

**AMENDMENT TO UNDERTAKING AGREEMENT
(SUBDIVISION IMPROVEMENT – PHASE ACCEPTANCE)**

TRACT NO. 53102-02

THIS AMENDMENT (this “Amendment”) made this 14th day of April, 2009, by and between the City of Lancaster (the “City”) and Magnolia, LP (the “Subdivider”).

R E C I T A L S

A. The City approved Tentative Map 49526 (Parent Tract) on August 13, 1990 (the “Tentative Map”), subject to conditions of approval contained within the staff report, which conditions include construction of certain public improvements as set forth therein.

B. The City and Subdivider entered into that certain Undertaking Agreement dated September 23, 2003 (“Agreement”).

C. The Agreement requires Subdivider to complete all Work required thereunder on or before September 25, 2005 (“Completion Date”).

D. Subdivider has completed a portion of the Work required by the Agreement and has requested or intends to request that City accept the completed portion of the Work on a phased basis.

E. Subdivider has timely completed all Work on the real property identified on Exhibit “A” hereto (the “Phase 1 Property”). Subdivider intends to retain ownership and complete the Work on the portion of real property identified on Exhibit “B” hereto (the “Phase 2 Property”) upon which there remains Work to be completed by Subdivider.

F. The primary purpose of this Amendment is to exclude from the Agreement that certain portion of Work relative to the Phase 1 Property and to clarify that the Work relative to the Phase 2 Property shall be completed on or before April 14, 2010.

G. 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 said Subdivision Map Act and said ordinance, the parties agree as follows:

1. Performance of Work. Subdivider’s obligation to complete the Work as described in Section 1 of the Agreement shall be limited to Work that is required relative to the Phase 2 Property.

2. Maintenance Agreement. Subdivider shall maintain the subdivision in a clean and safe manner and shall execute a maintenance agreement, the form of which agreement is attached hereto as Exhibit “C” and incorporated herein by this reference.

3. Conflict in Terms. All other terms and conditions set forth in the Agreement are hereby ratified and shall remain the same and the Agreement continues to be in full force and effect. To the extent that any provision of this Amendment conflicts with the Agreement, as previously amended, the terms of this Amendment shall control.

4. Counterparts; and Facsimile/Electronic Signatures. This Amendment may be executed in counterparts and shall be effective when all parties have signed a copy. Such counterparts taken together shall constitute one and the same agreement. It is agreed that a facsimile or electronic signature shall evidence and constitute valid execution of this Amendment and shall be binding on the signing party. At the request of either party, the parties will confirm facsimile or electronically transmitted signatures by signing an original document.

5. Ambiguity. All provisions of this Amendment have been negotiated by both parties at arm's length and neither party shall be deemed the scrivener of this Amendment. This Amendment shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof.

6. No Further Amendment to Agreement. Except as expressly set forth herein, the terms of the Agreement shall remain in full force and effect as written. All terms used herein and not defined herein but defined in the Agreement shall have the meaning given to such terms in the Agreement.

7. Representations and Warranties of Subdivider. Subdivider represents and warrants to the City and the City enters into this Extension in material reliance upon the following representations and warranties of the Subdivider:

a. Authority. Subdivider has full right, power and lawful authority to undertake all obligations as provided herein and the execution, performance and delivery of this Amendment by Subdivider has been fully authorized by all requisite actions on the part of the Subdivider.

b. No Conflict. To the best of Subdivider's knowledge, Subdivider's execution, delivery and performance of its obligations under this Amendment will not constitute a default or a breach under any contract, agreement or order to which the Subdivider is a party or by which it is bound.

c. No Subdivider Bankruptcy. Subdivider is not the subject of a bankruptcy proceeding.


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

SUBDIVIDER

By: _____
City Engineer



(Signature)

President

(Office Held)

Pacific Communities Builder, Inc.

