

**UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re William Lyon Homes, et al.  
Debtors

Case No. 11-14019 (CSS)

**INITIAL MONTHLY OPERATING REPORT**

File report and attachments with Court and submit copy to United States Trustee within 15 days after order for relief.

Certificates of insurance must name United States Trustee as a party to be notified in the event of policy cancellation.  
Bank accounts and checks must bear the name of the debtor, the case number, and the designation "Debtor in Possession."  
Examples of acceptable evidence of Debtor in Possession Bank accounts include voided checks, copy of bank deposit agreement/certificate of authority, signature card, and/or corporate checking resolution.

REQUIRED DOCUMENTS	Document Attached	Explanation Attached
<b>12-Month Cash Flow Projection (Form IR-1)</b>	Attached	
<b>Certificates of Insurance:</b>		
Workers Compensation	Attached	
Property	Attached	
General Liability	Attached	
Vehicle	Attached	
Other:	Attached	
Identify areas of self-insurance w/liability caps	Attached	
<b>Evidence of Debtor in Possession Bank Accounts</b>	See Attached Order	
Tax Escrow Account	N/A	
General Operating Account	Attached	
Money Market Account pursuant to Local Rule 4001-3. Refer to <a href="http://www.deb.uscourts.gov/">http://www.deb.uscourts.gov/</a>	Attached	
Other:	Attached	
<b>Retainers Paid (Form IR-2)</b>	Attached	


I declare under penalty of perjury (28 U.S.C. Section 1746) that this report and the documents attached are true and correct to the best of my knowledge and belief.

\_\_\_\_\_  
Signature of Debtor

1/3/2012  
Date

\_\_\_\_\_  
Signature of Joint Debtor

\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Signature of Authorized Individual\*

1/3/2012  
\_\_\_\_\_  
Date

Matthew R. Zaist  
Printed Name of Authorized Individual

Executive Vice President  
Title of Authorized Individual

\*Authorized individual must be an officer, director or shareholder if debtor is a corporation; a partner if debtor is a partnership; a manager or member if debtor is a limited liability company.



# **Cash Flow Projection**

**William Lyon Homes**  
**Cash Flow Forecast through March 18th, 2012 (Excluding Emergence)**  
**In \$000s, unless otherwise stated or unit data**

Week Ending	Dec-26	Jan-01	Jan-08	Jan-15	Jan-22	Jan-29	Feb-05	Feb-12	Feb-19	Feb-26	Mar-04	Mar-11	Mar-18	Total
<b>Receipts</b>														
Units Closed	0	12	9	11	6	9	3	6	11	5	2	2	2	78
ASP	\$0	\$304	\$532	\$299	\$199	\$195	\$205	\$283	\$265	\$193	\$230	\$230	\$230	\$285
Homes	\$0	\$3,642	\$4,787	\$3,287	\$1,191	\$1,757	\$616	\$1,701	\$2,913	\$964	\$461	\$461	\$461	\$22,240
Land Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Joint Venture Distributions	0	0	50	0	0	0	50	0	0	0	0	0	0	100
Project Fees	59	10	10	10	19	98	383	264	25	0	106	106	106	1,196
<b>Total Receipts</b>	<b>59</b>	<b>3,652</b>	<b>4,846</b>	<b>3,296</b>	<b>1,210</b>	<b>1,855</b>	<b>1,049</b>	<b>1,965</b>	<b>2,937</b>	<b>964</b>	<b>567</b>	<b>567</b>	<b>567</b>	<b>23,536</b>
<b>Disbursements</b>														
Land Acquisitions, Fees, and SPE Cont.	(262)	0	(137)	0	(1,512)	0	(1,500)	(137)	0	(262)	0	0	(137)	(3,947)
Operating Disbursements	(8,579)	(4,083)	(5,034)	(1,208)	(1,857)	(1,183)	(2,486)	(1,609)	(2,288)	(1,612)	(2,647)	(2,114)	(2,647)	(37,347)
Professionals' Fees and G&A	(217)	(173)	(173)	(173)	(655)	(655)	(498)	(498)	(498)	(498)	(423)	(546)	(546)	(5,551)
Other Disbursements	(1,000)	0	0	0	0	0	0	0	0	0	0	0	0	(1,000)
Joint Venture Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Disbursements</b>	<b>(10,058)</b>	<b>(4,255)</b>	<b>(5,343)</b>	<b>(1,380)</b>	<b>(4,024)</b>	<b>(1,838)</b>	<b>(4,483)</b>	<b>(2,243)</b>	<b>(2,786)</b>	<b>(2,372)</b>	<b>(3,070)</b>	<b>(2,660)</b>	<b>(3,331)</b>	<b>(47,844)</b>
<b>Cash Flow Available for Debt Service</b>	<b>(9,999)</b>	<b>(604)</b>	<b>(497)</b>	<b>1,916</b>	<b>(2,814)</b>	<b>17</b>	<b>(3,434)</b>	<b>(279)</b>	<b>152</b>	<b>(1,408)</b>	<b>(2,503)</b>	<b>(2,093)</b>	<b>(2,763)</b>	<b>(24,308)</b>
<b>Debt Service</b>														
Interest (Colony)	0	0	(2,629)	0	0	0	(2,629)	0	0	0	(2,629)	0	0	(7,888)
Interest (Senior Notes)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest and Fees (DIP Facility)	(769)	0	0	0	0	(125)	0	0	0	(200)	0	0	0	(1,094)
Other Debt Payments [1]	(115)	(615)	(96)	0	(115)	0	(96)	0	0	0	(2,584)	0	0	(3,621)
<b>Total Debt Service</b>	<b>(884)</b>	<b>(615)</b>	<b>(2,725)</b>	<b>0</b>	<b>(115)</b>	<b>(125)</b>	<b>(2,725)</b>	<b>0</b>	<b>0</b>	<b>(200)</b>	<b>(5,213)</b>	<b>0</b>	<b>0</b>	<b>(12,603)</b>
<b>Total Cash Flow</b>	<b>(\$10,883)</b>	<b>(\$1,219)</b>	<b>(\$3,223)</b>	<b>\$1,916</b>	<b>(\$2,929)</b>	<b>(\$108)</b>	<b>(\$6,160)</b>	<b>(\$279)</b>	<b>\$152</b>	<b>(\$1,608)</b>	<b>(\$7,716)</b>	<b>(\$2,093)</b>	<b>(\$2,763)</b>	<b>(\$36,912)</b>
Beginning Book Cash Balance [2]	\$7,700	(\$3,183)	(\$4,402)	(\$7,625)	(\$5,709)	(\$8,637)	(\$8,745)	(\$14,905)	(\$15,184)	(\$15,032)	(\$16,639)	(\$24,355)	(\$26,448)	\$7,700
Plus: Total Cash Flow	(10,883)	(1,219)	(3,223)	1,916	(2,929)	(108)	(6,160)	(279)	152	(1,608)	(7,716)	(2,093)	(2,763)	(36,912)
<b>Ending Book Cash Balance (Pre-DIP)</b>	<b>(\$3,183)</b>	<b>(\$4,402)</b>	<b>(\$7,625)</b>	<b>(\$5,709)</b>	<b>(\$8,637)</b>	<b>(\$8,745)</b>	<b>(\$14,905)</b>	<b>(\$15,184)</b>	<b>(\$15,032)</b>	<b>(\$16,639)</b>	<b>(\$24,355)</b>	<b>(\$26,448)</b>	<b>(\$29,212)</b>	<b>(\$29,212)</b>
DIP Draws	\$10,000	\$0	\$5,000	\$0	\$0	\$0	\$5,000	\$5,000	\$0	\$0	\$5,000	\$0	\$0	
DIP Balance	\$10,000	\$10,000	\$15,000	\$15,000	\$15,000	\$15,000	\$20,000	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000	\$30,000	
Book Cash Balance	\$6,817	\$5,598	\$7,375	\$9,291	\$6,363	\$6,255	\$5,095	\$9,816	\$9,968	\$8,361	\$5,645	\$3,552	\$788	
Total Liquidity Including DIP	\$11,817	\$10,598	\$7,375	\$9,291	\$6,363	\$6,255	\$15,095	\$14,816	\$14,968	\$13,361	\$5,645	\$3,552	\$788	
Est. Checks Outstanding (Float)	\$2,950	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	
Bank Cash	\$9,767	\$8,098	\$9,875	\$11,791	\$8,863	\$8,755	\$7,595	\$12,316	\$12,468	\$10,861	\$8,145	\$6,052	\$3,288	

[1] Upon the payoff of debt associated with the San Carlos project, pursuant to the Senior Secured Term Loan Agreement, the assets become collateral under the Colony term loan.

[2] Beginning Book Cash Balance of \$7.7 million for the week ending 12/25/2011 is an estimate as of 12/16/2011, which consists of \$2.5 million of estimated book cash, plus \$5.2 million of escrow receivables for homes that were closed as of 12/16/2011.

# **Certificates of Insurance**



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>General Liability - Practice OCIP *</b>	12/31/10	12/31/13	72HBL8000400	Arch Specialty Insurance Co.

\*36-month - Financed  
(Broker: Lockton, Irvine, CA)

Form: Occurrence

Limits:

- \$ 5,000,000 Each Occurrence
- \$ 5,000,000 Products/Completed Operations Aggregate Limit
- \$ 5,000,000 General Aggregate Limit
- \$ 5,000,000 Personal & Advertising Limit
- \$ 1,000,000 Performance Failure Sublimit/ Aggregate
- \$ 1,000,000 Hired and Non-Owned Auto Limits
- \$ 150,000 Damage To Premises Rented to You
- \$ 25,000 Medical Expense Coverage

Self Insured Retention:

- \$ 150,000 Per Occurrence Coverage A
- \$ 150,000 Per Occurrence Coverage B
- \$ 25,000 Per Person - Coverage C
- \$ 500,000 Per Occurrence - Coverage D and Third Party Action Over
- \$ 100,000 Hired and Non-Owned Auto
- 2% of Revenue Policy SIR Aggregate Amount

**Excess Liability 1**  
(\$5M xs \$5M Primary)  
(Broker: Lockton, Irvine, CA)

12/31/10	12/31/13	895600	Ironshore Specialty Insurance Co.
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Form: Occurrence Follow Form

Limit:

- \$ 5,000,000 Each Occurrence
- \$ 5,000,000 Aggregate



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Excess Liability 2</b> (\$25M xs \$10M) (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	201110F146040-1	General Security Indemnity Co of AZ (SCOR)
Form: Occurrence Follow Form  Limit: \$ 25,000,000 Each Occurrence \$ 25,000,000 Aggregate				
<b>Excess Liability 3</b> (\$15M xs \$35M) (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	0306-2504	Allied World National Assurance Company
Form: Occurrence Follow Form  Limit: \$ 15,000,000 Each Occurrence \$ 15,000,000 Aggregate				
<b>Excess Liability 4</b> (\$25M xs \$50M) (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	6761891	Lexington Insurance Co.
Form: Occurrence Follow Form  Limit: \$ 25,000,000 Each Occurrence \$ 25,000,000 Aggregate				
<b>Excess Liability 5</b> (\$25M xs \$75M) (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	K0A1VQ410A0C	Aspen Insurance UK Limited
Form: Occurrence Follow Form  Limit: \$ 25,000,000 Each Occurrence \$ 25,000,000 Aggregate				
<b>Excess Liability 6</b> (\$25M xs \$100M) (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	62785350	Lexington Insurance Company UK
Form: Occurrence Follow Form  Limit: \$ 25,000,000 Each Occurrence \$ 25,000,000 Aggregate				



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Hired and Non-Owned Auto Liability *sub-limit on Practice GL OCIP</b> (Broker: Lockton, Irvine, CA)	12/31/10	12/31/13	71CAB8000500	Arch Specialty Insurance Co.

Limit: \$ 1,000,000 Combined Single Limit Bodily Injury/Property Damage Per Accident

Liability Deductible \$ 100,000 Deductible each accident

<b>Excess HNOA and Employers Liability:</b> (Broker: Lockton, Irvine, CA)	12/31/10	12/31/11	00040977-1	James River Insurance Co.
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Limit: \$ 5,000,000 Each Occurrence / Aggregate - excess of underlying:  
-HNOA Liability: Arch Specialty Insurance, Policy No.71CAB8000500  
-Employers Liability: US Fire Insurance., Policy No. 4087002771

<b>Workers Compensation</b> (Broker: Marsh, Newport Beach, CA)	07/01/11	07/01/12	BB1113864	Seabright Insurance Company
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Cov. A: Workers Compensation Statutory CA, AZ, NV  
Cov. B: Employers Liability  
\$ 1,000,000 Each Accident Bodily Injury By Accident  
\$ 1,000,000 Policy Limit Bodily Injury By Disease  
\$ 1,000,000 Each Employee Bodily Injury By Disease

guaranteed cost plan



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Builders Risk and Fixed Property</b> (Broker: Lockton, Irvine, CA)	12/31/11	12/31/12	RHF8906574	Hanover Insurance

Limit:	\$	30,000,000	Catastrophe limit Maximum per occurrence
Sublimits*:	\$	3,000,000	Maximum per occurrence any one building or structure
	\$	2,500,000	Maximum per occurrence, any one Trade-in or Buy-back
	\$	500,000	Model home per structure
	\$	75,000	Model home contents per structure
	\$	10,000,000	Soft costs / rental income Maximum per occurrence
	\$	20,000,000	Maximum Per Occurrence and Annual Aggregate Flood Excluding A&V
	\$	5,000,000	Maximum Per Occurrence and Annual Aggregate Flood Zones A & V
	\$	20,000,000	Maximum Per Occurrence and Annual Aggregate Earthquake Excluding California
	\$	2,500,000	Maximum Per Occurrence and Annual Aggregate Earthquake (California)
	\$	4,500,000	Business Personal Property
	\$	250,000	Business Interruption
	\$	500,000	Extra Expense
	\$	140,000	Tenant improvements and betterments
	\$	100,000	EDP Equipment & Media
	\$	2,500,000	Flood excluding zones outside the 500 year plain (fixed property)

\* Additional Sub-limits as listed per binder of insurance and policy

Deductible:	\$	5,000	Builders Risk All Other Perils Per Occurrence
		5-Days	Soft Costs waiting period per occurrence
	\$	100,000	Per Occurrence Flood (All other)
	\$	500,000	Per Occurrence Flood Zones A & V
	\$	100,000	Per Occurrence Earthquake Excluding CA
		5%	Of values at risk at time of loss subject to \$250,000 (California Earthquake)
	\$	5,000	Fixed Property (All Other Perils)
	\$	100,000	Flood per occurrence - Fixed Property

Annual reporting

<b>Fiduciary/Crime Policy</b>	Effective	Expiration	Policy No.	Company
(Broker: Lockton LFS, San Diego, CA)	08/15/11	08/15/12	8170-9151	Chubb Insurance Company

<b>Crime</b>			
Limits:	\$	3,000,000	Employee Dishonesty Blanket
	\$	3,000,000	Forgery or Alteration
	\$	3,000,000	Computer Fraud

Deductible:	\$	100,000	Each Occurrence
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<b>Fiduciary</b>			
Limits:	\$	2,000,000	Each Loss/Each Policy Period

Deductible:	\$	5,000	Each Loss
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WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Special Crime</b> (Broker: Lockton LFS, San Diego, CA)	11/01/10	11/01/13	21475737	National Union Fire
Limits:	\$	20,000,000	Ransom Monies	
	\$	20,000,000	Delivery Coverage	
	\$	20,000,000	Expense Coverage	
	\$	20,000,000	Legal Liability	
	\$	20,000,000	Judgment Settlements	
Deductible:	None			
<b>Directors &amp; Officers Liability</b> (Broker: Lockton LFS, San Diego, CA)	08/15/11	08/15/12	03-880-2511	Chartis Insurance Company
Limit:	\$	10,000,000	Aggregate	
Retention:	\$	250,000	Each Loss for Securities Claims	
	\$	N/A	Employment Practices Liability	
	\$	150,000	All Other Claims	
<b>Directors &amp; Officers - Lead Side A DIC</b> (Broker: Lockton LFS, San Diego, CA)	08/15/11	08/15/12	03-880-2532	Chartis Insurance Company
Limit:	\$	5,000,000	Each Loss/Each Policy Period (Side A only)	
<b>Directors &amp; Officers - 1st Side A DIC</b> (Broker: Lockton LFS, San Diego, CA)	08/15/11	08/15/12	8224-2308	Chubb Insurance Company
Limit:	\$	5,000,000	Excess of \$10,000,000 (Annual Aggregate)	
<b>Directors &amp; Officers - 2nd Side A DIC</b> (Broker: Lockton LFS, San Diego, CA)	08/15/11	08/15/12	0306-9005	Allieed World Assurance Company
Limit:	\$	5,000,000	Excess of \$20,000,000 (Annual Aggregate)	



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Mountain Falls Golf Course, LLC</b>	07/01/10	07/01/11	13CMA41598617	California Capital Insurance

**DBA: Mountain Falls Golf Course Comm I Pkg General Liability & Property**

Location: 5001 South Clubhouse Drive, Pahrump, NV 89061

(Broker: Tracking Only - Written through George Peterson Insurance)

**Package:**

Property: 90% Coinsurance

Limit: \$ 12,636,239 Blanket Buildings and contents

Special Form Including Boiler and Machinery, Excluding Flood & Earthquake. Agreed Value on Buildings; Replacement Cost

Inland Marine:  
\$ 380,000 Golf carts  
\$ 965,000 Maintenance Equipment

Crime:  
Limit: \$ 50,000 Employee Dishonesty  
\$ 50,000 Depositors Forgery  
\$ 50,000 Money & Securities

General Liability:  
Limit: \$ 2,000,000 General Aggregate  
\$ 2,000,000 Products/Completed Operations Aggregate  
\$ 1,000,000 Personal & Advertising Injury  
\$ 1,000,000 Each Occurrence  
\$ 100,000 Fire Damage  
\$ 1,000 Medical Payments

Liquor Liability:  
\$ 1,000,000 General Aggregate  
\$ 1,000,000 Each Occurrence

Employee Benefit Liability:  
\$ 1,000,000 General Aggregate  
\$ 1,000,000 Each Occurrence

Green/Grounds Coverage:  
Golf Course \$ 1,000,000  
Trees to Greens coverage \$ 25,000 Any one tree, shrub or plant, including cost of debris removal.

Electronic Data Processing:  
\$ 30,000 All Premise Computer Property BI  
\$ 1,000 Deductible



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Commercial Auto Liability:</b>	07/01/10	07/01/11	13BAA41598617	California Capital Insurance
Limit:	\$ 1,000,000	Auto Liability (Any Auto)		
	\$ 5,000	Medical Payments ( per person)		
	\$ 1,000,000	Uninsured / Underinsured Motorist		
	\$ 1,000	Comprehensive Deductible		
	\$ 500	Collision Deductible		
	\$ 1,000,000	Non-Owned Auto & Hired Auto Liability		
Hired Auto Physical Damage:				
	\$ 500	Comprehensive Deductible		
	\$ 500	Collision Deductible		
<b>Excess Liability:</b>	07/01/10	07/01/11	13CUL41598617	California Capital Insurance
	\$ 10,000,000	General Aggregate		
	\$ 10,000,000	Each Occurrence		
Following Form Liquor Liability				
Following Form Auto Liability				
Following Form Employee Benefits Liability				
Nuclear Energy Liability Exclusion				
Pollution Exclusion				
Asbestos Exclusion				
<b>E &amp; O Special Mortgage Bond:</b>	09/01/11	09/01/12	SPRFW1100038	Lloyds of London
(Duxford Financial Inc.) - Crime & Mortgage Bankers E&O (Run Off)				
(Broker: Lockton LFS, San Diego, CA)				
Limits:				
Dishonesty / Premises / Transit / Forged Checks:	\$ 300,000	Aggregate		
E&O / Mortgage Interest/ Liability to Mortgagor/ Liability to Investor / Real Estate Taxes:	\$ 2,000,000	Each claim/Aggregate		
Deductible:	\$ 15,000			
Retroactive Date: 9/7/00				
<b>East Garrison Fort Ord Project:</b>	01/31/07	01/31/13	676-1164	Lexington
General Liability Policy				
(Broker: Lockton, Irvine, CA)				
Limits:	\$ 10,000,000	Each Occurrence		
	\$ 10,000,000	General Aggregate		
	\$ 10,000,000	Personal & Advertising Injury		
	\$ 10,000,000	Products-Completed Operations		
Retained Amount:	\$ 250,000	Per Occurrence		



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>East Garrison Fort Ord Project:</b> \$5M Excess over Primary Liability (Broker: Lockton, Irvine, CA)	01/31/07	01/31/12	7275254	Ins. Co. of the State of Penn.
Limits:	\$	5,000,000	Each Occurrence/Annual Aggregate, where applicable Excess of Underlying GL Policy Limits	
Rate:	Flat			
<b>East Garrison Fort Ord Project:</b> \$15M xs over \$5M xs over Primary (Broker: Lockton, Irvine, CA)	01/31/07	01/31/12	ELU730816/01/2007	Axis Surplus
Limits:	\$	15,000,000	Each Occurrence	
	\$	15,000,000	General Aggregate	
<b>East Garrison Fort Ord Project:</b> Pollution Legal Liability (Broker: Lockton, Irvine, CA)	01/31/07	01/31/15	PLS2190761	American International
Limits:				
	Cov. A \$	10,000,000	Each Incident	
	Cov. B \$	10,000,000	Each Incident	
	Cov. C \$	10,000,000	Each Incident	
	Cov. D \$	10,000,000	Each Incident	
	Cov. E \$	10,000,000	Each Incident	
	Cov. F \$	10,000,000	Each Incident	
	\$	10,000,000	Policy Aggregate Limit	
Deductible Amount:	\$	250,000	Each Incident	



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>General Liability - 360 Southbay - Project Specific *</b> *48-month - Financed (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	23462747	Lexington Insurance Company
Form: Occurrence				
Limits:	\$ 5,000,000	Each Occurrence		
	\$ 5,000,000	Products/Completed Operations Aggregate Limit		
	\$ 5,000,000	General Aggregate Limit		
	\$ 5,000,000	Personal & Advertising Limit		
Self Insured Retention:	\$ 50,000	Per Occurrence Capped at \$500,000		
<b>Excess Liability 1</b> (\$10M xs \$5M Primary) (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	816300	Ironshore Specialty Insurance Co.
Form: Occurrence Follow Form				
Limit:	\$ 10,000,000	Each Occurrence		
	\$ 10,000,000	Aggregate		
<b>Excess Liability 2</b> (\$10M xs \$15M) (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	0306-1204	Allied World National Assurance Company
Form: Occurrence Follow Form				
Limit:	\$ 10,000,000	Each Occurrence		
	\$ 10,000,000	Aggregate		
<b>Excess Liability 3</b> (\$12.5M [part of 25M quota shared with Lex] xs \$25M) (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	201010F1468231	General Security Indemnity Company of Arizona (SCOR)
Form: Occurrence Follow Form				
Limit:	\$ 12,500,000	Each Occurrence		
	\$ 12,500,000	Aggregate		



WILLIAM LYON HOMES, INC.  
SCHEDULE OF INSURANCE

Coverage	Effective	Expiration	Policy No.	Company
<b>Excess Liability 4</b> (\$12.5M [part of 25M quota shared with Scor] xs \$25M) (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	6761875	Lexington Insurance Company
Form:	Occurrence Follow Form			
Limit:	\$	12,500,000	Each Occurrence	
	\$	12,500,000	Aggregate	
<b>Excess Liability 5</b> (\$25M xs \$50M) (Broker: Lockton, Irvine, CA)	11/10/10	11/10/14	B0595/X0032220Z	Underwriters at Lloyds (XL)
Form:	Occurrence Follow Form			
Limit:	\$	25,000,000	Each Occurrence	
	\$	25,000,000	Aggregate	
<b>Builders Risk - IM</b> Per Ryan Turner Specialty Letter; See Letter for further detail	12/16/11	12/16/12	RHF890657401	Hanover Insurance Company

