

**2610 PRESSURE ZONE REFUNDING AREA AGREEMENT BETWEEN
LEWIS HOMES OF NV AND THE CITY OF HENDERSON
FOR P-3A PUMP STATION, P-3A TO R-5 PIPELINE AND R-5 RESERVOIR**

THIS AGREEMENT made and entered into this 8th day of April, 2002, by and between the CITY OF HENDERSON, a Nevada Municipal Corporation, hereinafter referred to as CITY, and LEWIS HOMES OF NV, 750 PILOT RD, SUITE F, LAS VEGAS, NEVADA, 89119, hereinafter referred to as OWNER (S).

WHEREAS, OWNER(S) in accordance with and pursuant to Henderson Municipal Code Sections 13.18.010 through 13.18.080 have constructed and/or installed P-3A PUMP STATION, P-3A TO R-5 PIPELINE AND R-5 RESERVOIR (2610 PRESSURE ZONE) in the City of Henderson, Nevada; and

WHEREAS, the CITY pursuant to said Henderson Municipal Code Sections 13.18.010 through 13.18.080 has agreed to refund the cost of certain eligible portions of the construction of said facilities to the extent allowed and as provided in said Henderson Municipal Code; and

WHEREAS, OWNER(S) are willing to and does hereby dedicate said improvement(s) to the City of Henderson, Nevada; and

WHEREAS, OWNER(S) has complied with the provisions of Henderson Municipal Code Sections 13.18.010 through 13.18.080 and has sought at least three (3) bids for the project and the CITY has determined that the original estimated cost of \$2,431,250 represents a reasonable value of the costs of construction;

In consideration of the foregoing dedication, it is hereby agreed as follows:

W I T N E S S E T H:

The CITY shall refund to OWNER(S) the eligible costs of construction as follows:

1. Over a twenty (20) year period up to a maximum amount of \$ 1,445,220.44. Said amount shall be paid only from participation and refunding fees collected by the CITY from other third party developments participating in the 2610 Pressure Zone Refunding Area except for those developments that the CITY has prepaid to the OWNER(S). Under no circumstances shall the CITY be required to refund any amount

except out of fees collected from other developers and participants in the 2610 Pressure Zone Refunding Area.

OWNER(S) acknowledges and agrees that if for any reason whatsoever the CITY is unable to collect said refunding fees from said developments, then upon the expiration of the twenty (20) year period, the refund set forth herein is extinguished.

OWNER(S) acknowledges the fees and expenses due and owing the CITY prior to the execution of this document; and that collection and reimbursement fees will be withheld pursuant to Henderson Municipal Code.

A. Initiation, Engineering, and Auditing Expenses and Fees

- (1) An initiation fee of \$200.00 for the administrative, legal, utility services and financial departments to review and set up the agreement and administer it.
- (2) An engineering review and auditing fee, *excluding services covered by plan checking and inspection fees*, is at \$57,320, including CITY administrative fees and expenses. This amount will be collected prior to execution of this agreement. Any additional fees required to cover the actual cost of the agreement will be deducted from the refund.

B. Collection and Reimbursement Expenses and Fees

- (1) A \$50.00 collection fee will be charged for each collection transaction processed and the fee will be withheld from reimbursements under the agreement to cover collection and reimbursement costs of the CITY.

C. Additional Matters

- (1) All the above fixed monetary amounts shall be indexed to the calendar year gross national product implicit price deflator and shall be adjusted each July 1st to maintain fee equity through the years.
- (2) All fees and expenses shall be added to the basic refunding amount to permit the OWNER(S) to have an opportunity to be reimbursed for all costs and fees.