Partnership or Corporation
represented, if applicable

APPROVED AS TO FORM:

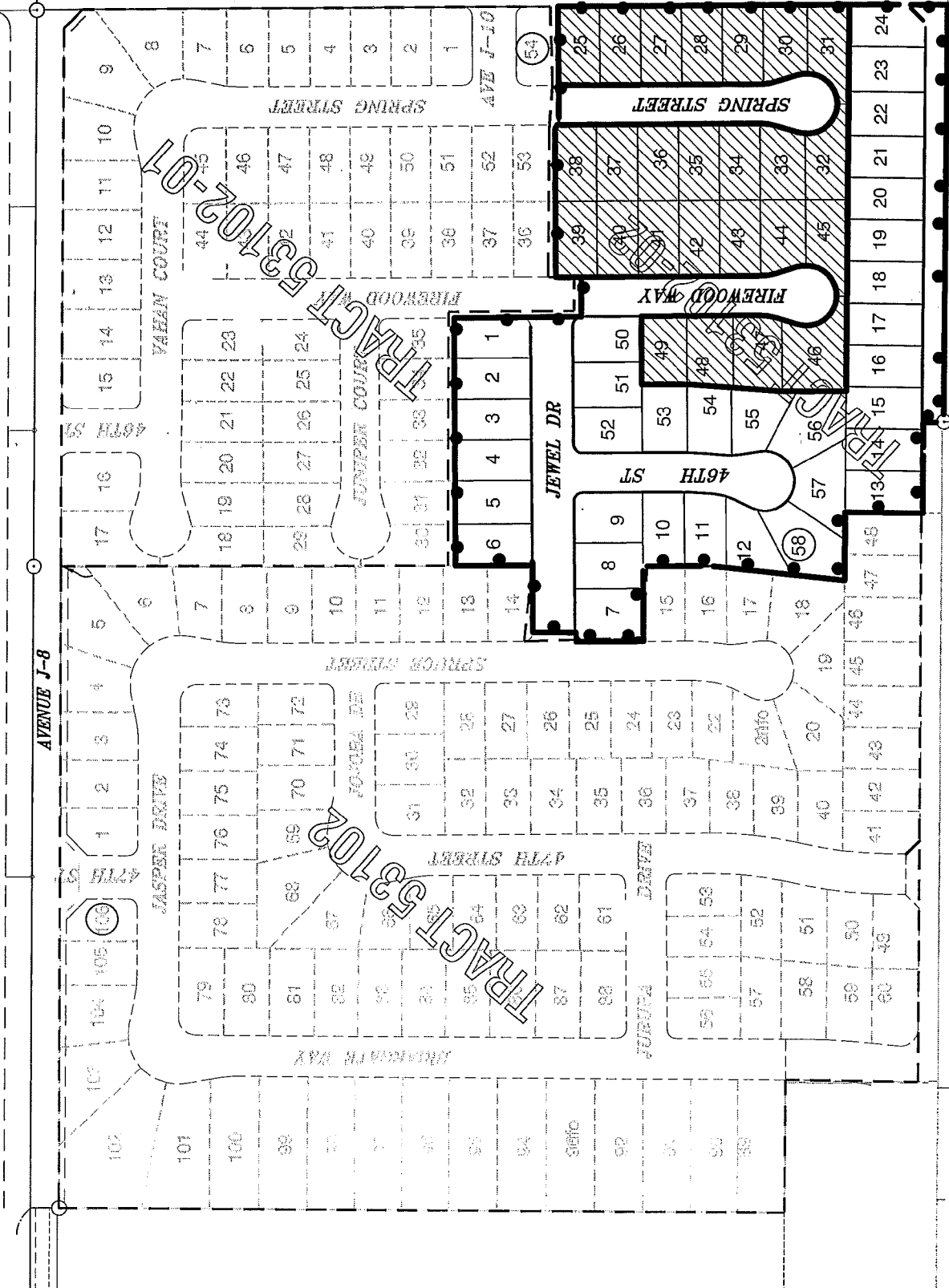
By: _____
City Attorney

ALL SIGNATURES MUST BE ACKNOWLEDGED BY NOTARY

EXHIBIT A

AVENUE J-8

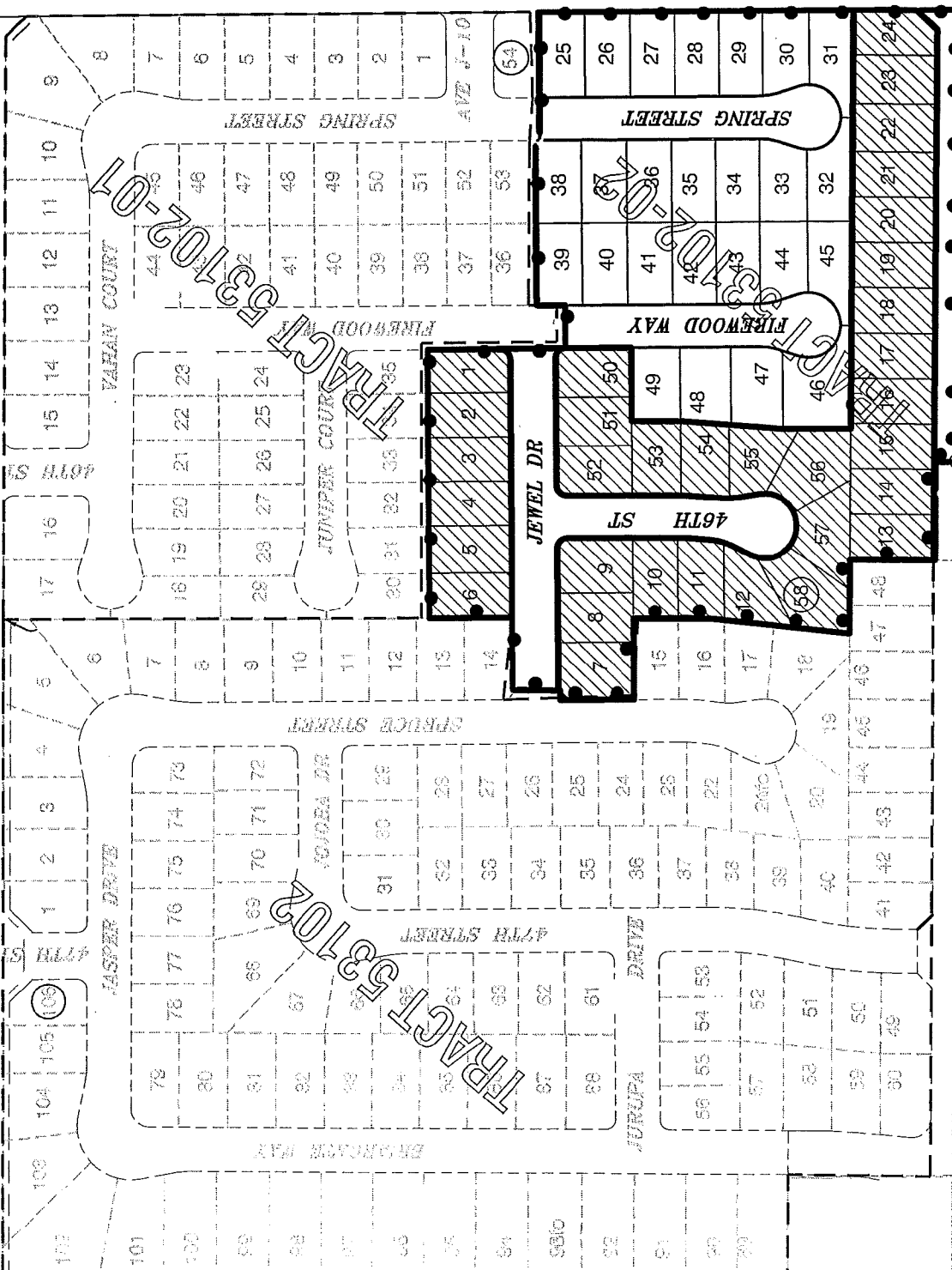
45TH STREET WEST



TRACT 53102-02 - PHASE 1

EXHIBIT B

AVENUE J-8



TRACT 53102-02 - PHASE 2

RECORDING REQUESTED BY)
AND WHEN RECORDED MAIL TO:)
)
City of Lancaster)
44933 North Fern Avenue)
Lancaster, California 93534)
Attn: Development Engineering)
)

This document is exempt from payment of a recording fee pursuant to government Code Section 6103 and 27383.