  
**Arch**  
**Insurance Group**  
**ARCH SPECIALTY INSURANCE COMPANY**  
(A Nebraska Corporation)

Home Office Address:  
10306 Regency Parkway Drive  
Omaha, NE 68113

Administrative Address:  
One Liberty Plaza, 53rd Floor  
New York, NY 10006  
Tel: (800) 817-3252

**BUILDERS PERFORMANCE AND LIABILITY INSURANCE POLICY**

**DECLARATIONS**

**POLICY NO.:** 72HBL8000400

**Producer Name:** LOCKTON INSURANCE BROKERS, INC.  
**Mailing Address:** NEWPORT GATEWAY TOWER I  
19800 MACARTHUR BLVD., SUITE 550  
IRVINE, CA 92612

**Named Insured:** WILLIAM LYON HOMES, INC.  
**Mailing Address:** 4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660

**Surplus Lines Producer:** LOCKTON INSURANCE BROKERS, INC.

**Mailing Address:** 19800 MACARTHUR BLVD., SUITE 550, IRVINE, CA 92612

**Surplus Lines License Number:** CA - OF15767, NV - 20063, AZ - 854424

**License Expiration Date:** 03/31/11

**Policy Period** From 12/31/10 To 12/31/13  
*At 12:01 A.M. Standard Time At Your Mailing Address Shown Above*

**Location Of Covered Operations** ARIZONA, CALIFORNIA AND NEVADA

**Designated Warrant Service Company** WILLIAM LYON HOMES, INC.

**Mailing Address:** 4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660

**IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.**

**DESCRIPTION OF BUSINESS**

Form OF Business:

- Individual                                       Partnership                                       Joint Venture  
 Limited Liability Company                       Organization, Including A Corporation (But Not Including A Partnership, Joint Venture Or Limited Liability Company)

**Limits of Insurance**

Each Occurrence Limit	\$ 5,000,000	
Personal and Advertising Injury Limit	\$ 5,000,000	Any one person or organization
Damage to Premises Rented to You Limit	\$ 150,000	Any one premises
Medical Expense Limit	\$ 25,000	Any one person
General Aggregate Limit (Other than Products – Completed Operations)	\$ 5,000,000	
Products – Completed Operations Limit	\$ 5,000,000	

**Self Insured Retentions**

Coverage A – Any One Occurrence (except Third Party Over Suits)	\$ 150,000
Any One Occurrence (Third Party Over Suits)	\$ 500,000
Coverage B - Any One Offense	\$ 150,000
Coverage C – Any One Person	\$ 25,000
Coverage D – Any One Occurrence	\$ 500,000
Policy Period Aggregate Retention	
Aggregate Retention Rate per Revenue	\$ 2.0%
Total Aggregate Self Insured Retention	\$ 23,800,000 minimum amount

**RATES AND PREMIUM**

	RATES	PREMIUMS
<b>Homebuilding Premium</b>		\$ 3,486,356
Rate Per \$1,000 per Revenues	\$2.6505	
Estimated Revenue	\$1,315,358,000	
<b>Land Sales Premium</b>		\$ 96,855
Rate Per \$1,000 of Sales	\$1.666	
Estimated Sales	\$58,136,000	
	<b>TOTAL PREMIUM (AUDIT-ABLE)</b>	<b>\$ 3,583,211</b>



PREMIUM SHOWN IS PAYABLE:                    AT INCEPTION                    \$ 3,527,656  
MINIMUM PREMIUM                    \$ 2,329,087  
(IF POLICY PERIOD IS MORE THAN ONE YEAR  
AND PREMIUM IS PAID IN ANNUAL INSTALL-  
MENTS)

AUDIT PERIOD (IF APPLICABLE)     ANNUALLY     SEMI-ANNUALLY     QUARTERLY     MONTHLY

**SINGLE OCCURRENCE PROJECT LOCATIONS AND DESCRIPTIONS**

SINGLE OCCURRENCE APPLIES ON A PROJECT LEVEL. SEE DETAILED LIST OF PROJECTS  
ON FILE WITH THE COMPANY.

**ENDORSEMENTS**

ENDORSEMENTS ATTACHED TO THIS POLICY:  
(REFER TO SCHEDULE OF FORMS AND ENDORSEMENTS)

**THESE DECLARATIONS, TOGETHER WITH THE COVERAGE FORM(S) AND ANY ENDORSE-  
MENT(S), COMPLETE THE ABOVE NUMBERED POLICY.**

Arch Specialty Insurance Company is licensed in the state of Nebraska only.

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**WILLIAM LYON HOMES, INC**  
**POLICY SUMMARY**

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**WORKERS COMPENSATION & EMPLOYERS LIABILITY**

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**Carrier:** SeaBright Insurance Company  
**Broker:** Marsh USA Inc.  
**Policy Number:** BB1113864  
**Policy Term:** July 1, 2011 to July 1, 2012  
**Covered States:** AZ, CA, NV  
**Other States:** All states except ND, OH, WA, WY and the Covered States listed above

**Limits of Liability:**

<b>Workers Compensation</b>	<b>Statutory</b>
<b>Employers Liability</b>	
Bodily Injury by Accident – Each Accident	\$1,000,000
Bodily Injury by Disease – Policy Limit	\$1,000,000
Bodily Injury by Disease – Each Employee	\$1,000,000

**Terms and Conditions as Per Coverage Form:** WC 00 00 00 A

<b>Notable Endorsements</b>	Terrorism Risk Ins. Program	WC000422A
<b>(At Policy Inception):</b>	Notification of Change in Ownership	WC000414
	Catastrophe (Other than Certified Acts of Terrorism)	WC000421A
	Officers & Directors Coverage/Exclusion	WC040303
	Waiver of our Right to Recover from Others	WC040306

<b>Estimated Premium:</b>	\$252,418	<b>Rate:</b>	Various
<b>TRIA Premium:</b>	\$ 902 (included)	<b>Exposure:</b>	Payroll
<b>Surcharges:</b>	\$ 11,925		(policy is subject to audit)

**COMMERCIAL OUTPUT PROGRAM -- DECLARATIONS**

POLICY NUMBER  
RHF 8906574 00

PRODUCER NAME AND NO.  
RT SPECIALTY, LLC  
5701355

INSURANCE IS PROVIDED BY THE  
COMPANY DESIGNATED BELOW:  
HANOVER INSURANCE COMPANY

NAMED INSURED & MAILING ADDRESS:  
WILLIAM LYON HOMES, INC.  
(SEE NAMED INSURED ENDORSEMENT)  
4490 VON KARMAN  
NEW PORT BEACH, CA 92660

Policy Period: From: 11/01/2010 To: 12/31/2011

This Policy becomes effective and expires at 12:01 a.m. Standard Time at Your Mailing Address Shown Above

**BUILDING PROPERTY AND BUSINESS PERSONAL PROPERTY COVERAGES**

- Property Covered at any one location \$ 5,364,000
- Refer to Scheduled Locations Endorsement
- Replacement Cost applies

**TIME ELEMENT COVERAGES**

- Blanket Total Income Coverage Limit \$ 250,000.
- Extra Expense Coverage \$ 500,000.
- Refer to Schedule of Locations Endorsement

**INCOME COVERAGE OPTIONS (check one)**

- Earnings, rents and extra expense
- Earnings and extra expense
- Rents and extra expense

Period of Loss Extension  
Total Days 30

DEDUCTIBLE AMOUNT \$ 5,000.

**OTHER**

FLOOD DEDUCTIBLE: \$100,000.

OTHER ENDORSEMENTS MADE A PART OF THIS POLICY AT TIME OF ISSUE

MORTGAGE HOLDER NAME AND MAILING ADDRESS

LOCATION

PREMIUM PAYABLE AT INCEPTION \$ 8,857

**DECLARATIONS**

**FEDERAL INSURANCE COMPANY**

A stock insurance company, incorporated under the laws of Indiana, herein called the Company

Policy Number: 8170-9151

**THE EXECUTIVE LIABILITY AND ENTITY SECURITIES LIABILITY, FIDUCIARY LIABILITY, OUTSIDE DIRECTORSHIP LIABILITY AND EMPLOYMENT PRACTICES LIABILITY COVERAGE SECTIONS (WHICHEVER ARE PURCHASED) PROVIDE CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD", OR ANY EXTENDED REPORTING PERIOD. THE APPLICABLE LIMIT(S) OF LIABILITY TO PAY "LOSS" WILL BE REDUCED, AND MAY BE EXHAUSTED, BY THE PAYMENT OF "DEFENSE COSTS" UNLESS OTHERWISE SPECIFIED HEREIN. "DEFENSE COSTS" WILL BE APPLIED AGAINST THE RETENTION. READ THE ENTIRE POLICY CAREFULLY.**

Item 1. **Parent Organization:** WILLIAM LYON HOMES  
**Principal Address:** 4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660

Item 2. **Policy Period:** From 12:01 A.M. on August 15, 2011  
To 12:01 A.M. on August 15, 2012  
Local time at the address shown in Item 1.

Item 3. **Coverage Summary**  
**Description:**  
GENERAL TERMS AND CONDITIONS  
FIDUCIARY LIABILITY  
CRIME

Item 4. **Termination of**  
Prior Bonds or Policies: 8170-9151 (July 15, 2010 - Aug 15, 2011)

Chubb Group of Insurance Companies  
15 Mountain View Road  
Warren, New Jersey 07059

**Executive Protection Portfolio** <sup>SM</sup>  
General Terms and Conditions Section

In witness whereof, the Company issuing this policy has caused this policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

FEDERAL INSURANCE COMPANY

*W. Andrew Mason*

Secretary

*Paul I. Krump*

President

11/29/11

Date

*[Signature]*

Authorized Representative

**Executive Protection Portfolio <sup>SM</sup>**  
**General Terms and Conditions Section**

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this policy, the Company and the Insureds agree as follows:

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**Territory**

1. Coverage shall extend anywhere in the world.
- 

**Terms and Conditions**

2. Except for these General Terms and Conditions or unless stated to the contrary in any coverage section of this policy, the terms and conditions of each coverage section shall apply only to that coverage section. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any coverage section, the terms and conditions of such coverage section shall control for purposes of that coverage section. Any defined term referenced in these General Terms and Conditions but defined in a coverage section shall, for purposes of coverage under that coverage section, have the meaning set forth in that coverage section.
- 

**Definitions**

3. When used in this policy:

**Claim** shall have the meaning set forth in the applicable coverage section.

**Insured** shall have the meaning set forth in the applicable coverage section.

**Parent Organization** means the organization designated in Item 1 of the Declarations of these General Terms and Conditions.

**Policy Period** means the period of time specified in Item 2 of the Declarations of these General Terms and Conditions, subject to prior termination in accordance with Subsection 11 below. If this period is less than or greater than one year, then the limits of liability specified in the Declarations for each coverage section shall be the Company's maximum limit of liability under such coverage section for the entire period.

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**Limits of Liability and Retentions**

4. Unless stated to the contrary in any coverage section, the limits of liability and retentions shown for each coverage section are separate limits of liability and separate retentions pertaining to the coverage section for which they are shown. Unless stated to the contrary in any coverage section of this policy, the payment of a retention under one coverage section shall not constitute payment of, and shall not reduce, the applicable retention under any other coverage section.

**Notice**

**Executive Protection Portfolio <sup>SM</sup>**  
**General Terms and Conditions Section**

5. Any notice to the Company with respect to any coverage section shall designate the coverage section under which notice is being given and shall be treated as notice only under the coverage section(s) so designated.

Notice to the Company of a **Claim**, or of circumstances which could give rise to a **Claim**, shall be given in writing addressed to:

Attn: Claims Department  
Chubb Group of Insurance Companies  
82 Hopmeadow Street  
Simsbury, Connecticut 06070-7683

All other notices to the Company shall be given in writing addressed to:

Attn: Underwriting  
Chubb Group of Insurance Companies  
82 Hopmeadow Street  
Simsbury, Connecticut 06070-7683

Any such notice shall be effective on the date of receipt by the Company at such address.

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**Valuation and Foreign Currency**

6. All premiums, limits, retentions, loss and other amounts under this policy are expressed and payable in the currency of the United States of America. Except as otherwise provided in any coverage section, if a judgment is rendered, a settlement is denominated or any element of loss under this policy is stated in a currency other than United States of America dollars, payment under this policy shall be made in United States of America dollars at the rate of exchange published in The Wall Street Journal on the date the judgment becomes final, the amount of the settlement is agreed upon or the element of loss is due, respectively.

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**Subrogation**

7. In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the **Insured's** rights of recovery, and such **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit or otherwise pursue subrogation rights in the name of the **Insured**.

**Action Against the Company**

8. No action may be taken against the Company unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this policy. No person or entity shall have any right under this policy to join the Company as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the Company be impleaded by such **Insured** or legal representatives of such **Insured**.

---

**Parent Organization Rights and Obligations**

9. By acceptance of this policy, the **Parent Organization** agrees that it shall be considered the sole agent of, and shall act on behalf of, each **Insured** with respect to: the payment of premiums and the receiving of any return premiums that may become due under this policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice provided for in this policy (except the giving of notice to apply for an Extended Reporting Period); the adjustment of loss amounts; and the receipt or enforcement of payment of loss (and the **Parent Organization** further agrees that it shall be responsible for application of any such payment as provided in this policy). Each **Insured** agrees that the **Parent Organization** shall act on its behalf with respect to all such matters.

---

**Alteration and Assignment**

10. No change in, modification of, or assignment of interest under this policy shall be effective except when made by written endorsement to this policy which is signed by an authorized employee of Chubb & Son, a division of Federal Insurance Company.

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**Termination of Policy or Coverage Section**

11. This policy or any coverage section shall terminate at the earliest of the following times:
- (a) sixty days after receipt by the **Parent Organization** of written notice of termination from the Company for any reason other than non-payment of premium;
  - (b) twenty days after receipt by the **Parent Organization** of written notice of termination from the Company for non-payment of premium;
  - (c) upon receipt by the Company of written notice of termination from the **Parent Organization**; provided that this policy may not be terminated by the **Parent Organization** after the effective date of any acquisition of the **Parent Organization** as described in the Changes in Exposure subsection of the applicable coverage section of this policy;
  - (d) upon expiration of the **Policy Period** as set forth in Item 2 of the Declarations of these General Terms and Conditions; or
  - (e) at such other time as may be agreed upon by the Company and the **Parent Organization**.

The Company shall refund the unearned premium computed at customary short rates if this policy or any coverage section is terminated by the **Parent Organization**. Under any other



**Executive Protection Portfolio<sup>SM</sup>**  
**General Terms and Conditions Section**

circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the Company shall not be a condition precedent to the effectiveness of a notice of termination, but such payment shall be made as soon as practicable thereafter.

---

**Termination of Prior Bonds or Policies**

12. Any bonds or policies issued by the Company or its affiliates and specified in Item 4 of the Declarations of these General Terms and Conditions shall terminate, if not already terminated, as of the inception of this policy.
- 

**Bankruptcy**

13. Bankruptcy or insolvency of any **Insured** shall not relieve the Company of its obligations nor deprive the Company of its rights or defenses under this policy.
- 

**Headings**

14. The descriptions in the headings and sub-headings of this policy are solely for convenience, and form no part of the terms and conditions of coverage.
-



□ NATIONAL UNION FIRE INSURANCE COMPANY OF PITTSBURGH, PA

175 Water Street, New York NY 10038

**CrisiSolution<sup>SM</sup>**  
**DECLARATIONS**

Policy Number: 21-475-737

Renewal of: 6479930

**Item I. Named Insured & Mailing Address:**

WILLIAM LYON HOMES, INC.  
4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660

**Item II. Limits of Insurance**

<b>Ransom</b>	\$ <u>20,000,000</u>	Each Insured Event
<b>In-Transit/Delivery</b>	\$ <u>20,000,000</u>	Each Insured Event
<b>Expenses</b>	\$ <u>20,000,000</u>	Each Insured Event
<b>Consultant Expenses</b>	\$ <u>Unlimited</u>	Each Insured Event
<b>Judgements, Settlements, and Defense</b>	\$ <u>20,000,000</u>	Each Insured Event
<b>Death or Dismemberment</b>	\$ <u>100,000</u>	Each Insured Person
	\$ <u>500,000</u>	Each Insured Event
<b>Disappearance</b>	\$ <u>75,000</u>	Each Insured Person
	\$ <u>75,000</u>	Each Insured Event
<b>Hostage Crisis</b>	\$ <u>500,000</u>	Each Insured Person
	\$ <u>500,000</u>	Each Insured Event
<b>Threat</b>	\$ <u>50,000</u>	Each Insured Event

**Item III. Policy Period:** From: November 1, 2010 To: November 1, 2013

(12:01 A.M. Standard Time at address stated in Item I above)

**Item IV. Premium:**

Policy Premium	\$12,330.00
Terrorism Risk Insurance Act	\$125.00
Total Amount Due	\$12,455.00
Surcharge	N/A

**Item V: Insured Person(s):**

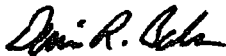
All directors, officers and employees of the Insured

**Item VI: Forms attached at issuance:**

See Attached Forms Schedule - Form # 80048 (05/02)

**Broker:** LOCKTON COMPANIES, LLC

**Address:** 725 S FIGUEROA ST 34TH FLOOR  
LOS ANGELES, CA 90017-5524



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Authorized Representative

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Countersignature (where applicable by law)



National Union Fire Insurance Company of Pittsburgh, Pa.®  
A capital stock company

## PrivateEdge Plus

POLICY NUMBER: 03-880-25-11

REPLACEMENT OF POLICY NUMBER: 02-584-10-62

### Management Liability, Professional Liability and Crime Coverage for Private Companies DECLARATIONS - STATE OF CALIFORNIA

#### NOTICES

[ THESE NOTICES ARE APPLICABLE TO ALL COVERAGE SECTIONS OTHER THAN THE CRIME COVERAGE SECTION]

COVERAGE WITHIN THIS POLICY IS GENERALLY LIMITED TO LOSS FROM CLAIMS FIRST MADE AGAINST INSURED DURING THE POLICY PERIOD AND REPORTED TO THE INSURER AS THE POLICY REQUIRES. DEFENSE COSTS REDUCE THE LIMITS OF LIABILITY (AND, THEREFORE, AMOUNTS AVAILABLE TO RESPOND TO SETTLEMENTS AND JUDGMENTS) AND ARE APPLIED AGAINST APPLICABLE RETENTIONS.

THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND UNLESS SUCH COVERAGE IS EXPRESSLY PROVIDED WITHIN A COVERAGE SECTION. WHERE THE INSURER HAS NO DUTY TO DEFEND, IT WILL ADVANCE DEFENSE COSTS, EXCESS OF THE APPLICABLE RETENTION, PURSUANT TO THE TERMS OF THIS POLICY PRIOR TO THE FINAL DISPOSITION OF A CLAIM. PLEASE REFER TO THE COVERAGE SECTIONS PURCHASED FOR DEFENSE RELATED DETAILS.

PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE HEREUNDER WITH YOUR INSURANCE AGENT OR BROKER TO DETERMINE WHAT IS AND WHAT IS NOT COVERED.

ITEMS		
1	NAMED ENTITY:	(the "Named Entity") MAILING ADDRESS: <i>WILLIAM LYON HOMES</i> <i>4490 VON KARMAN AVENUE</i> <i>NEWPORT BEACH, CA 92660</i>
		STATE OF INCORPORATION/FORMATION: <i>Delaware</i>
2	POLICY PERIOD:	Inception Date: <i>August 15, 2011</i> Expiration Date: <i>August 15, 2012</i> 12:01 A.M. at the address stated in Item 1

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ITEMS (continued)

**COVERAGE SUMMARY**

Liability Coverage Section		Separate Limit of Liability	Shared Limit of Liability	Retention/Deductible*	Continuity/Retroactive Date	Premium
D&O	D&O Coverage Section	\$10,000,000	Inapplicable	\$150,000	Continuity: 05/09/1992	\$179,149
EPL	Employment Practices Coverage Section	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased
FLI	Fiduciary Liability Coverage Section	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased
MPL	Miscellaneous Professional Liability Coverage Section	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased
Professional Services:						
CCP	Employed Lawyers Coverage Section	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased	Coverage Section Not Purchased
Crime	Crime Coverage Section	See Section 5.	None	See Section 5.	N/A	Coverage Section Not Purchased
*With respect to the D&O, EPL, FLI and CCP Coverage Sections only, no Retention amount is applicable to Non-Indemnifiable Loss. *No Retention is applicable to Costs of Investigation for Company Shareholder Derivative Investigations, Crisis Management Events, Voluntary Compliance Loss and HIPAA Penalties.						N/A

**TOTAL PREMIUM \$179,149**

Premium for Certified Acts of Terrorism Coverage under Terrorism Risk Insurance Act 2002: \$1,774 included in policy premium. Any coverage provided for losses caused by an act of terrorism as defined by TRIA (TRIA Losses) may be partially reimbursed by the United States under a formula established by TRIA as follows: 85% of TRIA Losses in excess of the insurer deductible mandated by TRIA, the deductible to be based on a percentage of the insurer's direct earned premiums for the year preceding the act of terrorism. A copy of the TRIA disclosure sent with the original quote is attached hereto.

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ITEMS (continued)

**6 CRIME LIMITS OF LIABILITY AND DEDUCTIBLES**

Insuring Agreement	Per Occurrence Limit of Liability	Deductible
Insuring Agreement 1.A.: "Employee Theft" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.B.: "Forgery or Alteration" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.C.: "Inside the Premises - Theft of Money or Securities" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.D.: "Inside the Premises - Robbery or Safe Burglary of Other Property" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.E.: "Outside the Premises" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.F.: "Computer Fraud" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.G.: "Funds Transfer Fraud" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>
Insuring Agreement 1.H.: "Money Orders and Counterfeit Paper Currency" Loss	<i>Coverage Section Not Purchased</i>	<i>Coverage Section Not Purchased</i>

If "Not Covered" is inserted above opposite any specific Insuring Agreement, such Insuring Agreement in the Crime Coverage Section and any other reference thereto in this policy is hereby deleted.

**CANCELLATION OF PRIOR CRIME INSURANCE:** By acceptance of the Crime Coverage Section of this Policy, you give us notice of cancellation for the prior Policy Nos: *025841062*. Such cancellation shall be effective at the time the Crime Coverage Section of this Policy becomes effective.

**6 OTHER LIMITS OF LIABILITY**

(a) POLICY AGGREGATE LIMIT OF LIABILITY (For all coverages, combined other than the Crime Coverage Section):	<i>\$10,000,000</i>
(b) Crisis Management Fund For D&O:	<i>\$50,000</i>
(c) Punitive Damages Sublimit of Liability for D&O and/or EPL Coverage Sections:	
<input type="checkbox"/> D&O Punitive Damages Sublimit of Liability:	<i>\$0</i>
<input type="checkbox"/> EPL Punitive Damages Sublimit of Liability:	<i>\$0</i>
<input type="checkbox"/> Shared Punitive Damages Sublimit of Liability (D&O and EPL):	<i>\$0</i>
<input checked="" type="checkbox"/> No Punitive Damages Sublimit of Liability for D&O or EPL	<i>Full Limit</i>
(d) Costs of Investigation Coverage Sublimit for D&O:	<i>\$250,000</i>
(e) Voluntary Compliance Loss Sublimit of Liability for FLI:	<i>Coverage Section Not Purchased</i>
(f) HIPAA Penalties Sublimit of Liability for FLI:	<i>Coverage Section Not Purchased</i>

**7 DISCOVERY PROVISIONS (Inapplicable to Crime Coverage Section)**

(a) Percentage of Full Annual Premium for; 1 Year:	<i>75%</i>
(b) 2 Years:	<i>TBD</i>
(c) 3 Years:	<i>TBD</i>
(d) 4 Years:	<i>TBD</i>
(e) 5 Years:	<i>TBD</i>
(f) 6 Years:	<i>150%</i>
(g) Percentage of Full Annual Premium for unlimited duration:	<i>TBD</i>

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ITEMS (continued)

8(a) NAME AND ADDRESS OF INSURER

*National Union Fire Insurance Company of Pittsburgh, Pa.  
175 Water Street  
New York, NY 10038-4969*

This policy is issued only by the insurance company indicated in this Item 8(a).