- (3) CITY administrative fees and expense are charged on a time and material basis. CITY staff time will be valued at 150% of the CITY employees' hourly earnings.
2. The amount refundable shall be paid quarterly from fees collected by the CITY from properties participating in the 2610 Pressure Zone Refunding Area, subject of this Agreement and the exception set forth in paragraph 1 above, until the total amount refundable has been paid or for a period of twenty (20) years, whichever occurs first. The twenty (20) year period during which refunds are due shall commence on the date that the audit covered by the Agreement is completed and accepted by the CITY, which is agreed to be August 22, 2000.
3. In the event any expense is incurred by the CITY due to defective materials or workmanship on any improvement installed by the OWNER(S) within a period of one (1) year after completion of such improvement, the amount of such expense shall be deducted from any refunds which may become due thereafter.
4. Benefit areas and improvement locations are described and delineated on the attached Exhibit A.
5. Table 1 identifies the various costs incurred by the OWNER(S). Table 2 identifies refunding amounts due by various participants. Table 3 is a sample of the appreciation/depreciation calculation that will be done for each project pursuant to applicable portions of Henderson Municipal Code Sections 13.18.010 through 13.18.080. The calculations will be made effective twelve (12) months after the completion of the refunding audit. Said costs are not a part of any Local Improvement District, or any other refunding agreement presently in place with the CITY. The OWNER(S) acknowledges that these tables represent their accounting of costs associated with this project, and are subject to audit by the CITY for confirmation of eligible costs prior to making final payment.
6. Included with this agreement are sufficient documents and backup to allow for a thorough audit of the construction costs of this project. Those documents include, but are not limited to, the following:
 - A. as-built drawings
 - B. certified payroll or confirmation of payment of prevailing wage
 - C. bid tabs

D. inspection reports, materials test, city acceptance letter, and related construction

IN WITNESS WHEREOF, the CITY and OWNER(S) have executed or caused to be executed by their duly authorized representatives, this Agreement, in duplicate, the day and year first above written:

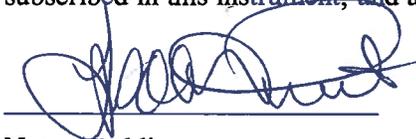
OWNER (S):

KB HOME Nevada Inc.



Donald J. DeGiorno Sr. VP, Land Development

On this 6th day March of, 2002, before me personally appeared Donald J. DeGiorno whose identity was proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is (are) subscribed in this instrument, and acknowledged that he (she) executed the same.



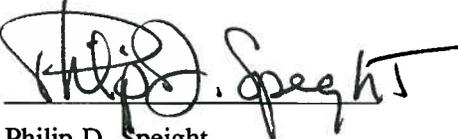
Notary Public

My Commission Expires on 3/1/03

(SEAL)

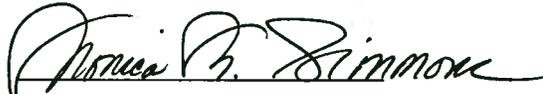


CITY OF HENDERSON, NEVADA:



Philip D. Speight
City Manager

ATTEST:



Monica M. Simmons, CMC
City Clerk

APPROVED AS TO AMOUNT:



