

CONFIRMATION OF ENCUMBRANCE AND ESTOPPEL AGREEMENT

This Confirmation of Encumbrance and Estoppel Agreement is made this ___ day of January 2004 by and between Rancho North Properties, LLC ("Rancho North"), a California limited liability company, PTF for Operating Engineers, LLC ("Engineers LLC"), a Delaware limited liability company, and Rancho Murieta Community Services District ("District"), a political subdivision of the State of California for the benefit of the parties and the owners of the lands described in the agreements confirmed by this Agreement.

RECITALS

1. On or about November 1985, the Pension Trust Fund for Operating Engineers ("PTF") sold to certain entities owned or controlled by John B. Anderson certain assets, including its interest in Rancho Murieta Properties, Inc. ("RMPI"), and PTF was designated as beneficiary of a deed of trust securing a promissory note in favor of PTF as part of the consideration for the assets sold (the "PTF Deed of Trust"). The property encumbered by the PTF Deed of Trust primarily included golf course property and developed and undeveloped land located in the Rancho Murieta planned unit development in Sacramento County, California. The PTF Deed of Trust was recorded at Book 851 126, document 203893 of the Official Records of Sacramento County.

2. After November of 1985, RMPI and other parties entered into various agreements with the District and others that affected and encumbered the property subject to the PTF Deed of Trust. These agreements included, among others:

A) A "Transfer of Rancho Murieta Properties, Inc., Water Rights to Rancho Murieta Community Services District and Agreement," dated December 7, 1987 (the "Water Rights Transfer Agreement") recorded at Book 88 01-6, page 1435, of the Official Records of Sacramento County;

B) An "AGREEMENT AMONG CIA, RMPI, AND CSD REGARDING GRANLEES DAM, CIA CANAL AND WATER RIGHTS PERTAINING THERETO," dated December 16, 1987, (the "CIA Agreement") and recorded at Book 88 02-2, page 1323, of the Official Records of Sacramento County;

C) An "AGREEMENT FOR AVAILABILITY AND USE OF RECLAIMED WASTEWATER dated May 16, 1988 (the "Wastewater Agreement") recorded at Book 88 0517, page 1871, of the Official Records of Sacramento County;

D) An "AMENDMENT TO AGREEMENT FOR AVAILABILITY AND USE OF RECLAIMED WASTEWATER ("Wastewater Agreement Amendment"), dated December 9, 1992, and recorded at Book 94 05-4, page 0873, of the Official Records of Sacramento County; and

E) Three park "Parks Development Agreements," including (i) an agreement dated September 19, 1990, among Rancho Murieta Association ("RMA"), the District, Winncrest Homes, Inc., and N.T. Hill, Inc., recorded on November 8, 1990 in Book 90-11-8, page 270 of the official records of Sacramento County, (ii) an agreement dated February 20, 1991, among RMA, the District, RMPI, CBC Builders, Inc., and SHF Acquisition Corp. recorded on February 21, 1991 in Book 91 02, page 1274 of the official records of Sacramento County, and (iii) an agreement dated February 20, 1991, among RMA, the District, First Interstate Bank of California as the Corporate Co-Trustee of Pension Fund for Operating Engineers recorded on November 25, 1991 in book 91 11-25, Page 1295 of said official records of Sacramento County.

3. In March 1993, as a result of continuing monetary defaults of RMPI under the PTF note and PTF Deed of Trust, PTF filed an action for judicial foreclosure entitled *First Interstate Bank of California as Corporate Co-Trustee for Pension Trust Fund for Operating Engineers v. John B. Anderson et al.*, Sacramento Superior Court Case No. 531590 (the "Anderson Foreclosure Action"). By a Mutual Release Agreement dated December 15, 1994, PTF, Anderson, and the Anderson entities stipulated to a judgment of foreclosure in the Anderson Foreclosure Action. Rather than proceeding pursuant to its judicial foreclosure action and stipulation for judgment, PTF commenced non-judicial foreclosure proceedings pursuant to the power of sale contained in the PTF Deed of Trust. The trustee under the PTF Deed of Trust conducted a trustee's sale on September 29, 1997 and PTF was the successful bidder at the sale. The Trustee's Deed Upon Sale, as a result of the trustee's sale, was recorded in the official records of Sacramento County, California on October 6, 1997 as Instrument number 199710060205. Based in part on documents not recorded in the official records, District contends that the trustee's sale did not foreclose, impair or otherwise affect the rights and obligations of the parties, and their respective heirs, devisees, successors or assigns, under the Water Rights Transfer Agreement, the CIA Agreement, the Wastewater Agreement, the Wastewater Agreement Amendment, and the Parks Development Agreements or eliminate or impair the rights and obligations of those agreements insofar as they encumber and run with the land described in the agreements.