8(b) NOTICE OF CLAIMS AND CIRCUMSTANCES SEND TO:

*Chartis, Financial Lines Claims  
P.O. Box 25947  
Shawnee Mission, KS 66225*

Reference: 03-880-25-11

Reference: [Coverage Section]

PRODUCER: *LOCKTON COMPANIES, LLC*  
PRODUCER LICENSE NO.: *On File with Carrier*  
ADDRESS: *725 S FIGUEROA ST 35TH FLOOR  
LOS ANGELES, CA 90017-5524*

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IN WITNESS WHEREOF, the Insurer has caused this policy to be signed on the Declarations by its President, a Secretary and a duly authorized representative.

*John J. Dwyer*

PRESIDENT

*[Signature]*

SECRETARY

*John J. Dwyer*

AUTHORIZED REPRESENTATIVE

COUNTERSIGNATURE

DATE

COUNTERSIGNED AT

229137





National Union Fire Insurance Company of Pittsburgh, Pa.®  
A capital stock company

# EXECUTIVE SHIELD

THE LAST LINE OF DEFENSE FOR TODAY'S EXECUTIVES

POLICY NUMBER: 03-880-25-32

REPLACEMENT OF POLICY NUMBER: 02-582-94-81

### NOTICES

COVERAGE WITHIN THIS POLICY IS LIMITED TO LOSS FROM CLAIMS FIRST MADE AGAINST INSUREDS DURING THE POLICY PERIOD.

DEFENCE COSTS REDUCE THE LIMIT OF LIABILITY AND, ACCORDINGLY, AMOUNTS AVAILABLE TO RESPOND TO SETTLEMENTS AND JUDGMENTS. THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND; HOWEVER, IT MAY ADVANCE DEFENCE COSTS PURSUANT TO THE TERMS OF THIS POLICY PRIOR TO THE FINAL DISPOSITION OF A CLAIM. PLEASE REVIEW THE POLICY FOR DETAILS.

PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE HEREUNDER WITH YOUR INSURANCE AGENT OR BROKER TO DETERMINE WHAT IS AND WHAT IS NOT COVERED.

### DECLARATIONS

ITEMS							
<b>1</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 35%;"> <b>NAMED ENTITY</b> (the "Named Entity")             MAILING ADDRESS:             STATE OF INCORPORATION/FORMATION:         </td> <td style="width: 65%;">           WILLIAM LYON HOMES             4490 VON KARMAN AVE            NEWPORT BEACH, CA 92660-2000             Delaware         </td> </tr> </table>	<b>NAMED ENTITY</b> (the "Named Entity")  MAILING ADDRESS:  STATE OF INCORPORATION/FORMATION:	WILLIAM LYON HOMES  4490 VON KARMAN AVE NEWPORT BEACH, CA 92660-2000  Delaware				
<b>NAMED ENTITY</b> (the "Named Entity")  MAILING ADDRESS:  STATE OF INCORPORATION/FORMATION:	WILLIAM LYON HOMES  4490 VON KARMAN AVE NEWPORT BEACH, CA 92660-2000  Delaware						
<b>2</b>	<table border="1" style="width: 100%;"> <tr> <td style="width: 25%;"><b>POLICY PERIOD</b></td> <td style="width: 40%;">From: <u>August 15, 2011</u></td> <td style="width: 35%;">To: <u>August 15, 2012</u></td> </tr> <tr> <td colspan="3" style="text-align: center;">12:01 A.M. at the mailing address stated in Item 1 above</td> </tr> </table>	<b>POLICY PERIOD</b>	From: <u>August 15, 2011</u>	To: <u>August 15, 2012</u>	12:01 A.M. at the mailing address stated in Item 1 above		
<b>POLICY PERIOD</b>	From: <u>August 15, 2011</u>	To: <u>August 15, 2012</u>					
12:01 A.M. at the mailing address stated in Item 1 above							
<b>3</b>	<b>SELECTED INSURED PERSONS</b> "Insured Person" means any natural person "insured" under the Followed Policy who during or prior to the Policy Period serves or has served in any of the capacities checked below: <ul style="list-style-type: none"> <li><input checked="" type="checkbox"/> an independent member of the board of directors (or equivalent body) of the Named Entity as such directors are defined by the entity in accordance with applicable law, rules and regulations;</li> <li><input checked="" type="checkbox"/> a member of the board of directors (or equivalent body) of the Named Entity, who are not independent members of such body as described above;</li> <li><input checked="" type="checkbox"/> an Executive of the Named Entity;</li> <li><input checked="" type="checkbox"/> an Executive of any Organization; or</li> <li><input type="checkbox"/> an Employee of any Organization;</li> </ul> Unchecked capacities reflect that such coverage was not purchased and is not provided under this policy.						

1277218

**LIMITS AND ATTACHMENT**

4	<b>LIMIT OF LIABILITY:</b>		<b>\$5,000,000</b>
5	Aggregate for all Loss and all Insured Persons afforded coverage under this policy combined, including Defense Costs (the "Limit of Liability")		
6	<b>TOTAL UNDERLYING LIMITS: (see schedule below for details)</b>		<b>\$10,000,000</b>
7	<b>RETENTIONS OF UNDERLYING POLICIES:</b>		
	<i>D&amp;O retention</i>		<i>\$150,000</i>
	<i>SEC retention</i>		<i>\$250,000</i>

**SCHEDULE UNDERLYING POLICIES**

Notes	Underlying Insurer	Underlying Policy Number	Limits	Policy Period
5 Followed Policy	<i>Chartis Insurance Company</i>	<i>03-880-25-11</i>	<i>\$10,000,000</i>	<i>08/15/2011-08/15/2012</i>

6 PREMIUM \$63,630

*Premium for Certified Acts of Terrorism Coverage under Terrorism Risk Insurance Act 2002: \$630 included in policy premium. Any coverage provided for losses caused by an act of terrorism as defined by TRIA (TRIA Losses) may be partially reimbursed by the United States under a formula established by TRIA as follows: 85% of TRIA Losses in excess of the insurer deductible mandated by TRIA, the deductible to be based on a percentage of the insurer's direct earned premiums for the year preceding the act of terrorism. A copy of the TRIA disclosure sent with the original quote is attached hereto.*

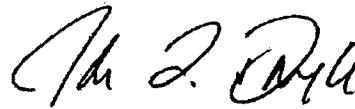
1277218

7 INSURER	(the "Insurer")	National Union Fire Insurance Company of Pittsburgh, Pa. MAILING ADDRESS: 175 Water Street New York, NY 10038-4969
8 NOTICE OF CLAIMS AND CIRCUMSTANCES	SEND TO:	Chartis, Financial Lines Claims P.O. Box 25947 Shawnee Mission, KS 66225  Reference: 03-880-25-32

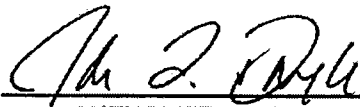
IN WITNESS WHEREOF, the Insurer has caused this policy to be signed on the Declarations by its President, a Secretary and its duly authorized representative.



SECRETARY



PRESIDENT



AUTHORIZED REPRESENTATIVE

COUNTERSIGNATURE

DATE

COUNTERSIGNED AT

LOCKTON COMPANIES, LLC  
725 S FIGUEROA ST 35TH FLOOR  
LOS ANGELES, CA 90017-5524

1277218

# EXCESS POLICY

## DECLARATIONS

Policy Number 8224-2308

**Federal Insurance Company,**  
a stock insurance company,  
incorporated under the laws of  
Indiana, herein called the  
Company.

- 
- Item 1. **Parent Organization:** WILLIAM LYON HOMES  
Item 2. **Principal Address:** 4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660  
Item 3. **Limit of Liability:**  
**Each Policy Period** \$5,000,000.00

Item 4. **Underlying Insurance:**

(A) **Primary Policy**

<u>Insurer</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Policy Period</u>
National Union Fire Insurance Company of Pittsburgh, PA	03-880-25-11	\$10,000,000.00	August 15, 2011 To August 15, 2012

(B) **Other Policies**

<u>Insurer</u>	<u>Policy Number</u>	<u>Limits</u>	<u>Policy Period</u>
National Union Fire Insurance Company of Pittsburgh, PA.	03-880-25-32	\$5,000,000.00	August 15, 2011 To August 15, 2012

- Item 5. **Policy Period:** From: 12:01 a.m. on August 15, 2011  
To: 12:01 a.m. on August 15, 2012

Item 6. **Endorsements Effective at Inception:** See Schedule of Forms Attached

Item 7. **Termination of Prior Policies:** X New Business

Item 8. **Pending or Prior Date:** 08/15/2011

The Company issuing this policy has caused this policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the Company.

FEDERAL INSURANCE COMPANY

*W. Andrew Moscan*

Secretary

*Carl J. Krump*

President

11/22/2011

Date

*[Handwritten Signature]*

Authorized Representative

# Excess Policy

In consideration of the payment of the premium and subject to the Declarations, limitations, conditions, provisions and other terms of this policy, the Company agrees as follows:

- 
- |                        |   |
|------------------------|---|
| <b>Insuring Clause</b> | 1. The Company shall provide the <b>Insureds</b> with insurance during the <b>Policy Period</b> excess of the <b>Underlying Limit</b> . Coverage hereunder shall attach only after the insurers of the <b>Underlying Insurance</b> shall have paid in legal currency the full amount of the <b>Underlying Limit</b> for such <b>Policy Period</b> . Coverage hereunder shall then apply in conformance with the terms and conditions of the <b>Primary Policy</b> as amended by any more restrictive terms and conditions of any other policy designated in Item 4(B) of the Declarations, except as otherwise provided herein. |
|------------------------|---|
- 
- |  |  |
|--|--|
| <b>Maintenance of Underlying Insurance</b> | 2. All <b>Underlying Insurance</b> shall be maintained in full effect during the <b>Policy Period</b> and shall afford the same coverage provided by all <b>Underlying Insurance</b> in effect upon inception of this <b>Policy Period</b> , except for any depletion or exhaustion of the <b>Underlying Limit</b> solely by reason of payment of losses thereunder. |
|--|--|
- 
- |                                      |  |
|--------------------------------------|--|
| <b>Depletion of Underlying Limit</b> | 3. Only in the event of exhaustion of the <b>Underlying Limit</b> by reason of the insurers of the <b>Underlying Insurance</b> , or the <b>Insureds</b> in the event of financial impairment or insolvency of an insurer of the <b>Underlying Insurance</b> , paying in legal currency loss which, except for the amount thereof, would have been covered hereunder, this policy shall continue in force as primary insurance, subject to its terms and conditions and any retention applicable to the <b>Primary Policy</b> , which retention shall be applied to any subsequent loss in the same manner as specified in the <b>Primary Policy</b> .<br><br>The risk of uncollectability of any <b>Underlying Insurance</b> , whether because of financial impairment or insolvency of an underlying insurer or any other reason, is expressly retained by the <b>Insureds</b> and is not in any way insured or assumed by the Company. |
|--------------------------------------|--|
- 
- |                             |  |
|-----------------------------|--|
| <b>Underlying Sublimits</b> | 4. If any <b>Underlying Limit</b> is subject to a <b>Sublimit</b> :<br><br>a. coverage hereunder shall not apply to any claim which is subject to such <b>Sublimit</b> , however,<br><br>b. the <b>Underlying Limit</b> shall be recognized hereunder as depleted to the extent of any payment of such claim subject to such <b>Sublimit</b> . |
|-----------------------------|--|
- 
- |                           |  |
|---------------------------|--|
| <b>Limit of Liability</b> | 5. The Company's maximum liability for loss shall be the amount set forth in Item 3 of the Declarations. |
|---------------------------|--|
- 
- |                            |  |
|----------------------------|--|
| <b>Claim Participation</b> | 6. The Company may, at its sole discretion, elect to participate in the investigation, settlement or defense of any claim covered by this policy even if the <b>Underlying Insurance</b> has not been exhausted. |
|----------------------------|--|
-

---

**Pending or Prior Matters**

7. The Company shall not be liable under this policy for any loss which is based upon, arises from or is in consequence of any demand, suit or other proceeding pending, or order, decree or judgment entered against any **Insured** on or prior to the Pending or Prior Date set forth in Item 8 of the Declarations, or the same or any substantially similar fact, circumstance or situation underlying or alleged therein.

---

**Subrogation - Recoveries**

8. In the event of any payment under this policy, the Company shall be subrogated to the extent of such payment to all the **Insureds'** rights of recovery and the **Insureds** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the Company effectively to bring suit in the name of the **Insured**.

Any amounts recovered after payment of loss hereunder shall be apportioned in the inverse order of payment to the extent of actual payment. The expenses of all recovery proceedings shall be apportioned among the recipients of the recovery in the ratio of their respective recoveries.

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**Notice**

9. The **Insureds** shall, as a conditions precedent to exercising their rights under this policy, give to the Company written notice as soon as practicable of the cancellation of any **Underlying Insurance**, any notice given under any **Underlying Insurance** and additional or return premiums charged or paid in connection with any **Underlying Insurance**.

Notice to the Company under this policy shall be given in writing addressed to:

Notice of claim: Home Office Claims Department  
Chubb Group of Insurance Companies  
15 Mountain View Road  
Warren, New Jersey 07059

All other notices: Executive Protection Practice  
Chubb Group of Insurance Companies  
15 Mountain View Road  
Warren, New Jersey 07059

Such notice shall be effective on the date of receipt by the Company at such address.

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**Company Authorization Clause**

10. By acceptance of this policy, the **Parent Organization** named in Item 1 of the Declarations agrees to act on behalf of all the **Insureds** with respect to the giving and receiving of notice of claim or termination, the payment of premiums and the receiving of any return premiums that may become due under this policy, the negotiation, agreement to and acceptance of endorsements, and the giving or receiving of any notice provided for under this policy (except the giving of notice to apply for any extended reporting period), and the **Insureds** agree that the **Parent Organization** shall act on their behalf.

---

**Alteration**

11. No change in, modification of, or assignment of interest under this policy shall be effective except when made by written endorsement to this policy which is signed by an authorized representative of the Company.

# Excess Policy

## Policy Termination

12. This policy shall terminate at the earliest of the following times:
- (a) sixty days after the receipt by the **Parent Organization** of a written notice of termination from the Company;
  - (b) upon the receipt by the Company of written notice of termination from the **Parent Organization**;
  - (c) upon expiration of the **Policy Period**;
  - (d) thirty days after the effective date of any alteration or termination of any **Underlying Insurance**, whether by the **Insureds** or any insurer of the **Underlying Insurer**, unless the Company (i) receives written notice of such alteration or termination from the **Parent Organization**, (ii) receives such information as the Company reasonably requests, and (iii) agrees, pursuant to an endorsement, not to terminate this policy; or
  - (e) at such other time as may be agreed upon by the Company and the **Parent Organization**.

Notice of cancellation or non-renewal of the **Primary Policy** duly given by the primary insurer shall serve as notice of the cancellation or non-renewal of this policy by the Company.

The Company shall refund the unearned premium computed at customary short rates if the policy is terminated by the **Parent Organization**. Under any other circumstances the refund shall be computed pro rata.

---

## Termination of Prior Policies

13. Any policies specified in Item 7 of the Declarations shall terminate, if not already terminated, as of the inception date of this policy.

---

## Policy Definitions

14. When used in this policy:

**Insureds** means those persons or organizations insured under the **Primary Policy**.

**Parent Organization** means the organization designated in Item 1 of the Declarations.

**Primary Policy** means the policy scheduled in Item 4(A) of the Declarations or any policy of the same insurer replacing or renewing such policy.

**Policy Period** means the period of time specified in Item 5 of the Declarations, subject to prior termination in accordance with Section 12 above. If any extended reporting period is exercised, such extension shall be treated as set forth in the **Primary Policy**.

**Sublimit** means any **Underlying Insurance** limit of liability which:

- a. applies only to a particular grant of coverage under such **Underlying Insurance**, and
- b. reduces and is part of the otherwise applicable limits of liability of such **Underlying Insurance** set forth in Item 4 of the Declarations.



---

**Policy Definitions**  
(continued)

**Underlying Insurance** means all policies scheduled in Item 4 of the Declarations and any policies of the same insurers replacing or renewing them.

**Underlying Limit** means the amount equal to the aggregate of all limits of liability as set forth in Item 4 of the Declarations for all **Underlying Insurance**, subject to any **Sublimits**, plus the applicable uninsured retention, if any, under the **Primary Policy**.



ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.
225 Franklin Street, Boston, MA 02110 · Tel. (857) 288-6000 · Fax (617) 556-8060

EXCESS DIRECTORS & OFFICERS LIABILITY INSURANCE
FOLLOWING FORM POLICY

POLICY NUMBER: 0306-9005
RENEWAL OF:

NOTICE: EXCEPT TO SUCH EXTENT AS MAY OTHERWISE BE PROVIDED HEREIN, THE COVERAGE OF THIS POLICY IS GENERALLY LIMITED TO LIABILITY FOR ONLY THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED DURING THE POLICY PERIOD AND REPORTED IN WRITING TO THE INSURER PURSUANT TO THE TERMS HEREIN. PLEASE READ THE POLICY CAREFULLY AND DISCUSS THE COVERAGE THEREUNDER WITH YOUR INSURANCE AGENT OR BROKER.

NOTICE: THE LIMIT OF LIABILITY AVAILABLE TO PAY JUDGMENTS OR SETTLEMENTS SHALL BE REDUCED BY AMOUNTS INCURRED FOR DEFENSE COSTS. AMOUNTS INCURRED FOR DEFENSE COSTS SHALL BE APPLIED AGAINST THE RETENTION AMOUNT.

NOTICE: THE INSURER DOES NOT ASSUME ANY DUTY TO DEFEND.

DECLARATIONS

- ITEM 1: NAMED INSURED: William Lyon Homes
ADDRESS: 4490 Von Karman Avenue
Newport Beach, CA 92660-2008
ITEM 2: POLICY PERIOD: From: August 15, 2011 To: August 15, 2012
(12:01 a.m. Standard Time at the address stated in Item 1)
ITEM 3: LIMIT OF LIABILITY: \$5,000,000
aggregate for all coverages combined (including Defense Costs)
EXCESS OF TOTAL UNDERLYING LIMITS OF: \$20,000,000

ITEM 4: UNDERLYING POLICIES AND INSURERS:

Primary Policy:

Table with 4 columns: Insurer, Policy Number, Limits, Policy Period. Row 1: National Union Fire Insurance Company of Pittsburgh, Pa., 03-880-25-11, \$10,000,000, August 15, 2011 to August 15, 2012

DECLARATIONS (continued)

POLICY NO.: 0306-9005

**Excess Policy(ies):**

<b>Insurer</b>	<b>Policy Number</b>	<b>Limits</b>	<b>Policy Period</b>
National Union Fire Insurance Company of Pittsburgh, Pa.	03-880-25-32	\$5,000,000	August 15, 2011 to August 15, 2012
Chubb Specialty Insurance Company (CA)	8224-2308	\$5,000,000	August 15, 2011 to August 15, 2012

**ITEM 5:** PENDING OR PRIOR DATE: August 15, 2011

**ITEM 6:** PREMIUM: \$32,000

**ITEM 7:** A. DISCOVERY PERIOD/EXTENDED

REPORTING PERIOD PREMIUM: 100% of premium set forth in Item 6 above

B. DISCOVERY PERIOD/EXTENDED

REPORTING PERIOD: 12 months

**ITEM 8:** ADDRESS OF INSURER FOR ALL NOTICES UNDER THIS POLICY:

ALLIED WORLD ASSURANCE COMPANY (U.S.) INC.  
ATTN: CLAIMS DEPARTMENT  
225 FRANKLIN STREET  
BOSTON, MA 02110

In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Asst. Secretary



**AUTHORIZED REPRESENTATIVE**



**IRONSHORE**  
*your safe harbour*

**IRONSHORE SPECIALTY INSURANCE COMPANY**

One State Street Plaza  
7th Floor  
New York, NY 10004  
Toll Free: (877) IRON411

**COMMERCIAL EXCESS LIABILITY POLICY DECLARATIONS**

**Policy Number:** 000895600

**NEW/RENEWAL OF:** NEW

**Item 1. Named Insured & Mailing Address:**

William Lyon Homes, Inc.  
4490 Von Karman Ave  
Newport Beach, CA 92660

**Item 2. Policy Period:**

**Effective:** December 31, 2010

**Expiration:** December 31, 2013

12:01 a.m. time at your mailing address shown above

**Item 3. Limits Of Liability**

a. Per Occurrence, Per Claim or Per Loss (as in Controlling underlying Policy) \$5,000,000

b. Aggregate, where applicable \$5,000,000  
(Per Schedule of Underlying Policies (See Endorsement No. 1))

**Item 4. Limits Of Underlying Policy**

a. Per Occurrence, Per Claim or Per Loss \$5,000,000

b. Aggregate, where applicable \$5,000,000  
Per Schedule of Underlying Policies (See Endorsement No. 1)

**Item 5. Controlling Underlying Policy**

Company	Arch Specialty Insurance Company
Policy Number	72HBL80000400
Insurer	Arch Specialty Insurance Company
Coverage	General Liability Wrap Up Coverage
Policy Period	December 31, 2010 to December 31, 2013
Limit of Liability	\$5,000,000

STATE TAX \$ 34,500  
STAMPING FEE \$ 250.75

**Item 6.**

<b>Premium:</b>		<i>Compliance with all surplus lines placement requirements, including stamping the Policy and collection and payment of surplus lines taxes, is the responsibility of the broker.</i>
	Premium: \$1,150,000.00	
	Tria 1 (Certified): Rejected	
	-----	
	Total Amount Due: \$1,150,000.00	
		<i>See Invoice for the date Premium is due and payable. Failure to pay the premium in full may result in voidance of coverage.</i>

Minimum Premium: 25%

**Item 7. Producer & Mailing Address:** R-T Specialty, LLC  
3400 W. Olive Avenue  
SUITE NO 350  
Burbank, CA 91505

**Broker License:** 0G97516

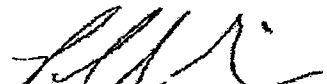
**Item 8. NOTICES TO THE INSURER:**

- (a) All notices as required under Section VI.H.1: Claims Department
  - (b) All other notices: Underwriting Department
- At the address and numbers shown at the top of the Declarations Page.

**Item 9. Policy Coverage Form:** ECA.COV.001 (0510) Commercial Excess Liability Policy  
**Endorsements:** SEE SCHEDULE OF ENDORSEMENTS

THESE DECLARATIONS, TOGETHER WITH THE COMPLETED AND SIGNED APPLICATION, FOR THIS POLICY AND THE FOLLOWED POLICY, INCLUDING INFORMATION FURNISHED IN CONNECTION THEREWITH WHETHER DIRECTLY OR THROUGH PUBLIC FILING, AND THE POLICY FORM ATTACHED HERETO, CONSTITUTE THE INSURANCE POLICY.

Date: March 23, 2011  
MO/DAY/YR.

  
Authorized Representative

# Nevada Capital Insurance Company

## COMMERCIAL LINES POLICY COMMON POLICY DECLARATIONS

### AUDITABLE

Policy Number: 13-CMA-4-1656574

Renewal of: 13-CMA-4-1598617

Named Insured and Mailing Address:  
Mountain Falls Golf Course LLC  
DBA: Mountain Falls Golf Course  
5001 Clubhouse Dr  
Pahrump, NV 89061-6921

Agent:  
48212  
Golf Insurance Services LLC  
2440 Gold River Rd #290  
Rancho Cordova, CA 95670

Policy Period: From: 07/01/2011 To: 07/01/2012 at 12:01 A.M. Standard Time at your mailing address shown above.

Legal Text:

Business Description: Public Golf Course

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
Commercial Property Coverage Part	\$ 11,158.00
Commercial General Liability Coverage Part	
Commercial Crime Coverage Part	
Commercial Inland Marine Coverage Part	
Commercial Auto Coverage Part	
Special Programs	\$ 13,664.00
Boiler and Machinery Coverage Part	
Terrorism Risk Insurance Act of 2002	No Charge
	\$ 24,822.00

This is not a bill. Any premium due will be applied to the Account Bill.