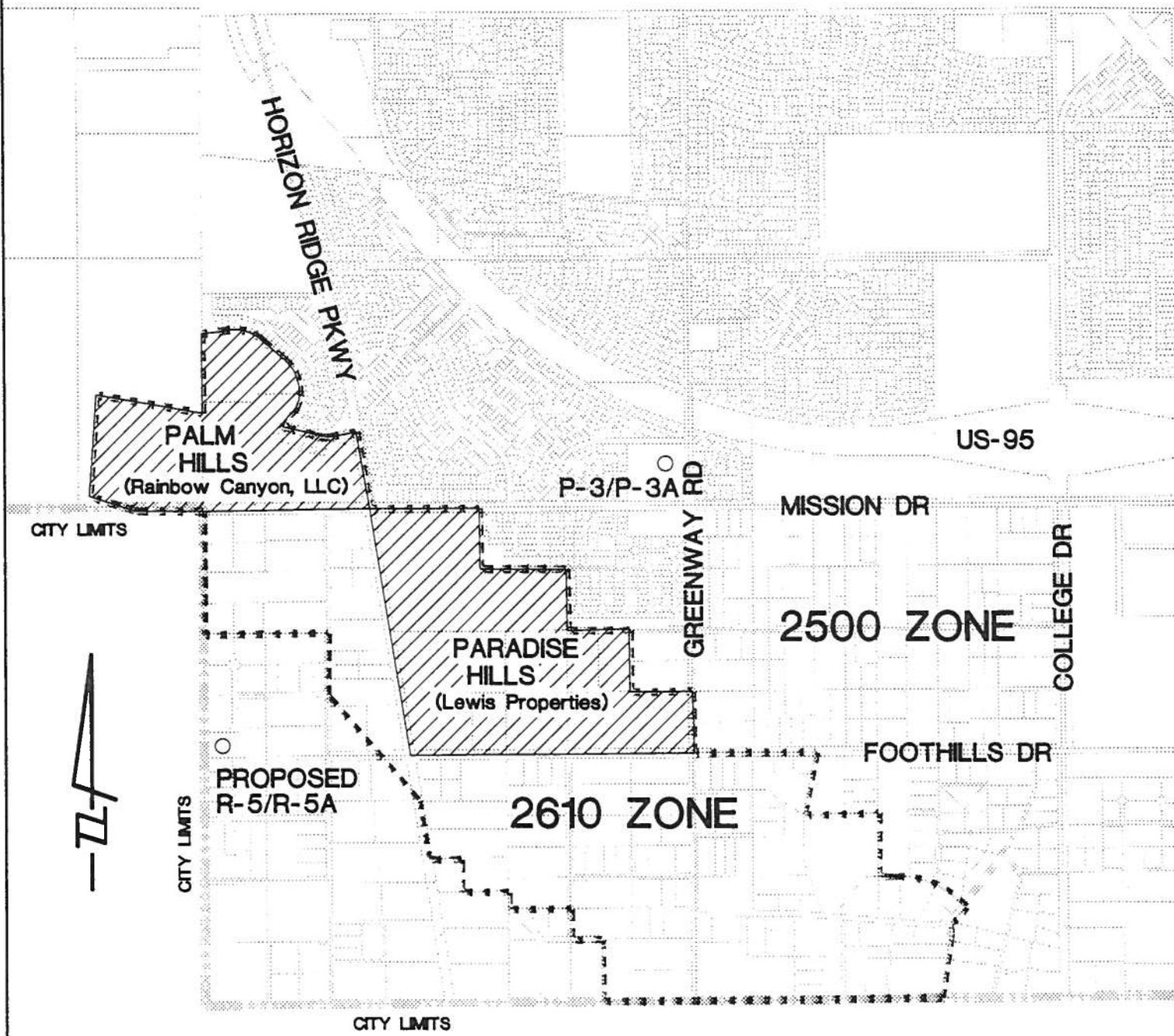
Kurt R. Segler, P.E.
Director of Utility Services

APPROVED AS TO FORM:



Shauna Hughes
City Attorney

2610 ZONE BOUNDARY AREA EXHIBIT A



..... 2610 ZONE BOUNDARY AREA - 537 ACRES

Table 1

CITY OF HENDERSON
 2610 PRESSURE ZONE REFUNDING AREA
 Improvement Refunding Worksheet
 Paradise Hills Water System Improvement Project

Audited by: RAE
 Final on: 08/21/00
 Checked By: MGG

Project Name	Estimated Maximum Refund Amount	Eligible Refunding Amount
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2610 Pressure Zone Refunding Area	\$3,298,317.00	\$2,969,645.45
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Itemized Disbursements Audited Under 2610 PZRA

