Inc. (the "Subdivider").

RECITALS

A. The City approved Tentative Map No. 060943 on April 18, 2005 (the "Tentative Map"), subject to certain conditions of approval set forth in Resolution No. 05-17, which conditions include construction of certain public improvements.

B. The City and original subdivider, Richmond America Homes of California (the "Original Subdivider"), entered into an Undertaking Agreement dated May 9, 2006, in order to obtain approval of a final subdivision map prior to completion of the required public improvements. The City subsequently approved a final subdivision map for Tract No. 060943 on May 9, 2006 (the "Map"), and it was recorded on June 28, 2006.

C. The Original Subdivider conveyed its interest in a portion of the map, including all property associated therewith, identified as Tract No. 060943 Phase 2 (the "Subdivision") and as shown on Exhibit "A" attached hereto to Plum Canyon Investments, LLC ("Plum Canyon").

D. Plum Canyon substituted a new Undertaking Agreement for Phase 2 and the City approved the same on August 6, 2008 (the "Plum Canyon Agreement").

E. The Plum Canyon Agreement, including any and all extensions thereto, require that all work specified therein be completed on or before May 1, 2015. As of the date of this Agreement only a portion of the work required to be constructed pursuant to the Plum Canyon Agreement has been completed.

F. Plum Canyon has conveyed or will convey its interest in the Subdivision, including all property associated therewith, to the Subdivision upon which there remains Work to be completed by Subdivider.

G. The City and Subdivider desire to enter into this Agreement in order to clarify the extent of Subdivider's responsibility and liability with respect to completion of the work required under the Plum Canyon Agreement and the other matters set forth herein. This Agreement is executed pursuant to the provisions of the Subdivision Map Act of the State of California and applicable City ordinances.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and of the approval of the Map and of the acceptance of the dedications therein offered, and in order to insure satisfactory performance by Subdivider of Subdivider's obligations under the Subdivision Map Act and said ordinances, the parties agree as follows:

1. Performance of Work

To the extent such improvements have not been previously completed, Subdivider, at its

sole cost and expense, will improve the Subdivision, by the paving of streets, construction of curbs and gutters, crossgutters and sidewalks, installation of drainage and sanitary sewerage facilities, provision of an underground utility and street lighting system, installation of street signs, parkway trees, a water system and all related facilities, and such other improvements required by the ordinances of the City and/or City Council of the City (the "City Council") in the approval of said Tentative Map, together with appurtenances, contingencies and engineering costs and as more particularly shown in the improvement plans for said Tentative Map (the "Improvements"). Subdivider will do all work and furnish all materials necessary, in the opinion of the City Engineer, to complete said Improvements in accordance with the plans and specifications on file in the office of the City Engineer or with any changes or modifications required or ordered by the City Engineer which, in her opinion, are necessary or required to complete the Improvements (the "Work"). Subdivider shall maintain the Improvements and adjacent public facilities clear of all debris, weeds, and other materials which inhibit the performance of the Improvements or become a public nuisance. Should the Subdivider fail to act promptly in accordance with this requirement the City may, at its option, perform the necessary work and the Subdivider shall pay to the City the actual cost of such maintenance plus fifteen (15) percent.

2. Work, Places, and Grades to be Fixed by Engineer

All of said Work is to be done at the places, of the materials, in the manner and at the grades, all as shown upon the plans and specifications therefor, heretofore approved by City Engineer and which are now on file in her office, and to the satisfaction of said City Engineer.

3. Time of Essence - Extension

Time is of the essence with respect to the performance by Subdivider of each and every obligation and condition of this Agreement; provided that in the event good cause is shown therefor, the City Council may in its sole and absolute discretion extend the time for completion of the improvements hereunder. Any such extension may be granted without notice to any surety securing all or any portion of Subdivider's obligations hereunder (a "Surety"), and extensions so granted shall not relieve any Surety of its liability under the Improvement Security or Monument Security (as hereinafter defined) or this Agreement to guarantee the faithful performance of this Agreement. The City Council shall be the sole and final judge as to whether or not good cause has been shown to entitle Subdivider to an extension.

4. Repairs and Replacements

Subdivider shall replace, or have replaced, or repair, or have repaired, as the case may be, all survey monuments shown on the Map which have been damaged, disturbed, or destroyed, and shall replace, or have replaced, repair, or have repaired, as the case may be, or pay to the owner, the entire cost of replacement or repairs, of any and all property damaged or destroyed by reason of any work done hereunder. Any such repair or replacement or payment pursuant to this Section 4 shall be to the satisfaction of and subject to the approval of the Director of Public Works.

5. Permits; Compliance with Law

Subdivider shall, at Subdivider's expense, obtain all necessary permits and licenses for the construction of such Improvements, give all necessary notices and pay all fees and taxes required by law.

6. Supervision by Subdivider

Subdivider shall personally supervise the Work on said Improvements, or have a competent foreman or superintendent on the Work site at all times during progress, with authority to act for Subdivider.