4. On or about May 2, 1997, RMA and PTF entered into a Letter Agreement whereby RMA agreed to dismiss a cross-complaint in the Anderson Foreclosure action in consideration of PTF's consent that the Park Development Agreements, as amended by the Letter Agreement, would survive the foreclosure actions brought under the PTF Deed of Trust. The "Consent to Park Development Agreements" was recorded on or about September 26, 1997 at Book 1997 9-26, Page 1087 of the official records of Sacramento County. On or about September 10, 2003, Rancho North entered into a Mutual Benefit Agreement that again amended the terms of the Parks Development Agreements as between the parties to the Mutual Benefit Agreement.

5. On or about September 30, 1998, a representative of PTF filed a validating proceeding against the District entitled *BNY Western Trust Company, as Corporate Co-Trustee for Pension Trust Fund for Operating Engineers v. Rancho Murieta Community Services District et al.*, Sacramento Superior Court Case No. 98ASO3836 (the "BNY Action"). The BNY Action challenged special taxes for security and drainage approved by the electorate of the District. On or about July 30, 1999, PTF and the District entered into a STIPULATION FOR SETTLEMENT [Code of Civ. Proc. §. 664.6]. By the terms of the STIPULATION FOR SETTLEMENT, PTF and the District agreed to confirm or reestablish certain agreements, including the Water Rights Transfer Agreement, the CIA Agreement, the Wastewater Agreement, the Wastewater Agreement Amendment, and the Parks Development Agreements, as amended by the Letter Agreement insofar as they may have been foreclosed, impaired or otherwise affected by the foreclosure of the PTF Deed of Trust.

6. Rancho North and Engineers LLC are the successors in interest of PTF in, and owners of, the property encumbered by the PTF Deed of Trust acquired by PTF as a result of the Anderson Foreclosure Action. Subsequent to Rancho North and Engineers LLC acquiring the property, Rancho North conveyed the cemetery, the commercial property and certain private roadways (see Exhibit A attached hereto) and both parties entered into certain lot line adjustments with adjoining landowners. District understands the PTF Deed of Trust did not encumber certain properties known by the parties as The Crest and The Greens. By this Confirmation of Encumbrance and Estoppel Agreement, Rancho North, Engineers LLC, and the District seek to accomplish the obligation under the STIPULATION FOR SETTLEMENT to confirm or reestablish

the Water Rights Transfer Agreement, the CIA Agreement, the Wastewater Agreement, the Wastewater Agreement Amendment and the Parks Development Agreements.

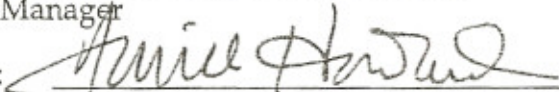
COVENANTS, CONDITIONS AND RESTRICTIONS

IT IS HEREBY AGREED, by and between Rancho North, Engineers LLC and the District, on behalf of themselves, their heirs, devisees, successor and assigns, that each party shall be estopped and barred from claiming in any legal, equitable, administrative or other proceeding that the Anderson Foreclosure Action or the trustee's sale pursuant to the PTF Deed of Trust cut-off, foreclosed, impaired or affected the priority of the Water Rights Transfer Agreement, the CIA Agreement, the Wastewater Agreement, the Wastewater Agreement Amendment or the Parks Development Agreements, as amended by the Letter Agreement and the Mutual Benefit Agreement, with respect to any part or all of the property encumbered by the PTF Deed of Trust, and the District hereby consents to the amendments and modifications of the Parks Development Agreements contained in the Letter Agreement and the Mutual Benefit Agreement.