GCG Audit Ref. No.	Check or Invoice Number	Check or Invoice Date	Contractor Vendor or Supplier	Construction Cost	Engineering Design(1)	Related Costs	Related Costs(2)	Total Claimed Refunding Costs	Disallowed Costs (4)	Total Eligible Refunding Costs
1	513491S	21-Jul-98	INSCO/DICO Grp.			\$4,020.00	\$4,020.00	\$4,020.00		\$4,020.00
2	513492S	21-Jul-98	INSCO/DICO Grp.			\$6,706.00	\$6,706.00	\$6,706.00		\$6,706.00
3	111374	29-Jul-98	City of Henderson			\$29,169.70	\$29,169.70	\$29,169.70		\$29,169.70
4	111375	29-Jul-98	City of Henderson			\$47,482.15	\$47,482.15	\$47,482.15		\$47,482.15
5			L.P./ K&B			\$44,800.00		\$44,800.00	\$44,800.00	\$0.00
6	96472	15-Jan-98	Montgomery Watson		\$3,840.00			\$3,840.00		\$3,840.00
7	101729	16-Feb-98	Montgomery Watson		\$21,120.00			\$21,120.00		\$21,120.00
8	110757	26-Mar-98	Montgomery Watson		\$49,920.00			\$49,920.00		\$49,920.00
9	116804	27-Apr-98	Montgomery Watson		\$21,120.00			\$21,120.00		\$21,120.00
10	56974	10-Jun-97	Montgomery Watson		\$625.30			\$625.30		\$625.30
11	56975	10-Jun-97	Montgomery Watson		\$3,019.09			\$3,019.09		\$3,019.09
12	56991	13-Jun-97	Montgomery Watson		\$26,168.43			\$26,168.43		\$26,168.43
13	63598	22-Jul-97	Montgomery Watson		\$23,973.90			\$23,973.90		\$23,973.90
14	70429	14-Aug-97	Montgomery Watson		\$19,311.10			\$19,311.10		\$19,311.10
15	76430	23-Sep-97	Montgomery Watson		\$9,310.00			\$9,310.00		\$9,310.00
16	83214	22-Oct-97	Montgomery Watson		\$2,975.00			\$2,975.00		\$2,975.00
17	NV2966	10-Jan-96	Montgomery Watson		\$3,153.32			\$3,153.32		\$3,153.32
18	NV2934	06-Dec-95	Montgomery Watson		\$7,366.19			\$7,366.19		\$7,366.19
19	NV2882	09-Nov-95	Montgomery Watson		\$16,080.49			\$16,080.49		\$16,080.49
20	NV3325	09-Oct-96	Montgomery Watson		\$2,175.61			\$2,175.61		\$2,175.61
21	NV3374	07-Nov-96	Montgomery Watson		\$104.90			\$104.90		\$104.90
22	NV3413	06-Dec-96	Montgomery Watson		\$214.67			\$214.67		\$214.67
23	NV3449	09-Jan-97	Montgomery Watson		\$112.63			\$112.63		\$112.63
24	33073	27-Mar-97	Montgomery Watson		\$160.00			\$160.00		\$160.00
25	64033	22-Jul-97	Montgomery Watson		\$3,010.17			\$3,010.17		\$3,010.17
26	70404	14-Aug-97	Montgomery Watson		\$3,496.72			\$3,496.72		\$3,496.72
27	155215	01-Oct-98	Montgomery Watson	\$289,384.00				\$289,384.00		\$289,384.00
28	161135	28-Oct-98	Montgomery Watson	\$538,495.00				\$538,495.00		\$538,495.00
29	165298	03-Dec-98	Montgomery Watson	\$490,788.00				\$490,788.00		\$490,788.00
30	173423	31-Dec-98	Montgomery Watson	\$318,893.00				\$318,893.00		\$318,893.00
31	180122	28-Jan-99	Montgomery Watson	\$338,460.00				\$338,460.00		\$338,460.00
32	185826	25-Feb-99	Montgomery Watson	\$294,459.00				\$294,459.00		\$294,459.00
33	197032	07-Apr-99	Montgomery Watson	\$125,689.00				\$125,689.00		\$125,689.00
34	230657	15-Jul-99	Montgomery Watson	\$59,105.00				\$59,105.00		\$59,105.00
35			Project Dis. Group				\$13,120.00	\$13,120.00		\$13,120.00
36			Nature Ltd.				\$70,000.00	\$70,000.00		\$70,000.00
(Note 5)			Interest	\$126,617.08			\$17,985.55	\$126,617.08		\$126,617.08
				\$2,581,890.08	\$217,257.52	\$132,177.85	\$188,483.40	\$3,014,445.45	\$44,800.00	\$2,969,645.45