MAINTENANCE AGREEMENT

THIS MAINTENANCE AGREEMENT (this “Maintenance Agreement”) is made this 14th day of April, 2009, by and between the **CITY OF LANCASTER**, a California municipal corporation (the “City”), and **MAGNOLIA, LP**, a limited partnership (the “Subdivider”), with reference to the following:

RECITALS

A. The City and the Subdivider have executed an Undertaking Agreement (the “Agreement”), dated as of September 23, 2003, and amended by that certain Amendment to Undertaking Agreement dated as of April 14, 2009, which provides for the development and construction of certain improvements (the “Improvements”) on a portion of certain real property located in the City of Lancaster, California, more fully described in Tract Map No. 53102-02 and referred to in the Agreement as the “Phase 2 Property” (the “Site”). The Site is legally described on Exhibit “A” hereto. The Agreement is available for public inspection and copying at the office of the City Clerk, Lancaster City Hall, 44933 North Fern Avenue, Lancaster, California. Capitalized terms used herein and not otherwise defined shall have the same meaning as set forth in the Agreement.

B. The Agreement, as amended, provides for, among other things, the Subdivider’s maintenance of the Site and Improvements in accordance with specified standards. Execution of this Maintenance Agreement is required under the terms of the Agreement, as amended.

NOW, THEREFORE, the Subdivider and the City hereby agree as follows:

1. Performance of Maintenance.

(a) Subdivider shall maintain the Site and the Improvements in accordance with the Maintenance Standards, as hereinafter defined. Said improvements shall include, but not be limited to, buildings, sidewalks, pedestrian lighting, landscaping, irrigation of landscaping, architectural elements identifying the Site and any and all other improvements on the Site.

(b) To accomplish the maintenance, Subdivider shall either staff or contract with and hire licensed and qualified personnel to perform the maintenance work, including the provision of labor, equipment, materials, support facilities, and any and all other items necessary to comply with the requirements of this Maintenance Agreement.

I The following standards (“Maintenance Standards”) shall be complied with by Subdivider and its maintenance staff, contractors or subcontractors:

(i) Landscape maintenance shall include, but not be limited to: watering/irrigation; fertilization; mowing; edging; trimming of grass; tree and shrub pruning; trimming and shaping of trees and shrubs to maintain a healthy, natural appearance and safe road conditions and visibility, and irrigation coverage; replacement, as needed, of all plant materials; control of weeds in all planters, shrubs, lawns, ground covers, or other planted areas; and staking for support of trees.

(ii) Clean-up maintenance shall include, but not be limited to: maintenance of all sidewalks, paths and all other areas in clean; maintenance of all such areas clear of dirt, mud, trash, debris or other matter which is unsafe or unsightly; removal of all trash, litter and other debris from improvements and landscaping prior to mowing; removal of graffiti within seventy-two (72) hours of discovery; clearance and cleaning of all areas maintained prior to the end of the day on which the maintenance operations are performed to ensure that all cuttings, weeds, leaves and other debris are properly disposed of by maintenance workers.

(iii) All maintenance work shall conform to all applicable federal and state Occupational Safety and Health Act standards and regulations for the performance of maintenance.

(iv) Any and all chemicals, unhealthful substances, and pesticides used in and during maintenance shall be applied in strict accordance with all governing regulations. Precautionary measures shall be employed recognizing that all areas are open to public access.

(v) The Site and Improvements shall be maintained in conformance and in compliance with the approved Site construction and architectural plans and design scheme, as the same may be amended from time to time with the approval of the City, and reasonable commercial development maintenance standards for similar projects, including but not limited to: painting and cleaning of all exterior surfaces and other exterior facades comprising all private improvements and public improvements to the curblin.

(vi) The Site and Improvements shall be maintained as required by this Section 2 in good condition and in accordance with the custom and practice generally applicable to similar developments and/or projects located in Los Angeles County, California.

3. Failure to Maintain Site and Improvements. In the event Subdivider does not maintain the Site or the Improvements in the manner set forth herein and in accordance with the Maintenance Standards, City shall have the right to maintain such private and/or public improvements, or to contract for the correction of such deficiencies, after written notice to Subdivider. However, prior to taking any such action, City agrees to notify Subdivider in writing if the condition of said improvements do not meet with the Maintenance Standards and to specify the deficiencies and the actions required to be taken by Subdivider to cure the deficiencies. Upon notification of any maintenance deficiency, Subdivider shall have ten (10) days within which to correct, remedy or cure the deficiency. If the written notification states the problem is urgent relating to the public health and safety of the City, then Subdivider shall have forty-eight (48) hours to rectify the problem.