[signatures on following page]

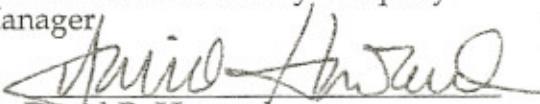
Rancho North Properties LLC,
a California limited liability company

By: McMorgan & Company LLC,
a Delaware limited liability company
Its Manager

By: 
David R. Howard
Its Senior Vice President

PTF for Operating Engineers, LLC,
a Delaware limited liability company

By: McMorgan & Company LLC,
a Delaware limited liability company
Its Manager

By: 
David R. Howard
Its Senior Vice President

RANCHO MURBETA COMMUNITY SERVICES DISTRICT

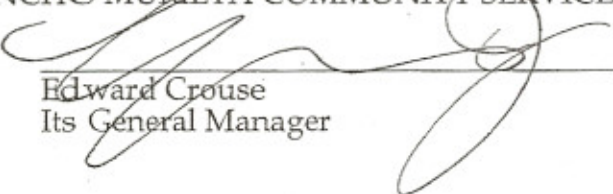
By: 
Edward Crouse
Its General Manager

Exhibit A
(Description of Cemetery Conveyance)

Parcel 9, as shown on that certain Parcel Map, filed in the Office of the County Recorder of Sacramento County, California on February 28, 1990, in Book 117 of Parcel Maps, at Page 15, as amended by that certain Parcel Map filed in the Office of the County Recorder of Sacramento County, California on April 3, 1991, in Book 123 of Parcel Maps, at Page 26.

Excepting therefrom any portion thereof lying with the following parcel:

BEGINNING AT A POINT in the southwesterly boundary of Parcel 7 as shown on the Parcel Map filed in Book 12 of Parcel Maps, at Page 47, and the northeast right of way line of State Highway 16, as shown on said Parcel Map, at the northwesterly terminus of a course designated as North 41° 45' 48" West 1310.47 feet;

Thence from said Point of Beginning, along said boundary and line, North 42°20'43" West 120.45 feet, and North 53°31'17" West 823.28 feet;

Thence leaving said boundary line North 36°22'17" East 20.04 feet;

Thence South 53°37'43" East 696.30 feet;

Thence, along an arc of a tangent 1250.00 foot radius curve right, through a central angle of 12° 02' 08" a distance of 262.58 feet;

Thence tangent South 41°35'35" East 1136.63 feet;

Thence South 48°24'25" West 17.11 feet to said boundary and right of way line;

Thence along said boundary and line North 41°45'48" West 1148.15 feet to the Point of Beginning.

APN 073-0790-010

(Description of Commercial Property and Private Roadways)

Lots 4, 8 and 10, as shown on the official plat of "Subdivision of Parcel No. 14, Rancho Murieta", filed in the Office of the County Recorder of Sacramento County, on May 19, 1976, in Book 103 of Maps, Map No. 16.

APN 073-0460-004
APN 073-0460-008 and 073-0470-002
APN 073-0470-003

Lot 6, as shown on the "Plat of Subdivision of Parcel No. 11, Rancho Murieta", filed in the Office of the County Recorder of Sacramento County, on February 25, 1975, in Book 98 of Maps, Map No. 25.

APN 073-0450-006

Lot 6, as shown on the "Plat of Subdivision Lot 2 of Parcel No. 11, Rancho Murieta" filed November 1, 1977, Book of Maps 116, at Page 8, Sacramento County Records.

APN 073-0480-006

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
)SS.
COUNTY OF SAN FRANCISCO)

On January 9, 2004, before me, Paula McClanahan, Notary Public, personally appeared David R. Howard, personally known to me ~~(or 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.

WITNESS my hand and official seal.



(seal)


NOTARY PUBLIC

STATE OF CALIFORNIA
County of Sacramento

ACKNOWLEDGMENT

On August 3, 2004, before me, Suzanne Lindenfled, Notary Public, personally appeared Edward R. Crouse, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Signature: Suzanne Lindenfled
Suzanne Lindenfled