7. Inspection by City

City shall have the right at all times during performance of the Work to enter onto the Subdivision as necessary, and without charges or fees, to inspect the Work, so long as City representatives comply with all safety rules. Subdivider shall at all times maintain proper facilities, and provide safe access for inspection by City, to all parts of the Work, and to the shops wherein the Work is in preparation. Inspection by the City or City representatives shall not constitute acceptance by the City nor shall such inspection result in a waiver.

8. Improvement Security

Concurrently with the execution hereof, Subdivider shall deposit with City an adequate and satisfactory improvement security which fully secures all the Subdivider's obligations under this Agreement (the "Improvement Security") in accordance with the provisions of Section 66499 of the Government Code of California, the City of Lancaster Subdivision Ordinance, Sections 16.32.020 of the Lancaster Municipal Code, and this Section. The Improvement Security shall be executed by a surety acceptable to the City and shall include the following: (1) security in an amount equal to at least one hundred (100) percent of the estimated cost of Improvements (as evidenced by a Bond Estimate Form approved by the City Engineer), including City inspection costs and costs of enforcement of this Agreement (the "Cost of Improvements") as security for the faithful performance of this Agreement; (2) separate security in an amount equal to at least fifty (50) percent of the estimated Cost of Improvements as security for the payment of all persons performing labor and furnishing materials in connection with this Agreement; (3) separate security in an amount equal to Seventeen Thousand Five Hundred Dollars (\$17,500.00) as security for grading; and (4) security in the amount of ten (10) percent of the Cost of Improvements to guarantee the Improvements against defective work, labor or material for one (1) year following City's acceptance of the Improvements (which may be provided by a retention provision in the security as set forth in Section 9). If, at any time after deposit of the Improvement Security, the surety on said securities is no longer acceptable to the City, Subdivider agrees to replace said securities with securities of equal or greater value or penal sum, issued by an acceptable surety within ten days after receiving notice that said surety is unacceptable.

9. Retention of Improvement Security

Unless otherwise provided for under the Improvement Security, the City shall retain at least ten (10) percent of the Improvement Security for faithful performance for a period of one (1) year after final acceptance of the work performed under this Agreement, to guarantee corrective work throughout the warranty period described in Section 12 herein. The security for payment of labor and materials shall be retained by City for a period of ninety (90) days after final acceptance of the Improvement, after which the security for payment of labor and materials may be reduced to an amount equal to the amount of all claims, for which claims of lien have been recorded and notice given in writing to the City Council. The retained portion of the security for payment of labor and materials shall continue to be retained until the settlement of all such claims and obligations for which security was given.

10. Monument Security (This Item Has Been Intentionally Omitted)

11. Hold-Harmless Agreement

Subdivider hereby binds itself, its executors, administrators, successors, and assigns and agrees to indemnify, defend and hold City, its elective and appointive boards, commissions, officers, agents and employees, harmless from any liability for or claims for damage for personal injury, including death, as well as from any liability for or claims for damage to property, both real and personal, which may arise from or be caused by Subdivider's or Subdivider's contractor's, subcontractor's, agent's or employee's operations under this Agreement. Subdivider agrees to, and shall, defend City and its elective and appointive boards, commissions, officers, agents and employees from any suits or actions at law or in equity for damage caused, or alleged to have been caused, by reason of any of the aforesaid operations. It is understood that City does not, and shall not waive any right against Subdivider which it may have by reason of the aforesaid hold-harmless agreement, because of the acceptance by City, or the deposit with City by Subdivider, of the Improvement Security or Cash Charges (as hereinafter defined). It is further understood that this Section shall apply to all damages and claims for damages of every kind suffered, or alleged to have been suffered, by reason of any of the aforesaid operations referred to in this Section, regardless of whether the City has prepared, supplied or approved of, plans and/or specifications for the Subdivision.

12. Warranty, Repair or Reconstruction of Defective Work

Subdivider warrants that all Work and Improvements shall be free from defects in material or workmanship and shall perform satisfactorily for a period of one (1) year from the date the City accepts the Work and Improvements as complete in accordance with the plans and specifications approved by the City Engineer. If, within a period of one (1) year after final acceptance of the work performed under this Agreement, any structure or part of any structure furnished and/or installed or constructed, or caused to be installed or constructed by Subdivider, or any of the work done under this Agreement, fails to fulfill any of the requirements of the Agreement or the specifications referred to herein, Subdivider shall, without delay and without cost to City, repair or replace or reconstruct any defective or otherwise unsatisfactory part or parts of the work or structure. Should Subdivider fail to act promptly or in accordance with this requirement, or should the exigencies of the case require repairs or replacements to be made before Subdivider can be notified, City may, at its option, make the necessary repairs or replacements or perform the necessary work and Subdivider shall pay to the City the actual cost of such repairs plus fifteen (15) percent.

13. Subdivider Not Agent of City

Neither Subdivider nor any of the Subdivider's agents or contractors are or shall be considered to be agents of City in connection with the performance of Subdivider's obligations under this Agreement.