This is a 2610 Pressure Zone Refunding Area Project

- (1) According to the 2610 Pressure Zone Refunding Agreement This amount is limited to 10% of actual construction costs.
- (2) According to the 2610 Pressure Zone Refunding Agreement This amount is limited to 15% of actual construction costs.
- (3) L.P./ K&B is Lewis Homes/ Kaufman & Broad
- (4) This item was submitted by the developer as an estimate of internal costs; without backup it cannot be audited under the 2160 PZRA.
- (5) As reported by the developer, not audited by GCG.

Final Engineer's Report 2610 Pressure Zone Refunding Area Estimated costs

Projects audited:		
P 3-A	\$1,025,000.00	42.16%
Pipeline	\$750,000.00	30.85%
R 5A	\$656,250.00	26.99%
Total	\$2,431,250.00	100.00%

Total Refunding From 2610 PZRA Participants:	\$ 2,969,645.45
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** Note: According to the 2610 Pressure Zone Refunding Area Final Engineers Report, 100% of this amount is eligible for refunding.

Table 2

REFUNDING COST SUMMARY FOR
P3-A PUMP STATION, P3-A TO R5 PIPELINE and R-5 RESERVOIR
(2610 Pressure Zone Refunding Area)

*

PARTICIPANT	PROPORTIONAL SHARE OF TOTAL ELIGIBLE CONSTRUCTION COST	PROPORTIONAL SHARE OF AUDIT/INITIATION FEE	TOTAL COST SHARE AMOUNT
Lewis Properties (Paradise Hills)	\$534,019.76	\$13,676.55	\$547,696.31
Rainbow Canyon, LLC (Palm Hills)	\$294,986.61	\$7,554.78	\$302,541.38
Others (Remainder of 2610 PZ)	\$1,409,131.77	\$36,088.67	\$1,445,220.44
Totals	\$2,238,138.14	\$57,320.00	\$2,295,458.14
Total Refunding Amount to LEWIS PROPERTIES			\$1,445,220.44

***Calculation of Audit/Initiation Fee (includes C.O.H. fee)**

$\$51,000 + (\$51,000) \times (.12) + \$200 = \$57,320.00$

P-3A Pump Station	$(\$2,969,645.45 \times 42.16\%) =$	\$1,252,002.52
P-3A to R-5 Pipeline	$(\$2,969,645.45 \times 30.85\%) =$	\$916,135.62
R-5 Reservoir (.75 MG)	See Note Below =	\$70,000.00
		\$2,238,138.14

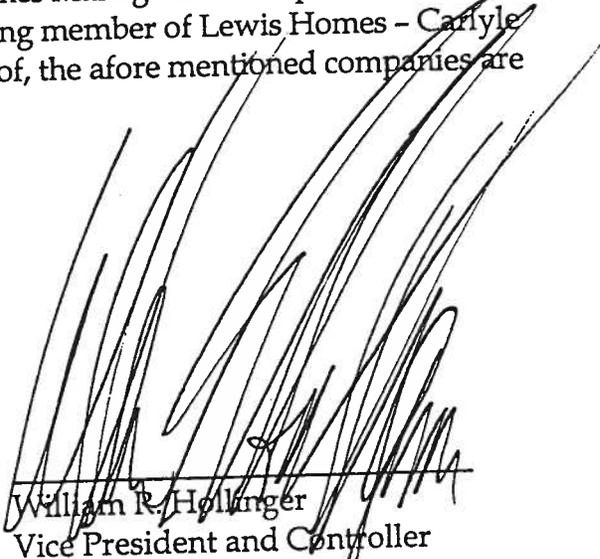
NOTE: Reservoir R-5 Construction and Engineering Costs are NOT eligible for refunding. Only the cost of the land is eligible, therefore Total Eligible Construction Cost = \$2,238,138.14.