TO REPORT A CLAIM, CONTACT THE CLAIM SERVICE CENTER: (800) 986-9974

FORM(S) AND ENDORSEMENT(S) MADE A PART OF THIS POLICY AT THE TIME OF ISSUE:  
Refer To Forms Schedule

\*Omits applicable Forms and Endorsements if shown in specific Coverage Part/Coverage Form Declarations

06/22/2011  
Countersignature Date

Golf Insurance Services LLC  
Authorized Representative

Insured Copy

**GOLF COURSE POLICY DECLARATION**

**Named Insured: Mountain Falls Golf Course LLC**  
**Policy #: 13-CMA-4-1656574**

**Declaration Type: Amendment**  
**Effective Date: 07/01/2011**

**Policy Coverage (Applies to each location separately)**

**Limits of Insurance**

Debris Removal	\$ 50,000
Fire Department Service Charge	\$ 5,000
Building Ordinance Coverage A	\$ Included in Building Limit
Building Ordinance Coverage B	\$ 100,000
Building Ordinance Coverage C	\$ 100,000
Money & Securities	
On premises	\$ 50,000
Off premises	\$ 50,000
Expense for Loss Adjustment	\$ 25,000
Arson Reward for Conviction	\$ 10,000
Reverse Flow of Sewer or Drain Water Damage	\$ 100,000
F.O.B. Shipments	\$ 25,000
Credit Card Transaction	\$ 5,000
Employee Dishonesty	\$ 50,000
Fire Extinguisher Recharge	\$ 5,000
Money Order/Counterfeit Paper Currency	\$ 25,000
Key Replacement or Lock Repair	\$ 500
Forgery and Alteration	\$ 50,000
Income Support Property	\$ 25,000
Hole-In-One Coverage (50/50)	\$ 1,000
Business Income	Actual Loss Sustained up to 24 months
Extra Expense	Actual Loss Sustained up to 24 months
Equipment Breakdown Coverage	Included
Newly Acquired or Constructed Property	
Buildings	\$ 1,000,000
Your Business Personal Property	\$ 1,000,000

**Liability and Medical Payments:**

**Policy Coverage**

**Limits of Insurance**

General Aggregate Limit (Other Than Products-Completed Operations)	\$ 2,000,000
Products-Completed Operations Aggregate Limit	\$ 1,000,000
Personal and Advertising Injury Limit	\$ 1,000,000
Each Occurrence Limit	\$ 1,000,000
Medical Expenses per Person	\$ 5,000
Fire Damage Legal Liability (Any One Fire)	\$ 100,000
Employee Benefits Liability	\$ 1,000,000

On the following pages, specific coverages for each separate location are described.

Coverage Level Premium(s): \$ 851

**GOLF COURSE POLICY DECLARATION**

**Named Insured: Mountain Falls Golf Course LLC**  
**Policy #: 13-CMA-4-1656574**

**Declaration Type: Amendment**  
**Effective Date: 07/01/2011**

**Limits of Insurance**

LOCATION # 1:

Total Premium:  
\$12,651

5001 Clubhouse Dr, Pahrump, NV 89061-6921

\*\*These Coverages apply to this location only\*\*

Outdoor Property	\$50,000
Trees & Shrubs	\$50,000 each/\$100,000 max
Accounts Receivable	
On premises	\$250,000
Off premises	\$250,000
Electronic Data Processing	\$120,000
Paved Surfaces	\$100,000
Valuable Papers and Records - Cost of Research	\$250,000
Golf Course and Driving Range Netting	\$100,000
Golf Course Grounds Coverage	\$1,000,000
Personal Effects and Property of Others	\$10,000
Personal Effects and Property of Others - Employees	\$5,000
Property Off Premises	\$25,000
Spoilage Coverage - Off Premises Power Failure	\$100,000
Property in Transit	\$25,000
Furs, Jewelry, Watches	\$10,000
Pollutant Clean Up And Removal	\$50,000

BUILDING # 1

	Coinsurance	Deductible	
Fine Arts		\$1,000	\$50,000
Golf Carts - Public/semi Private		\$1,000	
Rental Reimbursement			Included
Lease/Loan Gap			Included
Grounds Maintenance Equipment		\$1,000	\$1,200,000
Leased/Borrowed/Rental Equipment		\$1,000	\$25,000
Signs		\$1,000	\$10,000
Unscheduled Tools		\$1,000	\$20,000

LIABILITY RATING EXPOSURES

	Premium Basis	Final Rate
Herbicide/Pesticide	\$1,000,000	
Pro Shop	\$110,000	
Golf Course Liability - Public Golf Course - 18 Holes	36,000 Rounds	.136



**GOLF COURSE POLICY DECLARATION**

**Named Insured: Mountain Falls Golf Course LLC**  
**Policy #: 13-CMA-4-1656574**

**Declaration Type: Amendment**  
**Effective Date: 07/01/2011**

LIABILITY continued...	Premium Basis	<u>Limits of Insurance</u>
		Final Rate
Swimming Pools	2	174.930
Restaurant Liability	1,000 Square Feet	
Additional Insured - Limited Blanket Addl Insured	1	
Liquor Liability	\$190,000	1.409



**Golf Insurance Services, LLC**  
George Petersen Insurance Agency

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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COMMERCIAL PACKAGE: 07-01-11 07-01-12 13CMA41598617 CIG INSURANCE

Named Insured:  
Mountain Falls Golf Course, LLC dba: Mountain Falls Golf Course  
Terry Connelly

Locations:  
5001 S. Clubhouse Drive, Pahrump, NV 89061  
5002 S. Clubhouse Drive, Pahrump, NV 89061  
4751 Mountain Falls Parkway, Pahrump, NV 89061

PROPERTY:

Blanket Buildings &  
Business Personal Property \$ 12,636,239  
As per Statement of Values ~ Includes:  
Garages, storage buildings, other structures used in your business;  
Building Foundations and retaining walls; Signs; Building glass; Fences;  
Outdoor antennas/dishes & their wiring/masts/towers;  
Tennis courts; Swimming pools; Awnings/canopies & poles;  
Scoreboards; Yard fixtures; Water stands/fountains/coolers;  
Landscape sprinklers & Irrigation systems;  
Underground pipes, flues and drains;  
Hole markers, Hole cups, Tee markers, Tee signs,  
Flags, ball washers, benches, Directional signals/bells,  
Course markers; Exterior light poles, Personal Property of others

Course & Driving Range Nets \$ 100,000  
At Actual Cash Value, Named Perils

Earthquake Sprinkler Leakage:  
1-1 Clubhouse Building \$ 800,000  
1-1 Clubhouse Contents 700,000  
2-1 Pro Shop/Cart Barn Building \$ 400,000  
2-1 Pro Shop/Cart Barn Contents 100,000

Building Ordinance Coverage A Included  
Increased Cost of Construction/Demolition  
Limit Included-Golf Property Plus Form \$ 100,000  
Clubhouse Building Limit \$ 1,900,000

Business Income/Extra Expense Actual Loss Sustained  
24 Month Form; No Coinsurance  
Covers entire premises  
Includes Building Ordinance  
Income Support Properties \$ 25,000  
Utility Services-Direct damage 100,000

Equipment Breakdown/Boiler & Machinery Included  
Expediting Expenses \$ 100,000  
Hazardous Substances 100,000  
Spoilage for perishable goods 100,000  
Computer equipment 100,000  
Data restoration 100,000  
Service interruption, 24 hours waiting period  
Business Income included

Causes of Loss:  
Special Form;  
Excludes Flood and Earthquake;  
Agreed Value; Replacement Cost;  
\$1,000 Deductible

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  
COVERAGE AMOUNT OR INCEPTION EXPIRATION POLICY  
LIMITS DATE DATE NUMBER COMPANY  
\*\*\*\*\*

INLAND MARINE:

Golf Carts of Insured \$ 380,000  
Golf Carts of Members/ACV(only on premises) None  
Grounds & Maintenance Equipment \$ 1,200,000

Leased, Rented, Borrowed Equipment \$ 25,000  
Miscellaneous Tools & Equipment 20,000  
(\$1,000 maximum any one item)  
Employees Tools 5,000  
Rental Reimbursement for insured's  
Golf carts & ground/maintenance equipment 100,000

Fine Arts \$ 50,000

Newly acquired golf carts:  
60 days at 30% of limit up to \$ 100,000 any one item  
Newly acquired equipment  
60 days at 30% of limit up to 100,000 any one item  
Newly acquired carts/equipment  
Any one loss 1,000,000

Causes of Loss:  
All Risks of Physical Damage, Subject to Exclusions;  
Includes Earthquake & Flood;  
Replacement Cost applies to:  
~Golf Carts  
~Grounds & Maintenance Equipment;  
~Misc Tools & Equipment;  
\$1,000 Deductible

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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 \*\*\*\*\*

GOLF PROGRAM PROPERTY PLUS FORM:

Accounts Receivable	\$ 250,000				
Arson reward for conviction	10,000				
Building ordinance or law-Coverage A	Included				
Increased Cost of construction	100,000				
Demolition:	100,000				
Credit Card Transactions	5,000				
Debris removal	50,000				
Driving range/golf course netting @ ACV	50,000				
Electronic Data Equipment/Media	See EDP Section				
Employees Tools/Employees Property	5,000				
Fine Arts	See Inland Marine Section				
Fire Department Service Charge	5,000				
Fire Extinguisher Recharge	5,000				
Furs/Fur garments	10,000				
Jewelry, watches, precious metals	10,000				
Income Support Properties	25,000				
Inventory & Appraisal	25,000				
Key Replacement/Lock Repair	500				
Newly Acquired Building, 30 days	1,000,000				
Newly Acq'd Bus. Personal Prop., 30 days	1,000,000				
Outdoor Property	50,000				
Outdoor signs (limit shown on dec page or)	10,000				
Paved Surfaces (foot/golf cart bridges, walks, patios, cart paths and other paved surfaces adjacent to greens)	100,000				
Pollutant Clean Up & Removal	50,000				
Preservation of Property	30 days				
Property of Others	10,000				
Property Off Premises	25,000				
Property In Transit	25,000				
Valuable Papers/Records	250,000				
Water Damage from reverse flow of sewer/drain/sump	100,000				

Golf Course Grounds ~Property Plus Form: \$ 1,000,000

Tees, Fairways, Greens, Rough Areas,  
Sand Traps, Bunkers,  
Practice Putting Greens/Practice Driving Ranges,  
Other outdoor grounds designed for the game of golf  
Including Debris Removal  
Flood damage to Golf Course Grounds listed above:  
 Per Occurrence \$ 50,000  
 Includes debris removal  
 Includes business income

Trees/plants/shrubs (including debris removal):

Per Tree/plant/shrub	\$ 50,000
Per Occurrence	100,000
Per Policy Year	100,000

Electronic Data Processing included on Property Plus Form:

Computer Hardware	\$ 30,000
Computer Data/Media	25,000
Extra Expense	50,000

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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 \*\*\*\*\*

Crime coverages included on Property Plus Form:  
 Employee Dishonesty \$ 50,000  
 Depositors Forgery 50,000  
 Money & Securities:  
     On Premises 50,000  
     Off Premises 50,000  
 Money Orders/Counterfeit paper currency 25,000  
 \$1,000 Deductible

COMMERCIAL GENERAL LIABILITY:  
 General Aggregate \$ 2,000,000  
 Products-Completed Operations Aggregate 1,000,000  
 Personal & Advertising Injury 1,000,000  
 Each Occurrence 1,000,000  
 Fire Damage 100,000  
 Medical Expense 5,000

Liquor Liability:  
 Aggregate \$ 2,000,000  
 Each Common Cause 1,000,000

Employee Benefit Liability:  
 Aggregate \$ 1,000,000  
 Each Claim 1,000,000  
 \$1,000 Deductible

Pesticide/Herbicide Applicators Liability:  
 Aggregate \$ 2,000,000  
 Each Occurrence 1,000,000

Errant Golf Ball Damage to Property of Others  
 Annual Aggregate Limit \$ 5,000  
 Limit Per Occurrence 500

Additional Insured - Club Members  
 Additional Insured - Users of Golf Mobiles

Commercial General Liability Schedule:  
 Golf Facilities 36,000 rounds of play  
 Pro Shop \$ 110,000 gross receipts  
 Restaurant regular dining areas 1,000 square feet  
 Liquor Liability \$ 190,000 gross receipts  
 Swimming Pool 2 Pools # of pools  
 Buildings/Premises Lessors Risk 3,000 square feet  
 (Office Leased to HOA)

\_\_\_\_\_  
 Authorized Signature & Date

THIS COVERAGE SUMMARY NEITHER AMENDS NOR ALTERS THE INSURANCE CONTRACT. SPECIFIC QUESTIONS ON ALL POLICY TERMS AND CONDITIONS SHOULD BE REFERRED TO YOUR INSURANCE REPRESENTATIVE AND THE POLICY ITSELF SHOULD BE REVIEWED.

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
*****					
<b>BUSINESS AUTO:</b>		07-01-11	07-01-12	13BAA41598617	CIG INS. CO.
-----					
Auto Liability (Any Auto)	\$ 1,000,000				
Medical Payments	5,000				
Uninsured/Underinsured Motorists	1,000,000				
Comprehensive Deductible	500				
Collision Deductible	500				
Non Owned Auto & Hired Auto Liability	1,000,000				
Hired Auto Physical Damage	50,000				
Rental Reimbursement	\$50 Per Day/\$1,000 Maximum				
Glass Only Claims, the deductible will be waived if repaired rather than replaced					
<u>Vehicle Schedule:</u>	<u>ID #:</u>	<u>Comprehensive</u>	<u>Collision</u>		
1) 2002 Dodge Ram 1500 Pickup	9404	\$500 Deductible	\$500 Deductible		
 <u>Garagekeepers Legal Liability:</u>					
Not Covered					
 <b>UMBRELLA LIABILITY:</b>		07-01-11	07-01-12	13CUL41656574	CIG INS. CO.
-----					
General Aggregate	\$ 10,000,000				
Each Occurrence	10,000,000				
Retained Limit	10,000				
Following Form Liquor Liability					
Following Form Auto Liability					
 <b>WORKERS COMPENSATION:</b>					
-----					
Not Covered					
 <b>DIC (EARTHQUAKE &amp; FLOOD):</b>					
-----					
Not Covered					
 <b>DIRECTORS &amp; OFFICERS:</b>					
-----					
Not Covered					
 <b>EMPLOYMENT PRACTICES LIABILITY:</b>					
-----					
Not Covered					
 <b>ABOVE GROUND/UNDERGROUND STORAGE TANK LIABILITY:</b>					
-----					
Not Covered					

THIS COVERAGE SUMMARY NEITHER AMENDS NOR ALTERS THE INSURANCE CONTRACT. SPECIFIC QUESTIONS ON ALL POLICY TERMS AND CONDITIONS SHOULD BE REFERRED TO YOUR INSURANCE REPRESENTATIVE AND THE POLICY ITSELF SHOULD BE REVIEWED.



**Golf Insurance Services, LLC**  
George Petersen Insurance Agency

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

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COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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 \*\*\*\*\*

COMMERCIAL PACKAGE: 07-01-11 07-01-12 13CMA41598617 CIG INSURANCE

Named Insured:  
Mountain Falls Golf Course, LLC dba: Mountain Falls Golf Course  
Terry Connelly

Locations:  
5001 S. Clubhouse Drive, Pahrump, NV 89061  
5002 S. Clubhouse Drive, Pahrump, NV 89061  
4751 Mountain Falls Parkway, Pahrump, NV 89061

PROPERTY:

Blanket Buildings & Business Personal Property \$ 12,636,239  
 As per Statement of Values ~ Includes:  
 Garages, storage buildings, other structures used in your business;  
 Building Foundations and retaining walls; Signs; Building glass; Fences;  
 Outdoor antennas/dishes & their wiring/masts/towers;  
 Tennis courts; Swimming pools; Awnings/canopies & poles;  
 Scoreboards; Yard fixtures; water stands/fountains/coolers;  
 Landscape sprinklers & Irrigation systems;  
 Underground pipes, flues and drains;  
 Hole markers, Hole cups, Tee markers, Tee signs,  
 Flags, ball washers, benches, Directional signals/bells,  
 Course markers; Exterior light poles, Personal Property of others

Course & Driving Range Nets \$ 100,000  
 At Actual Cash Value, Named Perils

Earthquake Sprinkler Leakage:  
 1-1 Clubhouse Building \$ 800,000  
 1-1 Clubhouse Contents 700,000  
 2-1 Pro Shop/Cart Barn Building \$ 400,000  
 2-1 Pro Shop/Cart Barn Contents 100,000

Building Ordinance Coverage A Included  
 Increased Cost of Construction/Demolition  
 Limit Included-Golf Property Plus Form \$ 100,000  
 Clubhouse Building Limit \$ 1,900,000

Business Income/Extra Expense Actual Loss Sustained  
 24 Month Form; No Coinsurance  
 Covers entire premises  
 Includes Building Ordinance  
 Income Support Properties \$ 25,000  
 Utility Services-Direct damage 100,000

Equipment Breakdown/Boiler & Machinery Included  
 Expediting Expenses \$ 100,000  
 Hazardous Substances 100,000  
 Spoilage for perishable goods 100,000  
 Computer equipment 100,000  
 Data restoration 100,000  
 Service interruption, 24 hours waiting period  
 Business Income included

Causes of Loss:  
 Special Form;  
 xcludes Flood and Earthquake;  
 Agreed Value; Replacement Cost;  
 \$1,000 Deductible

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
----------	------------------	----------------	-----------------	---------------	---------

 \*\*\*\*\*

INLAND MARINE:

Golf Carts of Insured	\$ 380,000				
Golf Carts of Members/ACV(only on premises)	None				
Grounds & Maintenance Equipment	\$ 1,200,000				
Leased, Rented, Borrowed Equipment	\$ 25,000				
Miscellaneous Tools & Equipment (\$1,000 maximum any one item)	20,000				
Employees Tools	5,000				
Rental Reimbursement for insured's Golf carts & ground/maintenance equipment	100,000				
Fine Arts	\$ 50,000				
Newly acquired golf carts: 60 days at 30% of limit up to	\$ 100,000	any one item			
Newly acquired equipment 60 days at 30% of limit up to	100,000	any one item			
Newly acquired carts/equipment Any one loss	1,000,000				

auses of Loss:  
 All Risks of Physical Damage, Subject to Exclusions;  
 Includes Earthquake & Flood;  
 Replacement Cost applies to:  
 ~Golf Carts  
 ~Grounds & Maintenance Equipment;  
 ~Misc Tools & Equipment;  
 \$1,000 Deductible



SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
----------	------------------	----------------	-----------------	---------------	---------

 \*\*\*\*\*

GOLF PROGRAM PROPERTY PLUS FORM:

Accounts Receivable	\$ 250,000
Arson reward for conviction	10,000
Building ordinance or law-Coverage A	Included
Increased Cost of construction	100,000
Demolition:	100,000
Credit Card Transactions	5,000
Debris removal	50,000
Driving range/golf course netting @ ACV	50,000
Electronic Data Equipment/Media	See EDP Section
Employees Tools/Employees Property	5,000
Fine Arts	See Inland Marine Section
Fire Department Service Charge	5,000
Fire Extinguisher Recharge	5,000
Furs/Fur garments	10,000
Jewelry, watches, precious metals	10,000
Income Support Properties	25,000
Inventory & Appraisal	25,000
Key Replacement/Lock Repair	500
Newly Acquired Building, 30 days	1,000,000
Newly Acq'd Bus. Personal Prop., 30 days	1,000,000
Outdoor Property	50,000
Outdoor Signs (limit shown on dec page or)	10,000
Paved Surfaces (foot/golf cart bridges, walks, patios, cart paths and other paved surfaces adjacent to greens)	100,000
Pollutant Clean Up & Removal	50,000
Preservation of Property	30 days
Property of Others	10,000
Property Off Premises	25,000
Property In Transit	25,000
Valuable Papers/Records	250,000
Water Damage from reverse flow of sewer/drain/sump	100,000

Golf Course Grounds ~Property Plus Form: \$ 1,000,000

Tees, Fairways, Greens, Rough Areas,  
Sand Traps, Bunkers,  
Practice Putting Greens/Practice Driving Ranges,  
Other outdoor grounds designed for the game of golf  
Including Debris Removal

Flood damage to Golf Course Grounds listed above:

Per Occurrence	\$ 50,000
Includes debris removal	
Includes business income	

Trees/plants/shrubs (including debris removal):

Per Tree/plant/shrub	\$ 50,000
Per Occurrence	100,000
Per Policy Year	100,000

Electronic Data Processing included on Property Plus Form:

Computer Hardware	\$ 30,000
Computer Data/Media	25,000
Extra Expense	50,000

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

\*\*\*\*\*  

COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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Crime coverages included on Property Plus Form:

Employee Dishonesty	\$ 50,000				
Depositors Forgery	50,000				
Money & Securities:					
On Premises	50,000				
Off Premises	50,000				
Money Orders/Counterfeit paper currency	25,000				
\$1,000 deductible					

COMMERCIAL GENERAL LIABILITY:

General Aggregate	\$ 2,000,000				
Products-Completed Operations Aggregate	1,000,000				
Personal & Advertising Injury	1,000,000				
Each Occurrence	1,000,000				
Fire Damage	100,000				
Medical Expense	5,000				

Liquor Liability:

Aggregate	\$ 2,000,000				
Each Common Cause	1,000,000				

Employee Benefit Liability:

Aggregate	\$ 1,000,000				
Each Claim	1,000,000				
\$1,000 deductible					

Pesticide/Herbicide Applicators Liability:

Aggregate	\$ 2,000,000				
Each Occurrence	1,000,000				

Errant Golf Ball Damage to Property of Others

Annual Aggregate Limit	\$ 5,000				
Limit Per Occurrence	500				

Additional Insured - Club Members

Additional Insured - Users of Golf Mobiles

Commercial General Liability Schedule:

Golf Facilities	36,000	rounds of play
Pro Shop	\$ 110,000	gross receipts
Restaurant regular dining areas	1,000	square feet
Liquor Liability	\$ 190,000	gross receipts
Swimming Pool	2 Pools	# of pools
Buildings/Premises Lessors Risk (Office Leased to HOA)	3,000	square feet

\_\_\_\_\_  
Authorized Signature & Date

SUMMARY OF INSURANCE COVERAGE  
for

MOUNTAIN FALLS GOLF COURSE, LLC  
August 4, 2011;kh  
License #0603247

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COVERAGE	AMOUNT OR LIMITS	INCEPTION DATE	EXPIRATION DATE	POLICY NUMBER	COMPANY
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**BUSINESS AUTO:** 07-01-11 07-01-12 13BAA41598617 CIG INS. CO.  
 -----  
 Auto Liability (Any Auto) \$ 1,000,000  
 Medical Payments 5,000  
 Uninsured/Underinsured Motorists 1,000,000  
 Comprehensive Deductible 500  
 Collision Deductible 500  
 Non Owned Auto & Hired Auto Liability 1,000,000  
 Hired Auto Physical Damage 50,000  
 Rental Reimbursement \$50 Per Day/\$1,000 Maximum  
 Glass only Claims, the deductible will be waived if repaired rather than replaced

Vehicle Schedule: ID #: Comprehensive Collision  
 1) 2002 Dodge Ram 1500 Pickup 9404 \$500 Deductible \$500 Deductible

Garagekeepers Legal Liability:  
 Not Covered

**UMBRELLA LIABILITY:** 07-01-11 07-01-12 13CUL41656574 CIG INS. CO.  
 -----  
 General Aggregate \$ 10,000,000  
 Each Occurrence 10,000,000  
 Retained Limit 10,000

Following Form Liquor Liability  
 Following Form Auto Liability

**WORKERS COMPENSATION:**  
 -----  
 Not Covered

**DIC (EARTHQUAKE & FLOOD):**  
 -----  
 Not Covered

**DIRECTORS & OFFICERS:**  
 -----  
 Not Covered

**EMPLOYMENT PRACTICES LIABILITY:**  
 -----  
 Not Covered

**ABOVE GROUND/UNDERGROUND STORAGE TANK LIABILITY:**  
 -----  
 Not Covered

# Nevada Capital Insurance Company

## COMMERCIAL LINES POLICY COMMON POLICY DECLARATIONS

Policy Number: 13-BAA-4-1656574

Renewal of: 13-BAA-4-1598617

Named Insured and Mailing Address:  
Mountain Falls Golf Course LLC  
DBA: Mountain Falls Golf Course  
5001 Clubhouse Dr  
Pahrump, NV 89061-6921

Agent:  
48212  
Golf Insurance Services LLC  
2440 Gold River Rd #290  
Rancho Cordova, CA 95670

Policy Period: From: 07/01/2011 To: 07/01/2012 at 12:01 A.M. Standard Time at your mailing address shown above.