14. Cash Charges

Subdivider shall pay to the City in cash such subdivision fees (the "Cash Charges") that have been established by ordinance or by the City Council in conferring approval or extension of time to said Subdivision.

15. Notice of Breach and Default

Subdivider shall be in default of this Agreement if Subdivider refuses or fails to commence and diligently prosecute to completion the Work, or any severable part thereof, with such diligence as will insure its completion within the time specified, or any extensions thereof, or fails to obtain completion of said Work within such time or if the Subdivider should be adjudged a bankrupt, or if the Subdivider should make a general assignment for the benefit of Subdivider's creditors, or if a receiver should be appointed in the event of Subdivider's insolvency, or if Subdivider, or any of Subdivider's contractors, subcontractors, agents or employees, should violate any of the provisions of this Agreement. In such case, City Engineer or City Council may serve written notice upon Subdivider and Subdivider's surety in accordance with Section 23, of Subdivider's default.

16. Default Remedies; Performance by Surety or City

In the event of any such notice of default, Subdivider's surety shall have the duty to take over and complete the Work and the Improvements herein specified; provided, however, that if the surety, within five (5) days after the serving upon it of such notice of default, does not give City written notice of its intention to take over the performance of said Work or does not, within five (5) days after giving City notice of such election, commence to complete the Work, City may take over the work and prosecute the same to completion, by contract or by any other method City may deem advisable, for the account and at the expense of Subdivider, and Subdivider's surety shall be liable to City for any costs or damages occasioned City thereby; and, in such event, City, without liability for so doing, may take possession of, and utilize in completing the Work, such materials, appliances, plant and other property belonging to Subdivider as may be on the site of the Work and necessary therefor.

17. Emergencies

If, in the sole judgment of the City Engineer, conditions exist that cause, or may cause, a hazard to life or property, the City Engineer may cause such conditions to be modified on an emergency basis without notice to the Subdivider. Neither the City Engineer, the City or its agents shall be held liable to the Subdivider for damages arising out of such emergency actions and to the extent that the actions taken are for the maintenance of safety to life and property that would not have existed had the Subdivider's operations not been in progress, the cost of such emergency measures so taken by the City shall be reimbursed to the City by the Subdivider.

18. Completion

Subdivider shall complete all of said Work on or before _____, [Date to be within two (2) years from Council approval] or within such further time as may be granted by the City Council.

19. Attorney's Fees

In addition to any other amounts to be paid by Subdivider hereunder, Subdivider shall pay all costs and reasonable expenses and fees, including reasonable attorney's fees, incurred by the City in successfully enforcing the Improvement Security furnished by Subdivider hereunder.

20. Alteration of Agreement

Subdivider hereby stipulates and agrees that no addition, alterations or modifications to this Agreement or to the plans and specifications referred to herein, including any extension of

time within which the Work hereunder may be completed, shall in any way affect its obligations on the Improvement Security furnished hereunder.

21. Surety to Include Issuer of Letter of Credit or Bond

The term surety as used herein shall include the issuer of any letter of credit or bond which is acceptable to the City as Improvement Security under this Agreement.

22. Severability

If any portion of this Agreement is declared by a court of competent jurisdiction to be invalid or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect.

23. Notices

All notices and other communications hereunder shall be in writing and mailed or personally delivered to the appropriate party at the address set forth in this Section 23, or, as to any party, at any other address in the State of California as shall be designated by it in a written notice sent to the other party.

To City:

City of Lancaster
44933 North Fern Avenue
Lancaster, California 93534-2461
Attention: City Engineer

To Subdivider:

KB HOME Greater Los Angeles, Inc.
25152 Springfield Court, Suite 180
Valencia, California 91355
Attention: Ron Mertz
Vice President Forward Planning
Telephone: (661) 219-6880

24. Successors and Assigns

All of the terms and conditions of this Agreement shall be binding upon and shall inure to the benefit of the parties, their respective heirs, successors, representatives, assigns, officers, directors, agents, partners, servants, employees, and affiliated corporations or companies.

25. Headings

The headings contained in this Agreement have been inserted for convenience only and in no way define or limit the scope of interpretation of the Agreement.

26. Law

The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the day and year first above written.

APPROVED:

CITY OF LANCASTER

KB HOME COASTAL INC.

By: _____
Michelle Cantrell
City Engineer

Thomas C. DiPrima
Executive Vice President

APPROVED AS TO FORM:

By: _____
City Attorney

ALL SIGNATURES MUST BE ACKNOWLEDGED BY NOTARY

EXHIBIT "A"

LEGAL DESCRIPTION OF CONVEYED PROPERTY

Real property in the City of Lancaster, County of Los Angeles, State of California, described as follows:

LOTS 30 THROUGH 33 AND LOT 40 OF TRACT NO. 060943, IN THE CITY OF LANCASTER, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1318, PAGES 97 THROUGH 99, INCLUSIVE OF MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.