CERTIFICATE OF OFFICER
OF
KAUFMAN AND BROAD HOME CORPORATION

The undersigned hereby certifies that he is the duly elected and qualified Vice President and Controller of Kaufman and Broad Home Corporation (the "Company").

The undersigned further certifies that on January 7, 1999, the Company acquired substantially all of the homebuilding assets of the Lewis Homes group of companies including, but not limited to: (i) all of the partnership interests in Lewis Homes of Nevada, a Nevada general partnership, and Lewis Properties, a Nevada general partnership, and (ii) all of the stock of Lewis Homes Management Corp., a California corporation qualified in Nevada and the managing member of Lewis Homes - Carlyle Venture, L.L.C. Accordingly, as of the date hereof, the afore mentioned companies are wholly-owned by the Company.

Dated: April 20, 1999



William R. Hollinger
Vice President and Controller

I, Kimberly King, the Corporate Secretary of the Company, do hereby certify that William R. Hollinger is on the date hereof, and at all times since at least January 1, 1999 has been, the duly elected, qualified and acting Vice President and Controller of the Company, and that the signature set forth above is the genuine signature of such officer.



Kimberly N. King
Corporate Secretary

First American Title Company of Nevada

2950 S. Rancho, Suite 102 • Las Vegas, NV 89102

(702) 368-4131

FAX (702) 889-4131

NOTICE AND ACKNOWLEDGMENT OF NAME CHANGE

First American Title Company ("Title Company") acknowledges that on or about January 17, 2001 KAUFMAN AND BROAD OF NEVADA, INC., a Nevada corporation ("K&B") changed its name to KB HOME Nevada Inc., a Nevada corporation.

Title Company hereby acknowledges the new name "KB HOME Nevada Inc." and acknowledges that the ownership interests have not changed as a result of the name change. Title Company further acknowledges that all references to K&B in any and all documents related to this transaction shall be changed to KB HOME Nevada Inc., a Nevada corporation.

Dated this 17th day of April, 2001.

By:


Carol Dvorak, Commercial Escrow Officer
First American Title Company of Nevada

**SECRETARY'S CERTIFICATE
KB HOME NEVADA INC.
CERTIFIED RESOLUTIONS**

I, Kimberly N. King, do hereby certify that I am the duly elected, qualified and acting Secretary of KB HOME Nevada Inc., a Nevada corporation.

I do further certify that the resolutions attached hereto as Exhibit "A" are a true and complete representation of such resolutions which were duly adopted by the unanimous written consent of the Board of Directors of this Corporation as of April 9, 2001, and that said resolutions have not in any way been rescinded, modified or revoked, and are still in full force and effect.

WITNESS MY HAND this 24th day of April, 2001.

By: _____

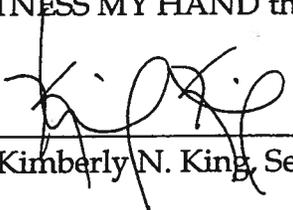

Kimberly N. King, Secretary

EXHIBIT "A"
KB HOME NEVADA INC.
RESOLUTIONS ADOPTED AS OF APRIL 9, 2001

BE IT RESOLVED, that the following resolutions shall supersede and replace any and all resolutions previously adopted with respect to the powers and authority herein granted including, but not limited to, resolutions adopted as of December 1, 2000, and any such prior authority is hereby revoked and restated in its entirety as follows:

RESOLVED FURTHER, that any one of the following persons, be and they hereby are, authorized and empowered on behalf and in the name of this Corporation to execute, acknowledge and deliver any and all documents deemed by such person to be necessary or appropriate in connection with the acquisition and development of real property by this Corporation, including, but not limited to, land purchase and sale agreements, purchase and sale of residential dwellings, amendments, assignments, escrow instructions, grant deeds, promissory notes, deeds of trust, maps, agreements and related documents:

Any one of:

Leah S. W. Bryant

Vicki Town

Jim Widner

Any two of:

Donald Del Giorno

Daniel Ripps

Timothy M. Sprague

Randall J. Tarr

Bruce Tripp

Any one of the following persons, acting alone ("Authorized Signer"), is authorized and empowered to sign, execute and deliver for and on behalf of this Corporation, all contracts, deeds, notes, deeds of trust, agreements, and other documents to convey title to residential dwellings standing in the name of this Corporation:

Mischelle M. Eggers

Wayne A. Laska

Patricia Pertain

Sheryl Pike

Daniel Ripps

Kathy Seckinger

Timothy M. Sprague

Any one of the following persons, acting alone, is authorized and empowered to sign, execute and deliver for and on behalf of this Corporation all contracts and escrow instructions (excluding amendments and other ancillary documents forming a part of the escrow instructions and contract that require the second signature of one

Authorized Signer named above) , in connection with the sale of residential dwellings standing in the name of this Corporation; but specifically excluding deeds and other documents to convey title to such property and loan documents:

Nadia Chihani-Zahri
Patricia Pertain
Linda Roller

Mandy Mills
Elena Pletneva

Kate Manhire
Sheryl Pike

Any one of the following persons, acting alone, is specifically authorized and empowered to sign, execute and deliver for and on behalf of this Corporation only the "Terms and Conditions Addendum" to the purchase agreement and escrow instructions in connection with the sale of residential dwellings standing in the name of this Corporation:

Erin Badia
Patricia Pertain
Camelia Weeks

Lillian Grimsrud
Sheryl Pike

Gail Oldenburg
Michelle Whitehead

Any one of the following persons, are authorized to sign, execute and deliver for and on behalf of this Corporation, any and all master subcontract agreements, and related documents with respect to the construction of improvements on real property:

Donald Del Giorno
Daniel Ripps

Rick Lawley
Timothy M. Sprague

Spencer Loomis

Any one of the following persons, acting alone, is appointed and designated as an authorized agent to sign, execute and deliver material purchase agreements, subcontract work agreements, and related documents with respect to the construction of improvements on real property:

Donald Del Giorno
Spencer Loomis
Timothy M. Sprague

Carol Hammond
Daniel Ripps

Rick Lawley
Randall J. Tarr

Any one of the following persons, acting alone, is authorized and empowered for and on behalf of this Corporation to sign, execute and deliver master service agreements and related documents with respect to the marketing, sales and management of real property:

Bonnie Hernandez
Carrie Sanchez

Wayne A. Laska
Timothy M. Sprague

Daniel Ripps

Any one of the following persons, acting alone, is authorized and empowered for and on behalf of this Corporation to sign, execute and deliver master consultant agreements, and related documents with respect to development of real property:

Donald DelGiorno
Randall J. Tarr

Daniel Ripps
Bruce Tripp

Timothy M. Sprague

Any two of the following officers and/or employees, acting together, are authorized to sign, execute and deliver for and on behalf of this Corporation such documents to establish and to draw checks upon the bank accounts of this Corporation; to receive and disburse funds, to sign vouchers and other documents with respect to construction loans of this Corporation:

Leah S. W. Bryant
Carol Hammond
Spencer Loomis
Timothy M. Sprague
Bruce Tripp

Brenda Cunningham
Wayne A. Laska
Daniel Ripps
Randall J. Tarr
Jim Widner

Donald DelGiorno
Rick Lawley
Carrie Sanchez
Vicki Town

RESOLVED FURTHER, that Leah S. W. Bryant, President of this Corporation ("Senior Officer") be, and she is hereby authorized, empowered and directed, for and on behalf of this Corporation, to take such further actions and to do all such further things which said Senior Officer may deem necessary and appropriate to accomplish the purpose and to effectuate the intent of the foregoing resolutions.