Legal Text:

Business Description: Public Golf Course

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

THIS POLICY CONSISTS OF THE FOLLOWING COVERAGE PARTS FOR WHICH A PREMIUM IS INDICATED. THIS PREMIUM MAY BE SUBJECT TO ADJUSTMENT.

	PREMIUM
Commercial Property Coverage Part	
Commercial General Liability Coverage Part	
Commercial Crime Coverage Part	
Commercial Inland Marine Coverage Part	
Commercial Auto Coverage Part	\$ 1,097.00
Special Programs	
Boiler and Machinery Coverage Part	
Terrorism Risk Insurance Act of 2002	No Charge
	\$ 1,097.00

This is not a bill. Any premium due will be applied to the Account Bill.

TO REPORT A CLAIM, CONTACT THE CLAIM SERVICE CENTER: (800) 986-9974

FORM(S) AND ENDORSEMENT(S) MADE A PART OF THIS POLICY AT THE TIME OF ISSUE:  
Refer To Forms Schedule

\*Omits applicable Forms and Endorsements if shown in specific Coverage Part/Coverage Form Declarations

06/22/2011  
Countersignature Date

Golf Insurance Services LLC  
Authorized Representative

Insured Copy



**COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS**  
**Nevada Capital Insurance Company**

**POLICY NUMBER**

13-CUL-4-1656574

**ITEM 1. Named Insured and Address:**

**Agent:** Golf Insurance Services LLC - 48212

Mountain Falls Golf Course LLC  
 5001 Clubhouse Dr  
 Pahrump, NV 89061-8921

2440 Gold River Rd, #290  
 Rancho Cordova, CA 95670

**ITEM 2. Policy Period: From: 07/01/2011 To: 07/01/2012**

12:01 A.M., standard time at the address of the Named Insured as stated herein.

**Declaration Type:** New Term

**Effective Date:** 07/01/2011

This is Declaration #1 and when attached to the applicable forms, it completes the policy.

**Transaction Reason:** New Declaration

**The Named Insured is:** Other

Business of the Named Insured is: All Other: Medium Hazard

ITEM 3.	Limit of Insurance
Each Occurrence Limit of Bodily Injury and Property Damage:	\$10,000,000
Each Offense Limit of Personal Injury and Advertising Injury:	\$10,000,000
Aggregate Limit:	\$10,000,000
Minimum Deductible:	\$10,000
Premium:	\$6,596
Terrorism Risk Insurance Act of 2002:	No charge
Total Policy Premium:	\$6,596
<b>ITEM 4.</b>	<b>Schedule of Underlying Insurance</b>
See Attached Schedule	

\_\_\_\_\_  
 Authorized Representative

**SPECIAL NOTICE:**

In return for the payment of the premium and subject to all the terms of this policy,  
 we agree with you to provide the insurance as stated in this policy.

INSURED COPY

# COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS

Nevada Capital Insurance Company

## POLICY NUMBER

13-CUL-4-1656574

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## Policy Forms:

Commercial Umbrella Policy Declaration	00-027 (12-08)
Commercial Umbrella Liability Policy	00-012 (01-96)
Schedule of Locations..	03-312 (09-99)
Asbestos Exclusion	03-075 (04-97)
Employee Retirement Income Security Act Exclusion	03-101 (04-97)
Lead Exclusion	03-176 (04-97)
Employment-Related Practices Exclusion	03-177 (04-97)
Pathogenic Organism Exclusion	03-346 (04-02)
Punitive Damages Exclusion	03-402 (10-03)
Exclusion-NBCR	03-423 (03-08)
Consumer Privacy Information	08-122 (06-03)
Notice of Insurance Coverage of Acts of Terrorism	08-132 (03-08)
Cap on Losses from Certified Acts of Terrorism	CU2130 (01-08)
Exclusion-Punitive Damages Related Certified Acts of Terrorism	CU2136 (01-08)
Auto Liability Following Form	03-078 (05-02)
Construction, Subcontracting, Real Estate	0190 (10-01)
Employers Liability Exclusion	03-070 (02-05)
Limitation of Coverage to Designated Premises Or Project	03-097 (04-97)
Limited Liability Company Endorsement	03-313 (09-99)
Liquor Liability Endorsement	03-387 (02-05)
Non-Owned and Hired Auto Liability	03-094 (05-02)
Products-Completed Operations Hazard Redefined	03-317 (09-99)
Total Pollution Exclusion Endorsement	03-482 (11-05)

INSURED COPY

**COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS  
SCHEDULE OF UNDERLYING INSURANCE**

**Nevada Capital Insurance Company**

Policy Number: 13-CUL-4-1656574

Policy Period: From: 07/01/2011 To: 07/01/2012

---

**Auto Liability**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Combined Single Limit
<b>Policy Number:</b>		
13-BAA-4-1656574		
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

**Hired and Non Owned Auto**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Combined Single Limit
<b>Policy Number:</b>		
13-BAA-4-1656574		
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

**Employee Benefits**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Each Occurrence
<b>Policy Number:</b>	\$1,000,000	General Aggregate Limit
13-CMA-4-1656574	\$1,000	Deductible – per claim
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

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**General Liability Premises/Operations**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Each Occurrence
<b>Policy Number:</b>	\$2,000,000	General Aggregate Limit
13-CMA-4-1656574	\$1,000,000	Products-Completed Operations
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

INSURED COPY

**COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS  
SCHEDULE OF UNDERLYING INSURANCE**

**Nevada Capital Insurance Company**

Policy Number: 13-CUL-4-1656574

Policy Period: From: 07/01/2011 To: 07/01/2012

---

**General Liability Premises/Operations**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Each Occurrence
<b>Policy Number:</b>	\$2,000,000	General Aggregate Limit
13-CMA-4-1656574	\$1,000,000	Products-Completed Operations
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

**General Liability Products/Completed**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Each Occurrence
<b>Policy Number:</b>	\$2,000,000	General Aggregate Limit
13-CMA-4-1656574	\$1,000,000	Products-Completed Operations
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

**Liquor Liability**

---

<b>Carrier:</b>	<b>Limit of Liability</b>	
Nevada Capital Insurance Company	\$1,000,000	Each Occurrence
<b>Policy Number:</b>	\$2,000,000	General Aggregate Limit
13-CMA-4-1656574	\$1,000,000	Products-Completed Operations
<b>Policy Period:</b>		
From: 07/01/2011 To: 07/01/2012		

---

INSURED COPY





**Policy Number**

SPRFW1100038

**Assured / account**

Duxford Financial, Inc

**Unique market reference number**

B0713SPRFW1100038

**RISK DETAILS**

**UNIQUE MARKET REFERENCE:** B0713SPRFW1100038

**TYPE:** Special Mortgage Bankers Blanket Bond Run Off

**INSURED:** Duxford Financial, Inc  
William Lyon Financial Services  
Bayport Mortgage LP  
California Pacific Mortgage

**ADDRESS:** 4490 Von Karman Avenue,  
Newport Beach, California 92660

**PERIOD:** From 1st September 2011 to 1st September 2012, both days at 00.01am, Local Standard Time at the principal address.

**INTEREST:** As per policy.

**SUM INSURED:** USD 300,000 in the aggregate in respect of Insuring Clauses 1-8, 10 and 12 and other sub-limits as attached Schedule and USD 2,000,000 each claim and in the aggregate in respect of Insuring Clause 9

**DEDUCTIBLE:** USD 15,000 each and every loss / claim and other sub excesses as attached

**SITUATION:** Worldwide

**CONDITIONS:** Cover solely applies to acts committed or omitted prior to 1<sup>st</sup> September 2009 at 00.01am Local Standard Time at the principal address.  
Wording- Special Mortgage Bankers Bond and clauses as attached Service of Suit Clause (USA) naming Sedgwick Detert, Moran & Arnold, Irvine California  
SR6186 FHLMC, FNMA or GNMA Rider  
BEJ&H Discovery Limitation Clause  
NMA 358 Claim Notification Clause (USA)  
NMA 2918 War & Terrorism Exclusion Endorsement  
LMA 5053 US Terrorism Risk Insurance Act of 2002 as amended  
Not Purchased Clause

A partner in



FRSPRFW1100038000010  
0004



**Policy Number**

SPRFW1100038

**Assured / account**

Duxford Financial, Inc

**Unique market reference number**

B0713SPRFW1100038

SR6186 (A) Loss Payee Rider, with schedule attached  
Two Specific Warehouse Lender Loss Payee / Right of Action  
Endorsements – one naming First Tennessee Bank, the other  
naming Guaranty Bank.

No Proposal Form. Declaration dated 31<sup>st</sup> August 2011.

**CHOICE OF LAW &  
JURISDICTION:**

This insurance shall be governed by and construed in accordance  
with the law of California and each party agrees to submit to the  
exclusive jurisdiction of the courts of the United States of America

Service of Suit - Sedgewick Detert, Moran & Arnold, Irvine,  
California, USA

**PREMIUM:**

USD 17,000

Reporting and payment of US Federal Excise Tax in relation to  
this (re)insurance is the responsibility of each individual (re)insurer  
where FET is due for their share.

**PAYMENT TERMS:**

Premium Payment Clause LSW3000 (30/10/2011)(amended) –  
copy attached.

**TAXES PAYABLE BY  
THE INSURED AND  
ADMINISTERED BY  
INSURERS:**

None Applicable

**INSURER  
CONTRACT  
DOCUMENTATION:**

This document details the contract terms entered into by the  
insurer(s) and constitutes the contract documentation.

This contract is subject to US state surplus lines requirements. It  
is the responsibility of the surplus lines broker to affix a surplus  
lines notice to the contract document before it is provided to the  
insured. In the event that the surplus lines notice is not affixed to  
the contract document the insured should contact the surplus lines  
broker.

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eosrisk.com

FRSPRFW1100038000010  
0004



Policy Number

SPRFW1100038

Assured / account

Duxford Financial, Inc

Unique market reference number

B0713SPRFW1100038

**INFORMATION**

**INFORMATION:**

The Insured terminated its Mortgage Banking operations effective 1<sup>st</sup> September 2009. Discovery/run off has been in operation since. Declaration dated 31<sup>st</sup> August 2011.

A partner in



eosrisk.com

FRSPRFW1100038000010  
0004

# LEXINGTON INSURANCE COMPANY

Administrative Offices: 100 Summer Street, Boston, Massachusetts 02110

COMMERCIAL GENERAL LIABILITY POLICY—OCCURRENCE FORM  
DECLARATIONS

RESIDENTIAL WRAP-UP (PROJECT SPECIFIC)

**THIS IS AN OCCURRENCE POLICY. PLEASE READ THE ENTIRE POLICY CAREFULLY.**

**DEFENSE EXPENSES REDUCE THE APPLICABLE LIMITS OF INSURANCE AND APPLY AGAINST THE RETAINED AMOUNT.**

**Policy No.:** 6761164

**Renewal of:** NEW

Item 1. **Named Insured and Address:** (No., Street, Town or City, County, State)  
EAST GARRISON PARTNERS, I, LLC  
LYON EAST GARRISON COMPANY I, LLC  
WOODMAN DEVELOPMENT COMPANY, LLC  
WILLIAM LYON HOMES, INC.  
WOODMAN DEVELOPMENT COMPANY, INC.  
  
4490 VON KARMAN AVE.  
NEWPORT BEACH, CA 92660

Item 2. **Policy Period:** (Mo. Day Yr.) From: 01/31/2007 To: 01/31/2013  
(12:01 AM., standard time at the address of the Named Insured as stated herein.)

The Named Insured is: ORGANIZATION  
Business of the Named Insured is: CONSTRUCTION CONTRACTOR

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

Item 3. This policy applies only to "bodily injury", "property damage" or "personal and advertising injury" arising out of the following project:  
Description of Project Location of Project:  
EAST GARRISON FOR ORD PHASE I EAST GARRISON, CA

Item 4. **LIMITS OF INSURANCE**

EACH OCCURRENCE LIMIT	\$ 10,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	\$ 10,000,000
PRODUCTS—COMPLETED OPERATIONS AGGREGATE	\$ 10,000,000
GENERAL AGGREGATE	\$ 10,000,000

Item 5. **RETAINED AMOUNT:** \$250,000 Each Occurrence

Item 6. **PREMIUM**

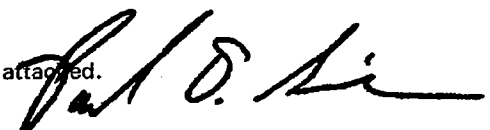
HAZARD DESCRIPTION	ESTIMATED TOTAL VALUE OF CONSTRUCTION	RATE	ADVANCE PREMIUM
CONSTRUCTION	\$ 80,000,000 Hard Costs	\$ 25.63 PER \$1000 HARD COST OR UNIT	\$ 2,050,000

- A. Total Advance Premium for this Policy: \$ 2,050,000
- B. Minimum Premium for this Policy: \$ 2,050,000
- C. Minimum Earned Premium at Inception for this Policy: \$ 717,500
- D. Minimum Earned Premium after 18 months: \$ 2,050,000

Item 7. **Audit Period:** TERM

Item 8. **Forms and Endorsements attached hereto:** As per Schedule attached.

Date Issued: February 6, 2007  
At Boston, Massachusetts 02110

By   
\_\_\_\_\_  
AUTHORIZED REPRESENTATIVE OR  
COUNTERSIGNATURE (in states where applicable)

INSURED'S COPY



**THE INSURANCE COMPANY OF  
THE STATE OF PENNSYLVANIA**  
A CAPITAL STOCK COMPANY

EXECUTIVE OFFICES:  
70 Pine Street  
New York, New York 10270  
(212) 770-7000

Renews: NEW

Policy Number: 7275254

**DECLARATIONS**

NAMED INSURED: WILLIAM LYON HOMES, LLC. *WLO*

ADDRESS: 4490 VON KARMAN AVE  
NEWPORT BEACH, CA 92660-2000

POLICY PERIOD: FROM: January 31, 2007 TO: January 31, 2012  
(At 12:01 A.M., standard time, at the address of the Named Insured stated above.)

COVERAGE: Excess Liability

LIMIT OF LIABILITY: \$5,000,000 EACH OCCURRENCE/ANNUAL AGGREGATE, WHERE APPLICABLE  
EXCESS OF UNDERLYING PRIMARY LIMITS, WHERE APPLICABLE  
AS SCHEDULED

PREMIUM: \$495,000 ✓

RATE: FLAT

UNDERLYING POLICY(IES) NO.: AS PER SCHEDULE OF UNDERLYING INSURANCE ATTACHED ✓

ISSUED BY: AS PER SCHEDULE OF UNDERLYING INSURANCE ATTACHED

IN WITNESS WHEREOF, the Company has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Company, where required by law.

By signing below, our President and Secretary agree on our behalf to all the terms of this policy.

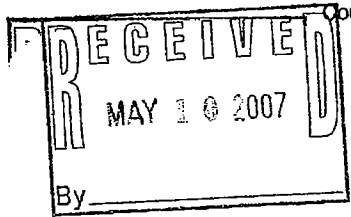
*Elizabeth M. Tuck*  
Secretary

*[Signature]*  
President

This policy shall not be valid unless signed at the time of issuance by our authorized representative, either below or on the Declarations page of the policy.

*[Signature]*  
Authorized Representative

Countersigned by: \_\_\_\_\_  
Authorized Representative





POLICY NUMBER: ELU730816/01/2007

RENEWAL OF: N/A

### EXCESS LIABILITY POLICY DECLARATIONS

**COMPANY:**  
AXIS SURPLUS INSURANCE COMPANY  
303 WEST MADISON  
SUITE 500  
CHICAGO, IL 60606

**BROKER:**  
CRC INSURANCE SERVICES, INC.  
550 NORTH BRAND BOULEVARD, SUITE 1990  
GLENDALE, CA 91203

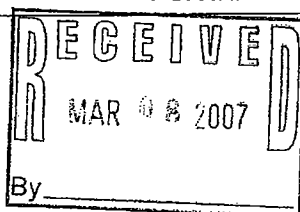
This insurance is issued pursuant to the CA INS s 1760 through CA INS s 1780 and is placed in an insurer or insurers not holding a Certificate of Authority from or regulated by the California Insurance Commissioner.

<b>Item 1. NAMED INSURED:</b> EAST GARRISON PARTNERS I, LLC, A CALIFORNIA LIMITED LIABILITY COMPANY (EGP) ✓	
<b>MAILING ADDRESS:</b>	4490 VON KARMAN AVENUE ✓ NEWPORT BEACH, CA 92660
<b>Item 2. POLICY PERIOD:</b> FROM 01/31/2007 ✓ TO 01/31/2012 ✓ AT 12:01 A.M. TIME AT YOUR MAILING ADDRESS SHOWN ABOVE	

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

<b>Item 3. LIMITS OF INSURANCE</b>	
EACH OCCURRENCE LIMIT	\$ 15,000,000 ✓
GENERAL AGGREGATE LIMIT	\$ 15,000,000 ✓

<b>Item 4. DESCRIPTION OF BUSINESS</b>	
FORM OF BUSINESS:	
<input type="checkbox"/> INDIVIDUAL <input type="checkbox"/> PARTNERSHIP <input type="checkbox"/> JOINT VENTURE <input type="checkbox"/> TRUST <input checked="" type="checkbox"/> LIMITED LIABILITY COMPANY <input type="checkbox"/> CORPORATION    OTHER <input type="checkbox"/> : _____	
BUSINESS DESCRIPTION: PREMISES OPERATIONS EXCLUDING PRODUCTS/COMPLETED OPERATIONS FOR INFRASTRUCTURE WORK ON 1,400 LOT RESIDENTIAL DEVELOPMENT	



TAX: \$ 7,200  
POLICY FEE: \$ 300

<b>Item 5. POLICY PREMIUM</b>			
INSURED PURCHASED TRIA TERRORISM COVERAGE <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO			
MINIMUM & DEPOSIT PREMIUM:		\$ <u>240,000</u> ✓	
FLAT PREMIUM: <input type="checkbox"/> or ADJUSTABLE PREMIUM: <input checked="" type="checkbox"/>			
(check flat or adjustable)		MINIMUM EARNED PREMIUM	<u>25 %</u> ✓
If Adjustable:			
Rate: 3.000			
Per: 1,000		Basis: TOTAL COST ESTIMATED AT \$80,000,000	
AUDIT PERIOD (IF APPLICABLE)	<input checked="" type="checkbox"/> ANNUALLY	<input type="checkbox"/> SEMI-ANNUALLY	<input type="checkbox"/> NOT AUDITABLE
<b>Item 6. RETROACTIVE DATE: N/A</b>			

<b>Item 7. ENDORSEMENTS ATTACHED TO THIS POLICY:</b>	
XDEC-0001-10-04(CA)	EXCESS LIABILITY POLICY DECLARATIONS ✓
XLP-0001-01-03	EXCESS LIABILITY POLICY ✓
SLN-CA (09-06)	NOTICE TO POLICYHOLDER ✓
A. MAN-1393-01-07	CALIFORNIA DISCLOSURE NOTICE ✓
B. XLX-4006-01-03	AMENDATORY ENDORSEMENT - DUTY TO DEFEND ✓
C. XLX-4007-01-03	AUTO NO-FAULT AND SIMILAR LAWS EXCLUSION ✓
D. XLX-4018-01-03	CONTRACTUAL LIABILITY EXCLUSION ✓
E. XLX-4020-01-03	PRODUCTS-COMPLETED OPERATIONS EXCLUSION ✓
F. XLX-4023-01-03	PUNITIVE OR EXEMPLARY DAMAGES EXCLUSION ✓
G. XLX-4053-05-04	TOTAL POLLUTION EXCLUSION ✓
H. XLX-4054-06-04	REAL & PERSONAL PROPERTY EXCLUSION ✓
I. XLX-4059-01-05	SILICA EXCLUSION ✓
J. XLE-5002-10-06	EXCLUSION - VIOLATION OF STATUTES THAT GOVERN E-MAILS, FAX, OR PHONE CALLS ✓
K. XLE-5004-01-03	BASIS OF PREMIUM ENDORSEMENT ✓
L. XLE-5005-01-03	CANCELLATION CLAUSE AMENDMENT ✓
M. XLE-5006-01-03	LIMITATION OF COVERAGE TO DESIGNATED PROJECT ✓
N. XLE-5028-05-04	MINIMUM EARNED PREMIUM ENDORSEMENT ✓
O. SOS-CA (11-06)	AMENDATORY ENDORSEMENT - LIMITS OF INSURANCE ✓
CLM-0001-09-02	SERVICE OF SUIT CLAUSE - CALIFORNIA ✓
LI-FS 001-07-06	CLAIMS NOTICE ✓
	STATE FRAUD STATEMENTS ✓

POLICY NUMBER: ELU73081t.../2007

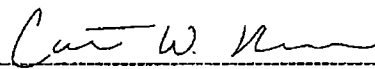
Item 8. SCHEDULE A. - UNDERLYING INSURANCE		
Carrier, Policy Number, Period	Type of Policy	Applicable Limits or Amounts of Insurance
First Underlying Insurance		
Insurance Company of the State of PA Policy Number: 7275254 01/31/2007 to 01/31/2012	Excess Liability	✓ \$5,000,000 Each Occurrence ✓ \$5,000,000 General Aggregate  Defense Expense: In Addition to Limits

THESE DECLARATIONS, TOGETHER WITH THE COMMON POLICY CONDITIONS AND COVERAGE FORM(S) AND ANY ENDORSEMENT(S), COMPLETE THE ABOVE NUMBERED POLICY. PLEASE SEE ATTACHED FORMS AND ENDORSEMENTS SCHEDULE.

Countersigned:

By:

\_\_\_\_\_  
(Date)

  
\_\_\_\_\_  
(Authorized Representative)



**AMERICAN INTERNATIONAL SPECIALTY LINES INSURANCE COMPANY**

(A Capital Stock Company, herein called the Company)

70 Pine Street  
New York, N.Y. 10270

**POLLUTION LEGAL LIABILITY SELECT® POLICY**

**THIS IS A CLAIMS-MADE AND REPORTED POLICY. PLEASE READ CAREFULLY.**

**DECLARATIONS**

**POLICY NUMBER:** PLS 2190761 ✓

**Item 1. NAMED INSURED:** EAST GARRISON PARTNERS I, LLC  
A CALIFORNIA LIMITED LIABILITY COMPANY (EGP)

**ADDRESS:** 4490 VON KARMAN AVE  
NEWPORT BEACH, CA 92660

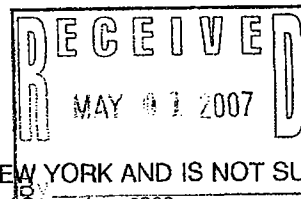
**Item 2. POLICY PERIOD:** FROM January 31, 2007 TO January 31, 2015  
12:01 AM Standard Time at the Address of the Named Insured shown above

**Item 3. COVERAGES AND COVERAGE SECTION LIMITS AND DEDUCTIBLES:**

This Policy includes only those Coverages as stated in Section I of the Policy for which deductibles and limits of liability appear below. If no deductible or limits of liability appears for a Coverage, that Coverage does not apply.