In the event Subdivider fails to correct, remedy, or cure or has not commenced correcting, remedying or curing such maintenance deficiency after notification and after the period of correction has lapsed, then City shall have the right to maintain such improvements. Subdivider agrees to pay City such charges and costs. Until so paid, the City shall have a lien on the Site for the amount of such charges or costs, which lien shall be perfected by the recordation of a "Notice of Claim of Lien" against the Site. Upon recordation of a Notice of a Claim of Lien against the Site, such lien shall constitute a lien on the fee estate in and to the Site prior and superior to all other monetary liens except: (i) all taxes, bonds, assessments, and other levies which, by law, would be superior thereto; (ii) the lien or charge of any mortgage, deed of trust, or other security interest then of record made in good faith and for value, it being understood that the priority of any such lien for costs incurred to comply with this Agreement shall date from the date of the recordation of the Notice of Claim of Lien. Any such lien shall be subject and subordinate to any lease or sublease of the interest of Subdivider in the Site or any portion thereof and to any easement affecting the Site or any portion thereof entered into at any time (either before or after) the date of recordation of such a Notice. Any lien in favor of the City created or claimed hereunder is expressly made subject and subordinate to any mortgage or deed of trust made in good faith and for value, recorded as of the date of the recordation of the Notice of Claim of Lien describing such lien as aforesaid, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of any such mortgage or deed of trust, unless the mortgage or beneficiary thereunder expressly subordinates his interest, of record, to such lien. No lien in favor of the City created or claimed hereunder shall in any way defeat, invalidate, or impair the obligation or priority of any lease, sublease or easement unless such instrument is expressly subordinated to such lien. Upon foreclosure of any mortgage or deed of trust made in good faith and for value and recorded prior to the recordation of any unsatisfied Notice of Claim of Lien, the foreclosure-purchaser shall take title to the Site free of any lien imposed by the City that has accrued up to the time of the foreclosure sale, and upon taking title to the Site, such foreclosure-purchaser shall only be obligated to pay costs associated with this Agreement accruing after the foreclosure-purchaser acquires title to the Site. If the Site is ever legally divided with the written approval of the City and fee title to various portions of the Site is held under separate ownerships, then the burdens of the maintenance obligations set forth herein and in this Agreement and the charges levied by the City to reimburse the City for the cost of undertaking such maintenance obligations of Subdivider and its successors and the lien for such charges shall be apportioned among the fee owners of the various portions of the Site under different ownerships according to the square footage of the land contained in the respective portions of the Site owned by them. Upon apportionment, no separate owner of a portion of the Site shall have any liability for the apportioned liabilities of any other separate owner of another portion of the Site, and the lien shall be similarly apportioned and shall only constitute a lien against the portion of the Site owned in fee by the owner who is liable for the apportioned charges levied by the City and secured by the apportioned lien and against no other portion of the Site. Subdivider acknowledges and agrees City may also pursue any and all other remedies available in law or equity. Subdivider shall be liable for any and all attorneys' fees, expert witness fees and other legal costs or fees incurred in collecting said maintenance costs.

4. Compliance with Law. Subdivider shall comply with all local, state and federal laws relating to the uses of or condition of the Site and the Improvements.

5. Effect of Violation of the Terms and Provisions of this Maintenance Agreement. The covenants established in this Maintenance Agreement shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City, its successors and assigns, as to those covenants which are for its benefit. The covenants contained in this Maintenance Agreement shall remain in effect for the periods of time specified therein. The City is deemed the

beneficiary of the terms and provisions of this Maintenance Agreement and of the covenants running with the land, for and in its own rights and for the purposes of protecting the interests of the community and other parties, public or private, in whose favor and for whose benefit this Maintenance Agreement and the covenants running with the land have been provided. This Maintenance Agreement and the covenants herein shall run in favor of the City, without regard to whether the City has been, remains or is an owner of any land or interest therein in the Site. The City shall have the right, if this Maintenance Agreement or covenants are breached, to exercise all rights and remedies, and to maintain any actions or suits at law or in equity or other proper proceedings to enforce the curing of such breaches to which it or any other beneficiaries of this Maintenance Agreement and covenants may be entitled; provided, however, that notwithstanding the foregoing, in no event shall the City be entitled to foregone past or future tax revenues as a remedy for Subdivider's default of this Maintenance Agreement.