Coverage	Deductible-Each Incident	Each Incident Limit	Coverage Section Aggregate Limit
A	\$250,000	\$10,000,000	\$10,000,000
B	\$250,000	\$10,000,000	\$10,000,000
C	\$250,000	\$10,000,000	\$10,000,000
D	\$250,000	\$10,000,000	\$10,000,000
E	\$250,000	\$10,000,000	\$10,000,000
F	\$250,000	\$10,000,000	\$10,000,000
G			
H			
I			

75321 (8/04)  
CI2520



Coverage	Business Interruption (Days) Limit	Business Interruption (\$) Limit
J		

Item 4. **POLICY AGGREGATE LIMIT:** \$10,000,000 ✓

Item 5. **INSURED PROPERTY(S):** SEE ENDORSEMENT NO. 10

Item 6. **POLICY PREMIUM:** \$400,100.00 ✓

Premium for Certified Acts of Terrorism Coverage Under Terrorism Risk Insurance Act 2002;  
\$3,600.00 included in Policy Premium

3% CA Tax \$12,003.00  
.125% SL Filing Fee \$500.13

Item 7. **RETROACTIVE DATE:** Under Coverages A,B,C,D,E,F, the **Pollution Conditions** must commence on or after the date shown below.

Retroactive Date: NONE ✓  
(Enter date or "none" if no Retroactive Date Applies.)

Item 8. **CONTINUITY DATE:** JANUARY 31, 2007 ✓

**BROKER:** LOCKTON COMPANIES, LLC  
725 S FIGUEROA ST 35TH FLOOR  
LOS ANGELES, CA 90017-5524

By   
AUTHORIZED REPRESENTATIVE  
or countersignature (in states where applicable)



**General Security Indemnity Company of Arizona**  
(THE "COMPANY")

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

**CASUALTY DECLARATIONS**

**NOTICES**

- 1) Duty to Defend or Investigate: The Company shall have no duty to defend or investigate any claim or suit unless and until all limits of the Controlling Underlying Insurance and all Other Underlying Insurance policies have been exhausted by payment of judgments, claims or settlements.
- 2) Duty to Pay Claims: If the Controlling Underlying Insurance or any Other Underlying Insurance policy has no duty to pay a claim for injury or damage for a reason other than exhaustion of an aggregate limit of insurance, then Company shall have no obligation to make any payment under this policy.
- 3) Coverage is excluded in any country and for any transaction where such coverage is unlawful as determined by the Government of the United States of America or its agencies.
- 4) Assignment of the Policy shall not be valid except with the written consent of the Company.

POLICY NUMBER: 2010 10F146040-1

RENEWAL OF POLICY NUMBER: NEW

**ITEM 1**

NAMES AND ADDRESSES

Insured's Name: WILLIAM LYON HOMES, INC.  
 Insured's Address: Street:4490 VAN KARMAN AVENUE  
City, State, Zip:NEWPORT BEACH, CA 92660  
Country:USA

Broker's Name: RT SPECIALTY OF CALIFORNIA  
 Broker's Address: Street:655 NORTH CENTRAL AVENUE, 17<sup>TH</sup> FLOOR  
City, State, Zip:GLENDALE, CA 91203  
Country:USA

ITEM 2 A. POLICY PERIOD From 12/31/2010 To 12/31/2013 at 12:01 AM standard time at the address of the Insured

ITEM 2 B. RETROACTIVE DATE (Mandatory if Liability Policy in Claims Made Form).

The insurance provided is only for coverages selected in ITEM 3, below.

**ITEM 3** POLICY FORM

- OCCURRENCE
- OCCURRENCE REPORTED
- CLAIMS MADE
- MANUSCRIPT POLICY
- OTHER: \_\_\_\_\_

**ITEM 4** TYPE OF COVERAGE

- GENERAL LIABILITY & COMPLETED OPERATIONS
- PRODUCTS COMPLETED OPERATIONS
- PREMISES LIABILITY ONLY
- AUTOMOBILE LIABILITY
- E & O
- TRIA EXCLUDED
- OTHER \_\_\_\_\_

**ITEM 5**

TYPE OF PROGRAM

- EXCESS
- EXCESS UMBRELLA
- STAND-ALONE EXCESS
- QUOTA SHARE
- MULTI-LINES
- OTHER \_\_\_\_\_



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(THE "COMPANY")**

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2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

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One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

**ITEM 6      LIMIT (S) OF INSURANCE**

Layer#	Coverage	Each and Every Occurrence	Policy Aggregate	Share %	Company Limit	Excess Of <sup>1</sup>	Premium for coverage provided by Company
	EXCESS LIABILITY	\$25,000,000	\$25,000,000	100%	\$25,000,000	\$10,000,000	\$1,525,000
	UMBRELLA LIABILITY						
	GENERAL LIABILITY & COMPLETED OPERATIONS						
	AUTOMOBILE						
	ERRORS & OMISSIONS						
	TRIA (TRIA Premium must always be entered)						
	OTHER						
Layer Premium							\$1,525,000

**ITEM 7      PREMIUM FOR COVERAGE PROVIDED BY COMPANY**

Coverage	<b>\$1,525,000</b>
TRIA	<b>NO COVERAGE</b>
Total	<b>\$1,525,000</b>

**ITEM 8      UNDERLYING INSURANCE**

**A. CONTROLLING UNDERLYING INSURANCE**

Company	Policy Number	Type of Coverage	Policy Period	Limits of Insurance	
				Each and Every Occurrence	Policy Aggregate
ARCH	72HBL8000400	BUILDERS PERFORMANCE & LIABILITY INSURANCE	12/31/2010 – 12/31/2013	\$5,000,000	\$5,000,000

**B. OTHER UNDERLYING INSURANCE**

Company	Policy Number	Type of Coverage	Policy Period	Limits of Insurance	
				Each and Every Occurrence	Policy Aggregate
IRONSHORE SPECIALTY INSURANCE CO.	000895600	EXCESS LIABILITY	12/31/2010 – 12/31/2013	\$5,000,000	\$5,000,000

<sup>1</sup> Coverage is excess of the dollar amount listed, each and every loss and/or in the policy aggregate, where applicable, and is excess of all the amounts specified in all Other Underlying Insurance policies, as more fully set out in the Controlling Underlying Insurance.



**General Security Indemnity Company of Arizona  
(THE "COMPANY")**

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

**ITEM 9      FOLLOWING FORM AGREEMENT**

Subject to the applicable limits of insurance, we will pay on behalf of the insured as follows:

Whenever this insurance operates on an excess of loss or umbrella basis: all sums in excess of the amount payable by all the Controlling Primary Policy and/or all the underlying policies described in the Schedule of Underlying Insurance:

- (i)
- (ii)
- (iii)

Whenever this insurance operates on a stand-alone basis: as per the stand-alone terms and conditions.

Whatever the case above in (i) or (ii) this insurance will follow the terms and conditions of the policy number **CONTROLLING UNDERLYING INSURANCE POLICY** in effect at the inception date of this policy.

In no event shall this insurance be construed in any way to provide coverage outside the terms, conditions, agreements, exclusions and definitions as the set-forth in the policy here-above mentioned in (iii).

Any modification under the **CONTROLLING UNDERLYING INSURANCE POLICY** must be agreed in writing by an Officer of GSINDA.

**ITEM 10      ENDORSEMENTS TO BE ATTACHED AT INCEPTION**

NONE

.....  
.....  
.....

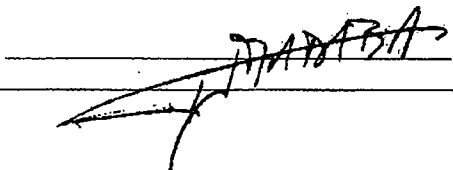
**ITEM 11      CLAIMS NOTIFICATION**

Any notification under this policy should be made to the following:

CLAIMS DEPARTMENT  
GENERAL SECURITY INDEMNITY COMPANY OF ARIZONA  
ONE SEAPORT PLAZA  
199 WATER STREET, SUITE 2100  
NEW YORK, NEW YORK 10038-3526 - USA

IN WITNESS WHEREOF, General Security Indemnity Company of Arizona has caused the Policy to be executed by its duly authorized representative:

Signed at:      NEW YORK, NY      Date:      APRIL 26, 2011

Signature:            By:      PASCAL MADIBA



**General Security Indemnity Company of Arizona  
(THE "COMPANY")**

**HOME OFFICES**

2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**

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U.S. Toll-Free (outside NY) 800-326-3299

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**Please be advised that this Policy is issued by a surplus lines insurer. Compliance with applicable laws and payment of taxes is the responsibility of the Insured, the insurance agent or insurance broker.**

# LEXINGTON INSURANCE COMPANY

Administrative Offices: 100 Summer Street, Boston, Massachusetts 02110  
COMMERCIAL GENERAL LIABILITY POLICY—OCCURRENCE FORM  
DECLARATIONS  
RESIDENTIAL WRAP-UP (PROJECT SPECIFIC)

**THIS IS AN OCCURRENCE POLICY. PLEASE READ THE ENTIRE POLICY CAREFULLY.**

**DEFENSE EXPENSES REDUCE THE APPLICABLE LIMITS OF INSURANCE AND APPLY AGAINST THE RETAINED AMOUNT.**

**Policy No.: 023462747**

**Renewal of: New Business**

Item 1. Named Insured and Address: (No., Street, Town or City, County, State)  
WILLIAM LYON HOMES 4490 VON KARMAN AVE.  
NEWPORT BEACH, CA 92660

Item 2. Policy Period: (Mo. Day Yr.) From: 11/10/2010 To: 11/10/2014  
(12:01 AM., standard time at the address of the Named Insured as stated herein.)

The Named Insured is: CORPORATION  
Business of the Named Insured is: **RESIDENTIAL HOMEBUILDER**

IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

Item 3. This policy applies only to "bodily injury", "property damage" or "personal and advertising injury" arising out of the following project:

Description of Project	Location of Project:
SEE DESIGNATED PROJECT ENDORSEMENT	SEE DESIGNATED PROJECT ENDORSEMENT

Item 4. LIMITS OF INSURANCE

EACH OCCURRENCE LIMIT	\$ 5,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	\$ 5,000,000
PRODUCTS –COMPLETED OPERATIONS AGGREGATE	\$ 5,000,000
GENERAL AGGREGATE	\$ 5,000,000

Item 5. RETAINED AMOUNT: \$50,000 Each Occurrence – Capped at \$500,000

Item 6. PREMIUM

HAZARD DESCRIPTION	ESTIMATED TOTAL RESIDENTIAL UNITS	RATE	ADVANCE PREMIUM
CONSTRUCTION	540	\$1,945 PER RESIDENTIAL UNIT	\$ 1,050,000

A.	Total Advance Premium for this Policy:	\$ 1,050,000
B.	Minimum Premium for this Policy:	\$ 1,050,000
C.	Minimum Earned Premium at Inception for this Policy:	\$ 367,500

Item 7. Audit Period: **TERM**

Item 8. Forms and Endorsements attached hereto: As per Schedule attached.

*Emily K. Gordon*

Date Issued: 12/17/2010  
At Boston, Massachusetts 02110

By \_\_\_\_\_  
**AUTHORIZED REPRESENTATIVE OR  
COUNTERSIGNATURE (in states where applicable)**



**IRONSHORE SPECIALTY INSURANCE COMPANY**

One State Street Plaza  
7th Floor  
New York, NY 10004  
Toll Free: (877) IRON411

**COMMERCIAL EXCESS LIABILITY POLICY DECLARATIONS**

**Policy Number:** 000816300

**NEW/RENEWAL OF:** NEW

**Item 1. Named Insured & Mailing Address:**

William Lyon Homes, Inc.  
4490 Von Karman Ave  
Newport Beach, CA 92660

**Item 2. Policy Period:**

**Effective:** November 10, 2010

**Expiration:** November 10, 2014

12:01 a.m. time at your mailing address shown above

**Item 3: Limits Of Liability**

a. Per Occurrence, Per Claim or Per Loss (as in Controlling underlying Policy) \$10,000,000

b. Aggregate, where applicable \$10,000,000  
(Per Schedule of Underlying Policies (See Endorsement No. 1))

**Item 4. Limits Of Underlying Policy**

a. Per Occurrence, Per Claim or Per Loss \$5,000,000

b. Aggregate, where applicable \$5,000,000  
Per Schedule of Underlying Policies (See Endorsement No. 1)

**Item 5. Controlling Underlying Policy**

Company Lexington Insurance Company

Policy Number 023462747

Insurer Lexington Insurance Company

Coverage General Liability Wrap Up Coverage

Policy Period November 10, 2010 to November 10, 2014

Limit of Liability \$5,000,000



**Item 6.**

<b>Premium:</b>	<i>Compliance with all surplus lines placement requirements, including stamping the Policy and collection and payment of surplus lines taxes, is the responsibility of the broker.</i>	
Premium:	\$375,000.00	
Tria 1 (Certified):	Rejected	
<b>Total Amount Due:</b>	<b>\$375,000.00</b>	
	<i>See Invoice for the date Premium is due and payable. Failure to pay the premium in full may result in voidance of coverage.</i>	

Minimum Premium: 25%

**Item 7. Producer & Mailing Address:** R-T Specialty, LLC  
3400 W. Olive Avenue  
SUITE NO 350  
Burbank, CA 91505

**Broker License:** 0G97516

**Item 8. NOTICES TO THE INSURER:**

- (a) All notices as required under Section VI.H.1: Claims Department
  - (b) All other notices: Underwriting Department
- At the address and numbers shown at the top of the Declarations Page.

**Item 9. Policy Coverage Form:** ECA.COV.001 (0510) Commercial Excess Liability Policy  
**Endorsements:** SEE SCHEDULE OF ENDORSEMENTS

**THESE DECLARATIONS, TOGETHER WITH THE COMPLETED AND SIGNED APPLICATION, FOR THIS POLICY AND THE FOLLOWED POLICY, INCLUDING INFORMATION FURNISHED IN CONNECTION THEREWITH WHETHER DIRECTLY OR THROUGH PUBLIC FILING, AND THE POLICY FORM ATTACHED HERETO, CONSTITUTE THE INSURANCE POLICY.**

Date: February 22, 2011  
MO/DAY/YR.

  
Authorized Representative

**Named Insured:** William Lyon Homes, Inc.

**Policy Number:** 000816300

**Effective 12:01 AM:** November 10, 2010

## **SCHEDULE OF ENDORSEMENTS**

### **Endorsement Number - Form Number – Edition Date – Form Name**

1. ECA.END.002C (0110) Straight Excess Schedule of Underlying Insurance
2. ECA.END.013 (0310) Excess Follow Form Notice of Cancellation Endorsement
3. ECA.END.015 (1009) Service of Suit Endorsement
4. ECA.END.016 (1009) Minimum Earned Premium
5. ECA.END.017 (1009) Violation of Economic or Trade Sanctions
6. ECA.END.018A (0410) Terrorism Exclusion Endorsement
7. ECA.END.022 (0710) Issuance of Excess Policy Prior to Receipt of Controlling Underlying Policy
8. ECA.END.024 (0810) Claims Notification Construction Excess
9. ECA.END.025 (0910) Amendatory Endorsement Crisis Management Exclusion
10. ECA.END.026 (1210) Composite Rate



**ALLIED WORLD NATIONAL ASSURANCE COMPANY**  
225 Franklin Street, Boston, MA 02110 · Tel. (857) 288-6000 · Fax (617) 556-8060

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY**

Policy No: 0306-1204

New/Renewal of: New

IN RETURN FOR PAYMENT OF THE MINIMUM AND ADVANCE PREMIUM STATED IN ITEM 7. (a) BELOW, IN RELIANCE UPON THE STATEMENTS IN THE DECLARATIONS BELOW, AND SUBJECT TO THE LIMITS OF INSURANCE, EXCLUSIONS, CONDITIONS AND OTHER TERMS OF THIS POLICY; THE COMPANY AGREES WITH THE NAMED INSURED DESIGNATED IN ITEM 1. (a) BELOW TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

**DECLARATIONS**

- ITEM 1: (a) NAMED INSURED: William Lyon Homes, Inc.  
(b) ADDRESS: 4490 Von Karman Avenue  
Newport Beach, CA 92660
- ITEM 2. POLICY PERIOD: From: November 10, 2010 To: November 10, 2014  
[12:01 A.M. standard time at the address stated in Item 1. (b) above]
- ITEM 3. RETROACTIVE DATE: N/A
- ITEM 4: LIMITS OF THIS INSURANCE:  
(a) US\$10,000,000 Each Occurrence Limit  
(b) US\$10,000,000 Products-Completed Operations Aggregate Limit  
(c) US\$10,000,000 Other Aggregate Limit (where applicable)
- ITEM 5: LIMITS OF UNDERLYING EXCESS INSURANCE:  
US\$15,000,000 Each Occurrence Limit  
US\$15,000,000 Products-Completed Operations Aggregate Limit  
US\$15,000,000 Other Aggregate Limit (where applicable)
- ITEM 6: FOLLOWED POLICY:  
Company: Lexington Insurance Company Boston  
Policy Number: 023462747  
Coverage: General Liability  
Policy Period: From: November 10, 2010 To: November 10, 2014  
Limits of Liability:  
US\$5,000,000 Each Occurrence Limit  
US\$5,000,000 Products-Completed Operations Aggregate Limit  
US\$5,000,000 Other Aggregate Limit (where applicable)

**This insurance is issued pursuant to the CA Insurance Code, Sections 1760 through 1780, and is placed in an insurer or insurers not holding a Certificate of Authority from or regulated by the California Insurance Commissioner.**

ITEM 7: (a) MINIMUM AND ADVANCE PREMIUM: US\$175,000  
(b) MINIMUM EARNED PREMIUM: US\$61,250

ITEM 8: NOTICES TO THE **COMPANY**:

(a) All notices of occurrence, claim, suit, or proceeding: Claim Department  
(b) All other notices Underwriting Department  
Both (a) and (b) above at the address shown at the top of the Declarations.

ITEM 9: (a) Representative of Insured: R-T Specialty, LLC DBA R-T Specialty of California Insurance Services  
(b) Address: 655 North Central Avenue, Suite 300  
Glendale, CA 91203

**Date of Issuance:** March 16, 2011

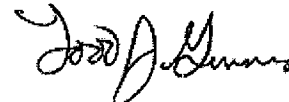
In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Asst. Secretary



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**AUTHORIZED REPRESENTATIVE**



**General Security Indemnity Company of Arizona  
(THE "COMPANY")**

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

**CASUALTY DECLARATIONS**

**NOTICES**

- 1) Duty to Defend or Investigate: The Company shall have no duty to defend or investigate any claim or suit unless and until all limits of the Controlling Underlying Insurance and all Other Underlying Insurance policies have been exhausted by payment of judgments, claims or settlements.
- 2) Duty to Pay Claims: If the Controlling Underlying Insurance or any Other Underlying Insurance policy has no duty to pay a claim for injury or damage for a reason other than exhaustion of an aggregate limit of insurance, then Company shall have no obligation to make any payment under this policy.
- 3) Coverage is excluded in any country and for any transaction where such coverage is unlawful as determined by the Government of the United States of America or its agencies.
- 4) Assignment of the Policy shall not be valid except with the written consent of the Company.

POLICY NUMBER: 2010 10F146823-1

RENEWAL OF POLICY NUMBER: NEW

**ITEM 1**

NAMES AND ADDRESSES

Insured's Name: WILLIAM LYON HOMES, INC.  
 Insured's Address: Street:4490 VON KARMEN AVENUE  
City, State, Zip:NEWPORT BEACH, CA 92660  
Country:USA

Broker's Name: RT SPECIALTY OF CALIFORNIA SERVICES  
 Broker's Address: Street:655 NORTH CENTRAL AVENUE, 17<sup>TH</sup> FLOOR  
City, State, Zip:GLENDALE, CA 91203  
Country:USA

ITEM 2 A. POLICY PERIOD From 11/10/2010 To 11/10/2014 at 12:01 AM standard time at the address of the Insured

ITEM 2 B. RETROACTIVE DATE *(Mandatory if Liability Policy in Claims Made Form).*

The insurance provided is only for coverages selected in ITEM 3, below.

**ITEM 3** POLICY FORM

- OCCURRENCE
- OCCURRENCE REPORTED
- CLAIMS MADE
- MANUSCRIPT POLICY
- OTHER: \_\_\_\_\_

**ITEM 4** TYPE OF COVERAGE

- GENERAL LIABILITY & COMPLETED OPERATION
- PRODUCTS COMPLETED OPERATIONS
- PREMISES LIABILITY ONLY
- AUTOMOBILE LIABILITY
- E & O
- TRIA COVERED
- OTHER \_\_\_\_\_

**ITEM 5**

TYPE OF PROGRAM

- EXCESS
- EXCESS UMBRELLA
- STAND-ALONE EXCESS
- QUOTA SHARE
- MULTI-LINES
- OTHER \_\_\_\_\_



**General Security Indemnity Company of Arizona  
(THE "COMPANY")**

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

**ITEM 6      LIMIT (S) OF INSURANCE**

Layer#	Coverage	Each and Every Occurrence	Policy Aggregate	Share %	Company Limit	Excess Of <sup>1</sup>	Premium for coverage provided by Company
	EXCESS LIABILITY	\$25,000,000	\$25,000,000	50%	\$12,500,000	\$25,000,000	\$160,000
	UMBRELLA LIABILITY						
	GENERAL LIABILITY & COMPLETED OPERATIONS						
	AUTOMOBILE						
	ERRORS & OMISSIONS						
	TRIA (TRIA Premium must always be entered)	\$25,000,000	\$25,000,000	50%	\$12,500,000	\$25,000,000	\$4,800
	OTHER						
						Layer Premium	\$164,800

**ITEM 7      PREMIUM FOR  
                  COVERAGES PROVIDED  
                  BY COMPANY**

Coverage	<b>\$160,000</b>
TRIA	<b>\$4,800</b>
Total	<b>\$168,400</b>

**ITEM 8      UNDERLYING INSURANCE**

**A. CONTROLLING UNDERLYING INSURANCE**

Company	Policy Number	Type of Coverage	Policy Period	Limits of Insurance	
				Each and Every Occurrence	Policy Aggregate
IRONSHORE SPECIALTY INSURANCE CO.	000816300	EXCESS LIABILITY	11/10/2010 – 11/10/2014	\$10,000,000	\$10,000,000

**B. OTHER UNDERLYING INSURANCE**

Company	Policy Number	Type of Coverage	Policy Period	Limits of Insurance	
				Each and Every Occurrence	Policy Aggregate

<sup>1</sup> Coverage is excess of the dollar amount listed, each and every loss and/or in the policy aggregate, where applicable, and is excess of all the amounts specified in all Other Underlying Insurance policies, as more fully set out in the Controlling Underlying Insurance.



**General Security Indemnity Company of Arizona  
(THE "COMPANY")**

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

ALLIED WORLD NATIONAL ASSURANCE CO.	0306-1204	EXCESS LIABILITY	11/10/2010 – 11/10/2014	\$10,000,000	\$10,000,000
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**ITEM 9 FOLLOWING FORM AGREEMENT**

Subject to the applicable limits of insurance, we will pay on behalf of the insured as follows:

- (i) Whenever this insurance operates on an excess of loss or umbrella basis: all sums in excess of the amount payable by all the Controlling Primary Policy and/or all the underlying policies described in the Schedule of Underlying Insurance;
- (ii) Whenever this insurance operates on a stand-alone basis: as per the stand-alone terms and conditions.
- (iii) Whatever the case above in (i) or (ii) this insurance will follow the terms and conditions of the policy number CONTROLLING UNDERLYING INSURANCE POLICY in effect at the inception date of this policy.

In no event shall this insurance be construed in any way to provide coverage outside the terms, conditions, agreements, exclusions and definitions as the set-forth in the policy here-above mentioned in (iii).

Any modification under the CONTROLLING UNDERLYING INSURANCE POLICY must be agreed in writing by an Officer of GSINDA.

**ITEM 10 ENDORSEMENTS TO BE ATTACHED AT INCEPTION**

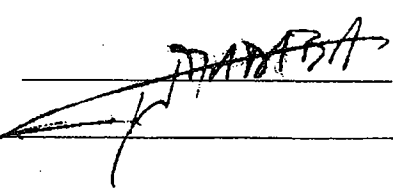
**ITEM 11 CLAIMS NOTIFICATION**

Any notification under this policy should be made to the following:

CLAIMS DEPARTMENT  
GENERAL SECURITY INDEMNITY COMPANY OF ARIZONA  
ONE SEAPORT PLAZA  
199 WATER STREET, SUITE 2100  
NEW YORK, NEW YORK 10038-3526 - USA

IN WITNESS WHEREOF, General Security Indemnity Company of Arizona has caused the Policy to be executed by its duly authorized representative:

Signed at: New York, NY Date: March 15, 2011

Signature:  By: Pascal Madiba  
Vice President – Deputy National Manager



**General Security Indemnity Company of Arizona**  
(THE "COMPANY")

**HOME OFFICES**  
2338 W. ROYAL PALM ROAD,  
SUITE J  
Phoenix, AZ 85021

**ADMINISTRATIVE OFFICES**  
One Seaport Plaza  
199 Water Street, 21<sup>st</sup> Floor  
New York, New York 10038-3526  
Telephone No: +(1) 212-480-1900  
U.S. Toll-Free (outside NY) 800-326-3299

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**Please be advised that this Policy is issued by a surplus lines insurer. Compliance with applicable laws and payment of taxes is the responsibility of the Insured, the insurance agent or insurance broker.**



**LEXINGTON INSURANCE COMPANY**  
Administrative Offices: 100 Summer Street, Boston, Massachusetts 02110

**FOLLOW FORM EXCESS LIABILITY POLICY**

**DECLARATIONS**  
(OCCURRENCE VERSION)

Policy Number: 006761875

Renewal Of: NEW

Item 1. Named Insured: WILLIAM LYON HOMES

Address: 4490 VON KARMAN AVENUE  
NEWPORT BEACH, CA 92660-2008

Item 2. Policy Period:  
From: 11/10/2010 To: 11/10/2014  
(At 12:01 A.M. Standard Time at the address of the named insured shown above.)

Item 3. Limits of Insurance:

General Aggregate Limit	\$ 12,500,000
Products-Completed Operations Aggregate Limit	\$ 12,500,000
Each Occurrence Limit	\$ 12,500,000
Part of (Quota Shared by Equal Shares with SCOR USA)	\$ 25,000,000

Item 4. Premium:

Total Advance Premium: \$160,000  
Annual Minimum Premium: \$160,000  
Minimum Earned Premium at Inception: \$56,000

Item 5. Audit Period: **Not Subject to Audit**

Item 6. Followed Policy:

Insurance Company: **Allied World National Assurance Company**  
Policy Number: **0306-1204**  
Policy Period: **From: 11/10/2010 To: 11/10/2014**  
Limits: **10,000,000**

Item 7. Total Occurrence Limits of Insurance of all **Underlying Policies** in excess of which this policy applies: **\$25,000,000**. Our defense obligations only apply in excess of the Total Aggregate Limits of Insurance of all **Underlying Policies**.

Item 8. Endorsements: See Attached Forms Schedule

*Emily K. Golden*

By: \_\_\_\_\_  
AUTHORIZED REPRESENTATIVE

## DECLARATIONS

- Item 1. a) Named Insured: William Lyon Homes, Inc  
and as more fully set forth in the Lead Underlying  
Policy
- b) Address of Named Insured: 4490 Von Karman Avenue  
Newport Beach CA 92660  
United States of America
- Item 2. a) Lead Underlying Policy No: 023462747
- b) All other Underlying Policy No(s): as per Schedule of Underlying attached
- c) Lead Underlying Insurer: Lexington Insurance Company
- d) All other Underlying Insurer(s): as per Schedule of Underlying attached
- Item 3. Limit of Liability:  
(Insuring Agreement 2)
- a) USD25,000,000 each Occurrence  
b) USD25,000,000 General Aggregate  
USD25,000,000 Products Completed Ops Aggregate
- Item 4. Underlying Limits:  
(Insuring Agreement 2)
- a) USD( as per schedule) per Occurrence  
b) USD (as per schedule) Aggregate
- which in turn is excess of various insurances and/or  
retentions as more fully set forth in the Lead  
Underlying Policy
- Item 5. Policy Period: From:10th November 2010 to 10th November 2014  
both days at 12:01 a.m. Standard Time at the address of  
the Named Insured
- Plus the lesser of 120 months Products Completed Operations  
or applicable Statute of Repose as applicable
- Item 6. Notice to:  
(Conditions 3 and 5)
- a) All Notices of Occurrence:
- London Broker  
Besso Limited  
8-11 Crescent  
London EC3N 2LY
- b) All other Notices:
- London Broker  
Besso Limited  
8-11 Crescent  
London EC3N 2LY

Item 7. Premium: USD 175,000.00 (100% Deposit Premium)  
Subject to:  
Minimum Premium for the policy USD175,000.00  
Minimum Earned at Inception USD 61,250.00  
Minimum Earned at 12 months USD175,000.00  
  
Adjustable at USD324.07 per Unit Closed  
(estimated to be 540)

Payment Terms: **PREMIUM PAYMENT CLAUSE**

The (Re)Insured undertakes that premium will be paid in full to Underwriters within 30 days of binding of this policy (or, in respect of instalment premiums, when due).

If the premium due under this policy has not been so paid to Underwriters by the 30th day from binding of this policy (and, in respect of instalment premiums, by the date they are due) Underwriters shall have the right to cancel this policy by notifying the (Re)Insured via the broker in writing. In the event of cancellation, premium is due to Underwriters on a pro rata basis for the period that Underwriters are on risk but the full policy premium shall be payable to Underwriters in the event of a loss or occurrence prior to the date of termination which gives rise to a valid claim under this policy.

It is agreed that Underwriters shall give not less than 15 days prior notice of cancellation to the (Re)Insured via the broker. If premium due is paid in full to Underwriters before the notice period expires, notice of cancellation shall automatically be revoked. If not, the policy shall automatically terminate at the end of the notice period.

Unless otherwise agreed, the Leading Underwriter (and Agreement Parties if appropriate) are authorised to exercise rights under this clause on their own behalf and on behalf of all Underwriters participating in this contract.

If any provision of this clause is found by any court or administrative body of competent jurisdiction to be invalid or unenforceable, such invalidity or unenforceability will not affect the other provisions of this clause which will remain in full force and effect.

Where the premium is to be paid through a London Market Bureau, payment to Underwriters will be deemed to occur on the day of delivery of a premium advice note to the Bureau.

11/01  
LSW3000 amended



**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

**DATE:** December 16, 2011

**TO:** Lockton Companies LLC - Irvine  
Jamie Knoop  
19800 MacArthur Blvd  
Suite 550  
Irvine, CA 92612

**E-MAIL ADDRESS:** jknoop@lockton.com

**FROM:** Ryan Shimomura for Richard Flanagan

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We are pleased to confirm that coverage has been bound with the carrier shown below in accordance with terms, conditions, and limitations provided by the carrier for you and your insured to review. As the Insured's representative, it is your responsibility to carefully review with the Insured all of the terms, conditions, and limitations of this Confirmation of Insurance, and to specifically reconcile with the Insured any differences between those quoted and those you requested. RT Specialty expressly disclaims any responsibility for any failure on your part to review or reconcile any such differences with the Insured. This coverage may not be bound without a fully executed brokerage agreement.

Any amendments to coverage must be specifically requested in writing or by submitting a policy change request form and then approved by the Insurance Company Underwriters. Coverage cannot be affected, amended, extended or altered through the issuance of certificates of insurance.

**IMPORTANT NOTE:** The Home State of the Named Insured shall be determined in accordance with the provisions of the Nonadmitted and Reinsurance Act of 2010, 15. U.S.C §8201, etc. ("NRRA"), and the applicable law of the Home State governing cancellation or non-renewal of insurance shall apply to this Policy.

**NAMED INSURED:** William Lyon Homes, Inc. (Per Attached Named Insured Schedule)

**MAILING ADDRESS:** 4490 Von Karman  
Newport Beach, CA 92660

**SUBMISSION NUMBER:** S111201111

**CARRIER:** Hanover Insurance Company

R-T Specialty, LLC  
In California: R-T Specialty Insurance Services, LLC License #0G97516  
2603 Main Street, Suite 630, Irvine, CA 92614  
Phone - (949) 477-5400 Fax - (949) 477-5411



**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

**POLICY NUMBER:** RHF890657401  
**POLICY TERM:** 12/16/2011 to 12/16/2012  
**COVERAGE:** Builders Risk - IM

**BUILDERS RISK**

Please find attached our quotation for the Residential Builder's Coverage for Named Insured William Lyon Homes, Inc. et. Al.

This quotation is based upon your application, unless otherwise noted below. We are pleased to provide you with the following quotation for Residential Builders'

Project Descriptions: Residential Home Builder

Project Location: Various sites in California, Nevada & Arizona

Form: IM 5050

Perils: Risks of direct physical loss unless the loss is limited or caused by a peril that is excluded.

**Deductibles:**

\$5,000

\$100,000 Per Occurrence Flood All Other

\$500,000 Per Occurrence Flood Zones A & V

In the event of a common loss involving multiple flood zones a \$500,000 deductible shall apply to covered jobsites located with in the special flood hazard area or the 100 year flood plain (flood zones A, AO, A1-A30, AE, A99, AH, AR, AR/A, AR/AE, AR/AH, AR/AO, AR/A1-A30, V1-V30, VE, or V) as defined by the Federal Emergency Management Agency at the time of loss. The special flood hazard deductible will be the only deductible applied in the even of a common loss.

Earthquake (CA) a deductible amount equal to 5% of the total insured values at risk in California under this policy at the time of the loss or damage shall be applied per occurrence subject to a minimum of \$250,000. If the loss or damage does not exceed the deductible amount no payment shall be made for those losses or damages

\$100,000 Per Occurrence Earthquake (All Other)

In the event of a common loss involving multiple states, an amount equal to 5% of the total insured values at risk in California under this policy at the time of the loss or damage subject to a minimum of \$250,000 shall be applied to the California losses. If the loss or damage does not exceed the deductible amount no payment shall be made for those losses or damages. The California deductible will be the only deductible applied in the event of a common less.

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #0G97516

2603 Main Street, Suite 630, Irvine, CA 92614

Phone - (949) 477-5400 Fax - (949) 477-5411



**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

5 Waiting period (soft costs)

**Coverage Limit:**

Catastrophe limit: \$30,000,000

Maximum limit – any one building or structure: \$ 3,000,000

Maximum limit – any one multi-family dwelling: \$ 2,500,000

Soft Cost and Rental Income: \$10,000,000

Property in Transit: \$1,000,000

Property in Temporary Storage: \$ 1,000,000

Earthquake Sublimit (CA.): \$ 2,500,000/Occ. & Annual Agg

Earthquake Sublimit (All Other): \$20,000,000/Occ. & Annual Agg

Flood Sublimit (Zones A&V Only): \$5,000,000/Occ. & Annual Agg

Flood: \$20,000,000/Occ. & Annual Agg

Model Homes-Per Structure: \$500,000

Model Homes Contents-Per Structure: \$75,000

Buy Backs & Trade Ins: \$2,500,000

Construction Trailers & Contents: \$500,000

**Coverage Extensions:**

Additional Debris Removal Expenses - \$50,000

Emergency Removal – 10 days

Emergency Removal Expenses - \$100,000

Fraud And Deceit - \$25,000

Waterborne Property - \$25,000

**Supplemental Coverages:**

Contract Penalty - \$100,000

Expediting Expenses - \$100,000

Fire Department Service Charge - \$10,000

Free Standing Appliances - \$100,000

Home Pending Sale – Covered

Sales and Office Trailers - \$100,000

Ordinance or Law (Undamaged Parts) – Covered

Ordinance or Law (Increased Cost) - \$1,000,000

Pollutant Cleanup & Removal - \$25,000

Personal Property - \$250,000

Property in Transit - \$1,000,000

Re-Erecting Scaffolding - \$100,000

Rewards - \$25,000

Nonadjacent Roadways and Walkways - \$100,000

Sewer Backup - \$100,000

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #0G97516

2603 Main Street, Suite 630, Irvine, CA 92614

Phone - (949) 477-5400 Fax - (949) 477-5411



**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

Storage Locations - \$1,000,000  
Trees, Shrubs and Plants - \$100,000  
Valuable Papers - \$100,000  
Testing - \$1,000,000  
Accounts Receivable - \$250,000  
Consequential Loss - \$10,000  
Blueprints - Covered

**Property Not Covered:**

Bridges, Tunnel, Piers, Wharves, and Dams; Contraband; Land or Water; Machinery, Tools, or Equipment; Property in Storage; Nonadjacent Roadways and Walkways; Standing Building or Structure; Trees, Shrubs, and Plants; Waterborne Property and Property While Underwater or Underground.

**Perils Excluded:**

Civil Authority; Fungus; Nuclear Hazard; Ordinance or Law; Penalties; Sewer Backup and Water Below the Surface; War and Military Action; Collapse; Contamination or Deterioration; Criminal, Fraudulent, Dishonest, or Illegal Acts; Defects, Errors and Omissions; Freezing; Loss of use; Mechanical Breakdown; Missing property; Pollutants; Rain, Snow, Ice, or Sleet; Settling, Cracking, Shrinking, Bulging, or Expanding; Temperature/Humidity; Testing; Wear and Tear; Weather

Valuation: Replacement cost and as more fully described in the above referenced policy form.

Coinsurance: NIL

Permission To Occupy: A covered structure may be occupied in whole or in part for while up to 90 days while awaiting closing. Otherwise, occupancy is not granted.

Additional Conditions and Endorsements to apply only if marked with an X.

- X IM5050 Residential Builders' Coverage Form
- X IM5051 Schedule of Coverages Residential Builders' Coverage
- X IM5053 Trade-In and Unsold Properties
- X IM5054 Model Homes and Sales Offices
- X IM5055 Model Homes and Sales Offices Schedule
- X IM5061 Completed Value Reporting conditions - Residential Builders'

Subject To: Satisfactory Loss Control

Rate Guaranty: "You" and "We" agree that, subject to the net Loss Ratio remaining under 50% for the policy term, the rate shall be guaranteed to be .035%/Quarterly for the term of this policy.

Reporting Period: Quarterly

R-T Specialty, LLC

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**RYAN  
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SPECIALTY**

**CONFIRMATION OF INSURANCE**

Adjustment Period: Quarterly

Quarterly Rate: .035% of Completed Values, Soft Costs, Inventory Homes, Model Homes & Contents, and Trailers & Contents, Estimated to be \$176,376,636

Premium deposit: \$86,424

Minimum Premium: \$86,424

Terrorism Premium: Rejected

**COMMERCIAL OUTPUT PROGRAM**

Coverage provided by the Commercial Output Program Coverages applies only to the "covered locations" shown below.

Covered Locations: 1-5 (As per Schedule Submitted)

Location No.: 1-5

Address: As Per Schedule

Location No.: Blanket

Building: No Coverage

Personal Property: \$4,500,000

Extra Expense: \$500,000

Business Income: \$250,000

**Additional Coverages:**

Valuable Papers - \$ 250,000

Accounts Receivables - \$100,000

Tenant Improvement & Betterments - \$140,000

EDP Equipment & Media, Owned & Leased - \$100,000

**GRAND TOTAL - \$5,840,000**

Form: CO 1000 10 02

Valuation: RCV

Coinsurance: NIL

Deductibles:

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #0G97516

2603 Main Street, Suite 630, Irvine, CA 92614

Phone - (949) 477-5400 Fax - (949) 477-5411





**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

\$5,000 AOP  
\$100,000 FLOOD

[X] If Checked, Includes Income Coverage Part - Form: CO 1001 04 02  
Coinsurance: NIL  
Deductibles: 72 Hours Waiting Period  
Valuation: Actual Loss Sustained

**Coverage Extensions, Supplemental Coverages and Supplemental Marine Coverages**

Transit: \$50,000  
Accounts Receivable: \$50,000  
Valuable Papers: \$100,000  
Ordinance or Law: \$100,000  
Demolition Increased Cost of Construction: \$100,000  
Fine Arts: \$100,000  
Fire Department Service Charge: \$25,000  
Recharge of Fire Protection Devices: \$50,000  
Rewards Coverage: \$10,000  
Brands & Labels: \$50,000  
Inventory and Appraisal in the event of Loss: \$50,000  
Personal Effects: \$15,000  
Exhibition Floater: \$50,000  
Sales Representatives Samples: \$50,000  
Trees, Shrubs, Plants: \$50,000  
Pollution Cleanup: \$50,000  
Debris Removal: 25% of the direct loss  
Off Premises Computers: \$25,000  
Off Premises Utility Service Interruption: \$50,000  
Software Storage: \$50,000  
Virus and Hacking Coverage: \$25,000  
Emergency Removal Expenses: \$5,000  
Fraud & Deceit: \$5,000  
Expediting Expenses: \$50,000  
Sewer Backup and Water Below the Surface: \$25,000  
Underground Pipes, Pilings, Bridges and Roadways: \$250,000

**Exclusions:**

Including but not limited to Earth Movement; Nuclear Hazard; War and Military Action; animal Nesting, Infestation, or Discharge; Computer Virus or Computer Hacking; Contamination or Deterioration; Criminal, Fraudulent, Dishonest or Illegal Acts; Defects, Errors and Omissions; Steam Boiler Explosion; Loss of Use; Mechanical Breakdown; Neglect; Seepage; Settling, Cracking, Shrinking, Bulging or Expanding; Smoke,

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #0G97516

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**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

Vapor, or Gas; Smog; Change in Temperature or Humidity; Wear and Tear; Weather; Voluntary Parting and as more fully described in the policy form.

**Property Not Covered:**

Airborne or Waterborne Property; Aircraft or Watercraft; Animals; Automobiles and Vehicles; Checked Luggage; Contraband; Cost of Excavation; Crops While Outside of Buildings; Exports and Imports; Land, Water, and Growing Crops; Money, Securities, Accounts, and Valuable Papers; Outdoor Trees, Shrubs, Plants, or Lawns; Property More Specifically Insured; Property of Others; Property You Have Sold

Rate: .130%

Premium: \$7,592

Terrorism Premium: Rejected

\*Mandatory Fire Following Premium: Waived

\*IN YOUR STATE, IF YOU ELECT TO REJECT TERRORISM COVERAGE WE MUST STILL PROVIDE SOME FIRE FOLLOWING COVERAGE. THIS IS THE PREMIUM WE WILL CHARGE FOR THAT EXPOSURE IF YOU REJECT TERRORISM COVERAGE.

**EQUIPMENT BREAKDOWN COVERAGE:**

**Limits:**

Property Damage: \$3,100,000

Income Coverage: \$750,000

Period of Loss Extension days: 30 days

**Coverage Extensions:**

**Limits:**

Expediting Expense: \$100,000

Pollutants: \$100,000

Ordinance or Law (Undamaged Parts of Buildings): Property Amount or \$2,500,000 whichever is less

Ordinance or Law (Increased Cost to Repair/Cost to Demolish and Clear Site): Combined with Ordinance or Law (undamaged Parts of Buildings)

Off Premises Utility Service Interruption: Combined with Income Coverage

Defense Costs: Covered

**Deductibles:**

Property Coverages: \$5,000

Income Coverages: 72 Hours

Other Conditions

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #OG97516

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**RYAN  
TURNER  
SPECIALTY**

**CONFIRMATION OF INSURANCE**

\*Unless the interruption exceeds 24 hours, we will not pay for any loss under Off Premises Utility Services Interruption.

\*We will not pay for an "accident" to any "covered equipment" caused by or resulting from an electrical insulation breakdown test or hydrostatic, pneumatic or gas pressure test.

\*If the Monthly Limitation - Income Endorsement is attached to this policy, the "terms" of that endorsement apply to Equipment Breakdown.

\*If the Scheduled Locations Endorsement is attached to the policy, the "terms" of that endorsement apply to Equipment Breakdown for those "covered locations" described on the Location Schedule and subject to any applicable "limits".

\*If the Scheduled Locations Endorsement is attached to the policy and a coinsurance percentage(s) is indicated on the "Schedule of Coverages", then the same coinsurance percentage(s) apply for Equipment Breakdown.

Premium: \$750

Endorsements:

- Broad Named Insured Endorsement
- Waiver of Subrogation Endorsement
- Home Pending Sale Endorsement

Subject To:

Confirmation if Terrorism Insurance is accepted or rejected

Payment Plan: Agency Bill

Terms and conditions outlined in the quote may differ from the specifications submitted; please review the specific coverage part for details on coverages and exclusions. Changes in the information in your submission or changes in the job specifications may change the terms of the quote proposal.

**MINIMUM EARNED PREMIUM:**      \$86,424.00

**PREMIUM:**

Premium		\$94,766.00
	<b>TOTAL</b>	<b>\$94,766.00</b>

**CONFIRMED BOUND BY:**

**Ryan Shimomura for Richard Flanagan**

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**CONFIDENTIAL**

R-T Specialty, LLC

In California: R-T Specialty Insurance Services, LLC License #0G97516  
2603 Main Street, Suite 630, Irvine, CA 92614  
Phone - (949) 477-5400 Fax - (949) 477-5411



**ALLIED WORLD NATIONAL ASSURANCE COMPANY**  
 225 Franklin Street, Boston, MA 02110 • Tel. (857) 288-6000 • Fax (617) 556-8060

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY**

Policy No: 0306-2504                      New/Renewal of: New

IN RETURN FOR PAYMENT OF THE MINIMUM AND ADVANCE PREMIUM STATED IN ITEM 7. (a) BELOW, IN RELIANCE UPON THE STATEMENTS IN THE DECLARATIONS BELOW, AND SUBJECT TO THE LIMITS OF INSURANCE, EXCLUSIONS, CONDITIONS AND OTHER TERMS OF THIS POLICY; THE COMPANY AGREES WITH THE NAMED INSURED DESIGNATED IN ITEM 1. (a) BELOW TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

DECLARATIONS

- ITEM 1:            (a) **NAMED INSURED:**            William Lyon Homes Inc  
                     (b) **ADDRESS:**                      4490 Von Karman Avenue  
    Newport Beach, CA 92660-2008
- ITEM 2:            **POLICY PERIOD:**                      From: December 31, 2010 To: December 31, 2013  
    [12:01 A.M. standard time at the address stated in Item 1. (b) above]
- ITEM 3:            **RETROACTIVE DATE:**                N/A
- ITEM 4:            **LIMITS OF THIS INSURANCE:**
- (a)    US\$15,000,000                      Each Occurrence Limit  
 (b)    US\$15,000,000                      Products-Completed Operations Aggregate Limit  
 (c)    US\$15,000,000                      Other Aggregate Limit (where applicable)
- ITEM 5:            **LIMITS OF UNDERLYING EXCESS INSURANCE:**
- US\$35,000,000                      Each Occurrence Limit  
 US\$35,000,000                      Products-Completed Operations Aggregate Limit  
 US\$35,000,000                      Other Aggregate Limit (where applicable)
- ITEM 6:            **FOLLOWED POLICY:**
- Company:**                                Ironshore Specialty Insurance Company  
**Policy Number:**                          000895600  
**Coverage:**                                   Excess Follow Form  
**Policy Period:**                            From: December 31, 2010 To: December 31, 2013  
**Limits of Liability:**  
 US\$5,000,000                                Each Occurrence Limit  
 US N/A    Products-Completed Operations Aggregate Limit  
 US\$5,000,000                                Other Aggregate Limit (where applicable)

**This insurance is issued pursuant to the CA Insurance Code, Sections 1760 through 1780, and is placed in an insurer or insurers not holding a Certificate of Authority from or regulated by the California Insurance Commissioner.**

- ITEM 7: (a) MINIMUM AND ADVANCE PREMIUM: US\$414,000  
(b) MINIMUM EARNED PREMIUM: US\$144,900
- ITEM 8: NOTICES TO THE COMPANY:  
(a) All notices of occurrence, claim, suit, or proceeding: Claim Department  
(b) All other notices: Underwriting Department  
Both (a) and (b) above at the address shown at the top of the Declarations.
- ITEM 9: (a) Representative of Insured: R-T Specialty, LLC DBA R-T Specialty Insurance Services, LLC  
(b) Address: 3400 W. Olive Ave., Suite 350  
Burbank, CA 91505

**Date of Issuance:** May 2, 2011

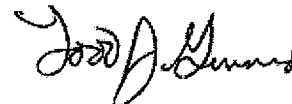
In Witness Whereof, the Insurer has caused this policy to be executed and attested, but this policy shall not be valid unless countersigned by a duly authorized representative of the Insurer.