6. Miscellaneous Provisions.

a. If any provision of this Maintenance Agreement or portion thereof, or the application to any person or circumstances, shall to any extent be held invalid, inoperative or unenforceable, the remainder of this Maintenance Agreement, or the application of such provision or portion thereof to any other persons or circumstances, shall not be affected thereby; it shall not be deemed that any such invalid provision affects the consideration for this Maintenance Agreement; and each provision of this Maintenance Agreement shall be valid and enforceable to the fullest extent permitted by law.

b. This Maintenance Agreement shall be construed in accordance with the laws of the State of California.

c. This Maintenance Agreement shall be binding upon and inure to the benefit of the successors and assigns of the Subdivider.

d. In the event action is instituted to enforce any of the provisions of this Maintenance Agreement, the prevailing party in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorney's fees and costs.

7. Effect of Maintenance Agreement. The covenants and agreements established in this Maintenance Agreement shall, without regard to technical classification and designation, run with the land and be binding on each owner of the Site and any successor in interest to the Site, or any part thereof (including each parcel thereof), for the benefit of and in favor of the City of Lancaster and its successor and assigns.

8. Term of Maintenance Agreement. This Maintenance Agreement shall be effective as of the day and year first above written and shall terminate upon termination and/or expiration of the Agreement. Any extension or other modification to the term of the Agreement shall be deemed to also constitute an extension and/or modification of the term of this Maintenance Agreement. Under no circumstances shall the term of this Maintenance Agreement exceed the term of the Agreement.

9. **Security.** Subdivider shall file security with the City contemporaneous with the Subdivider's execution of this Maintenance Agreement (the "Security"). The amount of Security required shall be Thirty-Three Thousand Dollars (\$33,000.00) calculated as follows: Thirty-Three (33) lots x \$1,000.00 per lot.

The Security shall consist of a deposit with the City of money or negotiable bonds of the kind approved for securing deposits of public money.

The Security shall remain in effect for the term of the Maintenance Agreement as set forth in Section 8. Upon expiration of this Maintenance Agreement, the City shall release the Security to the extent that Security still remains. The Security shall not be released if any timely asserted claims against the Security are outstanding.

IN WITNESS WHEREOF, the parties hereto has executed this instrument the day and year first hereinabove written.

CITY OF LANCASTER

SUBDIVIDER

By: _____
City Engineer

(Signature)

President

(Office Held)

Pacific Communities Builder, Inc.
Partnership or Corporation
represented, if applicable

APPROVED AS TO FORM:

By: _____
City Attorney

STATE OF CALIFORNIA

COUNTY OF Orange

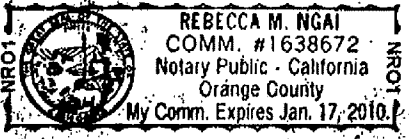
)
) ss.
)

On 3-16-2009, before me, REBECCA M. NGAI, Notary Public,
(Print Name of Notary Public)

personally appeared NELSON CHUNG

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.

Rebecca M. Ngai
Signature of Notary Public

OPTIONAL

Though the data below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent reattachment of this form.

| CAPACITY CLAIMED BY SIGNER | DESCRIPTION OF ATTACHED DOCUMENT |
|--|---|
| <input type="checkbox"/> Individual <input type="checkbox"/> Corporate Officer | |
| <hr/> <p style="text-align: center;">Title(s)</p> | <hr/> <p style="text-align: center;">Title Or Type Of Document</p> |
| <input type="checkbox"/> Partner(s) <input type="checkbox"/> Limited <input type="checkbox"/> <input type="checkbox"/> General | |
| <input type="checkbox"/> Attorney-In-Fact <input type="checkbox"/> Trustee(s) <input type="checkbox"/> Guardian/Conservator <input type="checkbox"/> Other: _____ | <hr/> <p style="text-align: center;">Number Of Pages</p> |
| <p>Signer is representing: Name Of Person(s) Or Entity(ies)</p> <hr/> | <hr/> <p style="text-align: center;">Date Of Documents</p> |
| <hr/> | <hr/> <p style="text-align: center;">Signer(s) Other Than Named Above</p> |

EXHIBIT "A"

LEGAL DESCRIPTION OF PHASE 2 PROPERTY

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

LOTS 1 THROUGH 12 AND 50 THROUGH 58 OF TRACT NO. 53102-2, IN THE CITY OF LANCASTER, AS PER MAP RECORDED IN BOOK 1328, PAGES 1 THROUGH 3 INCLUSIVE OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.