President



Asst. Secretary



**AUTHORIZED REPRESENTATIVE**

**LEXINGTON INSURANCE COMPANY**

**Administrative Offices: 100 Summer Street, Boston, Massachusetts 02110-2103  
(hereinafter called the Company)**

**FOLLOW FORM EXCESS LIABILITY POLICY**

**DECLARATIONS  
(OCCURRENCE VERSION)**

Policy Number: 006761891

Renewal Of: NEW

Item 1. Named Insured: WILLIAM LYON HOMES

Address: 4490 VON KARMAN AVE  
NEWPORT BEACH, CA 92660-2008

Item 2. Policy Period:

From: 12/31/2010 To: 12/31/2013

12:01 A.M. Standard time at the address of the named insured shown above.

Item 3. Limit of Insurance:

General Aggregate Limit	\$ 25,000,000
Products-Completed Operations Aggregate Limit	\$ 25,000,000
Each Occurrence Limit	\$ 25,000,000

Item 4. Premium:

Total Advance Premium:	\$ 299,000
Annual Minimum Premium:	\$ 299,000
Minimum Earned Premium at Inception:	\$ 104,650

Item 5. Audit Period:

Policy Term

Item 6. Followed Policy:

Insurance Company: ALLIED WORLD NATIONAL INSURANCE COMPANY  
Policy Number: 0306-2504  
Policy Period: From: 12/31/2010 To: 12/31/2013  
Limits: 15,000,000

Item 7. Total Occurrence Limits of Insurance of all Underlying Policies in excess of which this policy applies: \$50,000,000. Our defense obligations only apply in excess of the Total Aggregate Limits of Insurance of all Underlying Policies.

Item 8. Endorsements: See Attached Forms Schedule

*David Bresnahan*

Authorized Representative



**ASPEN INSURANCE UK LIMITED**

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY  
DECLARATIONS**

Policy Number: **K0A1VQ410A0C**  
New:

In consideration of the payment of the premium, and in reliance upon the statements in the Declarations below and subject to the limits of liability, exclusions, conditions and other terms of this policy, ASPEN INSURANCE UK LIMITED, (hereinafter referred to as the "Insurer") agrees with the Named Insured as listed in Item 1 below (hereinafter referred to as the "Insured") as follows:

**ITEM 1** (a) NAMED INSURED: **William Lyon Homes, Inc**  
  
(b) ADDRESS: **895 Dove Street, Ste 200  
Newport Beach, CA 92660  
United States of America**

Regardless of the number of Insureds under this Policy, the Insurer shall not incur liability greater than the sum listed in ITEM 5 below.

**ITEM 2** POLICY PERIOD: **From December 31, 2010 To December 31, 2013  
(12:01 A.M. at the address stated in Item 1 above)**

**ITEM 3 (a)** RETROACTIVE DATE: **Not Applicable**

With respect to any coverage for any Insured which becomes an Insured subsequent to the Inception Date per ITEM 2 above, the Retroactive date, if applicable, shall be the date such person or entity became an Insured under this Policy or such other date as may be endorsed on to this Policy in writing.

**ITEM 3 (b)** DISCOVERY PERIOD: **Not Applicable**

**ITEM 4** COVERAGE: **Following Form Occurrence Excess Liability**

**ITEM 5** LIMITS OF LIABILITY: **USD 25,000,000**  
Limit shown applies in the aggregate. This Aggregate applies to each coverage to which an aggregate applies in the Followed Policy and per Occurrence or per Claim (or as Followed Policy) for all other loss

**ITEM 6** PER OCCURRENCE OR PER CLAIM (or as Followed Policy) RETENTION: **USD 75,000,000** (Unless amended by endorsement attached hereto)

**ASPEN INSURANCE UK LIMITED**

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY  
DECLARATIONS (Cont'd)**

Policy Number: **K0A1VQ410A0C**  
New:

**ITEM 7** SCHEDULE OF FOLLOWED POLICY(IES), PRIMARY POLICIES AND UNDERLYING EXCESS POLICIES:

**SEE ATTACHED ENDORSEMENT**

**ITEM 8** FOLLOWED POLICY:

Company: **Arch Specialty Insurance**  
Policy Number: **72HBL8000400**  
Coverage: **General Liability**  
Policy Period: **December 31, 2010 to December 31, 2013 plus 10 Years Completed Operations**  
Limits of Liability: **USD 5,000,000 Each Occurrence**  
**USD 5,000,000 General Aggregate**  
**USD 5,000,000 Completed Operations Aggregate**

**ITEM 9** PREMIUM                      Gross:    **USD 225,400**

Net:        **USD 191,590**

**ITEM 10** NOTICES TO THE INSURER

Notwithstanding anything in the Followed Policy to the contrary:

(a) All notices of Occurrence or Claim    Aspen Insurance UK Limited  
Dublin Claims  
2 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland [dublinclaims@aspeninsurance.ie](mailto:dublinclaims@aspeninsurance.ie)

(b) All other notices:                      Aspen Insurance UK Limited  
Underwriting Department  
2 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

If any executive officer of the Named Insured becomes aware of an Occurrence or Claim likely to involve this Policy, the Named Insured shall give immediate written notice to the Claims Department of the Insurer as a condition precedent to coverage under this Policy.



**ASPEN INSURANCE UK LIMITED**

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY  
DECLARATIONS**

Policy Number: **K0A1VQ410A0C**  
New:

**ITEM 11** (a) Representative of Insured: **Besso Limited**  
(b) Address: **8-11 Crescent  
London EC3N2LY  
United Kingdom**

**ITEM 12** POLICY FORM: Aspen FF (01/08)

Endorsement No 1. **Schedule of Followed Policy, Primary Policies and Underlying Excess Policies**

Endorsement No 2. **Minimum Earned Premium Endorsement**

Endorsement No 3. **Non Followed Endorsement**

Endorsement No 4. **Premium Adjustment Endorsement**

Endorsement No 5. **Exclusion of Certified Acts of Terrorism**

**ASPEN INSURANCE UK LIMITED**

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY  
DECLARATIONS**

Policy Number: **K0A1VQ410A0C**  
New:

**ITEM 13**      **INSURING AGREEMENT**

This policy shall provide the Insured with Excess Insurance coverage in accordance with the same warranties, terms, conditions, exclusions and limitations as are contained in the Followed Policy(ies) set forth in Item 8 above and as attached on the inception date of this Policy, subject always to the premium, limits of liability, policy period, warranties, exclusions, limitations and any other terms and conditions of this Policy including any and all endorsements attached hereto which may be inconsistent with the Followed Policy.

The limits of liability in Item 5 above apply in excess of:

- (a)            the sum of applicable per occurrence, claim, loss limits of liability (as shown in Item 6 above),

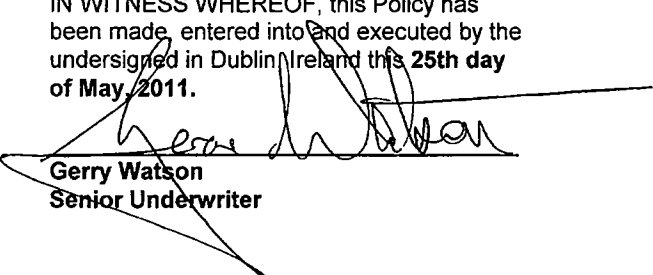
or

- (b)            the sum of applicable remaining aggregate limits of liability, if less than that stipulated in the underlying policy(ies) listed in Item 7 for each applicable coverage.

The sum of limits under (a) and (b) above also includes any applicable Self-Insured Retention associated with such limits.

Provided, however, that any reduction or exhaustion of underlying aggregate limits will not apply to item (b) above, for the purposes of attachment of this policy, to the extent such reduction is caused by uncollectibility (in whole or in part) of the Aggregate Limits of the underlying policy, the existence of a sub-limit of liability in any underlying policy, the cancellation of an underlying policy or any underlying policy containing terms and conditions different from the Followed Policy or this policy (i.e., this policy does not provide difference-in-conditions coverage nor will the policy respond in the event of insolvency of the underlying insurer, unwillingness to pay by the underlying insurer, cancellation or expiration of the underlying insurance and/or failure by the Insured to satisfy any condition of any underlying policy).

IN WITNESS WHEREOF, this Policy has been made, entered into and executed by the undersigned in Dublin Ireland this **25th day of May 2011**.

  
**Gerry Watson**  
Senior Underwriter

# LEXINGTON INSURANCE COMPANY

The Chartis Building, 58 Fenchurch Street,  
London, EC3M 4AB, United Kingdom

## FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY

### DECLARATIONS

Policy No: 62785350  
New/Renewal of: New

In consideration of the payment of the premium, and in reliance upon the statements in the Declarations below and subject to the limits of liability, exclusions, conditions and other terms of this Policy, the Insurer agrees with the Named Insured as listed in Item 1 below (hereinafter referred to as the "Insured") as follows:

- ITEM 1.** (a) NAMED INSURED: William Lyon Homes, Inc.  
(b) ADDRESS: 4490 Von Karman Avenue, Newport Beach, California 92660-2008
- ITEM 2.** POLICY PERIOD: From: 31<sup>st</sup> December, 2010  
To: 31<sup>st</sup> December, 2013  
(12:01 A.M. at the address stated in Item 1 above)
- ITEM 3.** RETROACTIVE DATE: Not Applicable
- ITEM 4.** COVERAGE: Following Form Occurrence Excess Liability in respect of various projects in various locations in California, Arizona and Nevada per attached Designated Projects Endorsement.
- ITEM 5.** LIMITS OF LIABILITY: US\$ 25,000,000 per occurrence, per claim or per loss (as per Followed Policy(ies))  
US\$ 25,000,000 aggregate, where applicable  
Excess of Limits in Item 6(b) below
- ITEM 6.** (a) UNDERLYING POLICY(IES):  
See Schedule of Followed Policy, Primary Policies and Underlying Excess Policies (Endorsement No. 12)
- (b) LIMITS OF UNDERLYING POLICY(IES):  
See Schedule of Followed Policy, Primary Policies and Underlying Excess Policies (Endorsement No. 12)

**LEXINGTON INSURANCE COMPANY**

**The Chartis Building, 58 Fenchurch Street,  
London, EC3M 4AB, United Kingdom**

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY**

**DECLARATIONS**

Policy No: 62785350  
New/Renewal of: New

- ITEM 7. FOLLOWED POLICY:**
- |                      |  |
|----------------------|--|
| Company:             | Arch Specialty Insurance Company                                   |
| Policy Number:       | 72HBL8000400   |
| Coverage:            | General Liability  |
| Policy Period:       | 31 <sup>st</sup> December, 2010 to 31 <sup>st</sup> December, 2013 |
| Limits of Liability: | US\$ 5,000,000 Each Occurrence                                     |
|                      | US\$ 5,000,000 General Aggregate                                   |
|                      | US\$ 5,000,000 Products/Completed Operations Aggregate             |
- ITEM 8. PREMIUM:**
- US\$ 200,000 adjustable at a rate of US\$ 44.053 per Unit estimated at 4,128 Units.  
Note – adjustable rate equals 4,540 units so allowing for 10% growth for no additional premium.  
25% Minimum Earned at Inception but 100% after 12 months
- ITEM 9. NOTICES TO THE INSURER:**
- (a) All notices of Occurrence or Claim:
- Claims Department,  
Lexington Insurance Company,  
The Chartis Building,  
58 Fenchurch Street,  
London,  
EC3M 4AB,  
United Kingdom
- (b) All other notices:
- Casualty Department,  
Lexington Insurance Company,  
The Chartis Building,  
58 Fenchurch Street,  
London,  
EC3M 4AB,  
United Kingdom
- ITEM 10.**
- (a) Representative of Insured: Besso Limited
- (b) Address: 8-11 Crescent, London, EC3N 2LY

**LEXINGTON INSURANCE COMPANY**  
The Chartis Building, 58 Fenchurch Street,  
London, EC3M 4AB, United Kingdom

**FOLLOWING FORM EXCESS LIABILITY INSURANCE POLICY**

**DECLARATIONS**

Policy No: 62785350  
New/Renewal of: New

Provided, however, that any reduction or exhaustion of underlying aggregate limits will not apply for the purposes of attachment of this Policy, to the extent such reduction is caused by uncollectibility (in whole or in part) of the aggregate limits of the underlying policy, the existence of a sub-limit of liability in any underlying policy, the cancellation of an underlying policy or any underlying policy containing terms and conditions different from the Followed Policy.

The Insurer shall have the right but not the duty to assume charge of the defense or settlement of any claim or suit against the Insured upon exhaustion of the applicable limits of liability of the underlying policy(ies). If the Insurer has exercised such right, it may withdraw from the defense and tender the defense to the Insured upon exhaustion of the applicable limits of liability under this Policy. If the Insurer does not exercise the right to assume charge of such defense or settlement, or if the applicable limits of the underlying policy(ies) are not exhausted, the Insurer shall have the right and shall be given the opportunity to associate effectively with the Insured or the Underlying Insurer or both, in the defense and control of any claim or suit likely to involve this Policy. In such events, the Insured, the Underlying Insurer and the Insurer shall cooperate in the defense of such claim or suit.

The Insured shall not settle any claim or suit for an amount within the Insurer's limit of liability without the Insurer's prior written consent.



**Authorized Representative**

**Dated: 25<sup>th</sup> March, 2011**

Lex UK

**POLICYHOLDER DISCLOSURE  
NOTICE OF TERRORISM INSURANCE COVERAGE**

You are hereby notified that under the Terrorism Risk Insurance Act, as amended, that you have a right to purchase insurance coverage for losses resulting from acts of terrorism, as defined in Section 102(1) of the Act:

The term "act of terrorism" means any act that is certified by the Secretary of the Treasury -- in concurrence with the Secretary of State, and the Attorney General of the United States -- to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that where coverage is provided by this policy for losses resulting from certified acts of terrorism, such losses may be partially reimbursed by the United States Government under a formula established by Federal Law. However, your policy may contain other exclusions which might affect your coverage, such as an exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The premium charged for this coverage is provided below and does not include any charges for the portion of loss that may be covered by the Federal Government under the Act.

You should also know that the Terrorism Risk Insurance Act, as amended contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses in any one calendar year exceeds \$100 billion. If the aggregate insured losses for all insurers exceed \$100 billion, your coverage may be reduced.

**Acceptance or Rejection of Terrorism Insurance Coverage**

✓	<p>I hereby elect to purchase terrorism coverage for a prospective premium of \$ _____</p> <p>I hereby decline to purchase terrorism coverage for certified acts of terrorism. I understand that I will have no coverage for losses resulting from certified acts of terrorism. I further understand that the insurer does not offer stand-alone terrorism coverage for non-certified acts of terrorism and that by declining to purchase coverage for certified acts of terrorism, I am also declining to purchase coverage for non-certified acts of terrorism. This will be reflected in the policy by Terrorism Exclusion -- Form No. 96554 (1/08).</p>
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Policyholder/Applicant's Signature

Richard S. Robinson  
Senior Vice President

Policyholder/Applicant's Printed Name

Date

1/6/11

**Policy Number**  
**71CAB8000500**

**COMMON POLICY DECLARATIONS**  
**ARCH INSURANCE COMPANY**

**Named Insured** WILLIAM LYON HOMES, INC.

**Effective Date:** 12-31-10  
12:01 A.M., Standard Time

**Agent Name** LOCKTON INSURANCE BROKERS, INC.

**Agent No.** 10068

<b>Item 1. Named Insured and Mailing Address</b>	<b>Agent Name and Address</b>
WILLIAM LYON HOMES, INC. 4490 VON KARMAN AVENUE NEWPORT BEACH CA 92660	LOCKTON INSURANCE BROKERS, INC. 725 SOUTH FIGUEROA ST, 35TH FLOOR LOS ANGELES CA 90017

Agent No. 10068

**Item 2. Policy Period** From: 12-31-2010 To: 12-31-2013  
at 12:01 A.M., Standard Time at your mailing address shown above.

**Item 3. Business Description:**  
Form of Business: CORPORATION

**Item 4.** In return for the payment of the premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

This policy consists of the following coverage parts for which a premium is indicated. Where no premium is shown, there is no coverage. This premium may be subject to adjustment.

<b>Coverage Part(s)</b>	<b>Premium</b>
Commercial Property Coverage Part	NOT COVERED
Commercial General Liability Coverage Part	NOT COVERED
Commercial Crime Coverage Part	NOT COVERED
Commercial Inland Marine Coverage Part	NOT COVERED
Commercial Auto (Business or Truckers) Coverage Part	\$ 8,333.00
Commercial Garage Coverage Part	NOT COVERED

**Total Policy Premium** \$ 8,333.00

**Item 5. Forms and Endorsements**

Forms(s) and Endorsement(s) made a part of this policy at time of issue:

**See Schedule of Forms and Endorsements**

Countersigned:

Date: 02-17-11

By: \_\_\_\_\_

Authorized Representative

THIS COMMON POLICY DECLARATION AND THE SUPPLEMENTAL DECLARATION(S), TOGETHER WITH THE COMMON POLICY CONDITIONS, COVERAGE PART(S), COVERAGE FORM(S) AND FORMS AND ENDORSEMENTS, IF ANY, COMPLETE THE ABOVE NUMBERED POLICY.

**FAIC-SKLBUS-CPD (6/01)**

# COMMERCIAL EXCESS LIABILITY POLICY DECLARATIONS

JAMES RIVER INSURANCE COMPANY  
6641 WEST BROAD STREET, SUITE 300  
RICHMOND, VA 23230

POLICY NUMBER:  
00040977-1

**ITEM 1. NAMED INSURED AND MAILING ADDRESS:**  
William Lyon Homes Inc  
4490 Von Karman Ave  
Newport Beach, CA 92660

**PRODUCER:** 10903  
Swett & Crawford (LA)  
515 South Figueroa Street, Suite 600  
Los Angeles, CA 90071

**ITEM 2. POLICY PERIOD:** From: 12/31/2010 To: 12/31/2011  
12:01 A.M. Standard Time at your mailing address

**ITEM 3. BUSINESS DESCRIPTION:** Corporation  
Homebuilder

**ITEM 4. LIMITS OF INSURANCE:**

A. Each Occurrence ..... \$ 5,000,000  
B. Annual Aggregate ..... \$ 5,000,000

**ITEM 5. SCHEDULE OF UNDERLYING INSURANCE:**  
See attached Schedule B – Schedule of Underlying Insurance

**ITEM 6. PREMIUM COMPUTATION:**  
Advance Minimum and Deposit..... \$ 9,500.00

**ITEM 7. ENDORSEMENTS ATTACHED TO THE POLICY AT INCEPTION:**  
See attached Schedule A – Schedule of Forms

**ITEM 8. RETROACTIVE DATE:** N/A

**ITEM 9. COMPANY FEE:** \$0  
**ITEM 10. TOTAL AMOUNT DUE AT INCEPTION:** \$ 9,500.00



# **Evidence of DIP Bank Accounts**

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re: ) Chapter 11  
)  
WILLIAM LYON HOMES, *et al.*,<sup>1</sup> ) Case No. 11-14019 (\_\_\_\_)  
)  
Debtors. ) (Joint Administration Requested)  
)

**MOTION OF DEBTORS FOR ORDER UNDER 11 U.S.C. §§ 105(a), 345, 363, 364, 503(B)(1), 553, 1107, AND 1108 AND LOCAL RULE 2015-2 (I) AUTHORIZING CONTINUED USE OF EXISTING (A) BANK ACCOUNTS, (B) CASH MANAGEMENT SYSTEM, AND (C) BUSINESS FORMS AND CHECKS; (II) AUTHORIZING THE CONTINUATION OF INTERCOMPANY TRANSACTIONS AMONG DEBTORS AND NON-DEBTOR AFFILIATES AND ACCORDING SUPERPRIORITY STATUS TO POST-PETITION DEBTOR INTERCOMPANY TRANSACTIONS; AND (III) WAIVING INVESTMENT AND DEPOSIT REQUIREMENTS OF 11 U.S.C. § 345(B) ON AN INTERIM BASIS**

The above-captioned debtors and debtors-in-possession (collectively, the “Debtors”), hereby move this Court (the “Motion”) for entry of an order, substantially in the form attached hereto, (i) authorizing the continued use of existing (a) bank accounts, (b) cash management system, and (c) business forms and checks; (ii) authorizing the continuation of intercompany transactions among the Debtors and their non-Debtor affiliates and according superpriority status to all post-petition Debtor intercompany claims; and (iii) waiving the investment and deposit requirements of 11 U.S.C. § 345(b) on the terms set forth in the order on an interim basis. In support of this Motion, the Debtors respectfully state:

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<sup>1</sup>The debtors and debtors in possession in these cases and the last four digits of their respective taxpayer identification numbers are as follows: William Lyon Homes (4902); William Lyon Homes, Inc. (3855); Mountain Falls Golf Course, LLC (3291); Mountain Falls, LLC (9631); Circle G at the Church Farm North Joint Venture, LLC (1322); Presley CMR, Inc. (3862); William Lyon Southwest, Inc. (8474); Sycamore CC, Inc. (1307); PH-LP Ventures (9119); PH Ventures – San Jose (5089); HSP, Inc. (6045); PH Rielly Ventures (7710); Lyon Waterfront, LLC (1928); Lyon East Garrison Company I, LLC (5692); WLH Enterprises (3333); Duxford Financial, Inc. (0824); California Equity Funding, Inc. (0016); Laguna Big Horn, LLC (2590); Presley Homes (5035); Cerro Plata Associates, LLC (5090); Whitney Ranch Village 5, LLC (5256); and Duxford Insurance Services, LLC (8232). The Debtors’ mailing address is 4490 Von Karman Avenue, Newport Beach, CA 92660.

## **Jurisdiction**

1. This Court has jurisdiction over this Motion under 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue of this proceeding and this Motion in this District is proper under 28 U.S.C. §§ 1408 and 1409.

2. The statutory bases for the relief requested herein are Sections 105, 345, 363, 364, 503(b)(1), 553, 1107, and 1108 of title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code"), Rule 2015 of the Federal Rules of Bankruptcy Procedures (the "Bankruptcy Rules") and Rule 2015-2 of the Local Rules of Bankruptcy and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

## **Background**

### **A. General Background**

3. On the date hereof (the "Petition Date"), the Debtors commenced these cases by filing voluntary petitions for relief under chapter 11 the Bankruptcy Code. Concurrently with the filing of this Motion, the Debtors have requested joint administration of the above captioned cases.

4. The Debtors have continued in possession of their property and have continued to operate and manage their businesses as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code.

5. No request has been made for the appointment of a trustee or an examiner in this case, and no official committee has yet been appointed by the Office of the United States Trustee.

6. The factual background regarding the Debtors, including their current and historical business operations and the events precipitating the chapter 11 filing, are set forth in detail in the *Declaration of Matthew R. Zaist, Executive Vice President of William Lyon Homes*,

in Support of First Day Motions (the "Zaist Declaration") filed concurrently herewith and incorporated herein by reference. The Debtors are homebuilders with operations in Northern and Southern California, Arizona and Nevada.

7. On the Petition Date, the Debtors filed the *Prepackaged Joint Plan of Reorganization for William Lyon Homes, et al.* dated November 17, 2011 (the "Plan") and related disclosure statement (the "Disclosure Statement"). The Plan represents a significant milestone for the Company and embodies the agreement reached with their major debt holders. If confirmed, the Plan will reduce the Company's leverage by approximately \$182 million in funded note indebtedness, restructure the Company's primary secured credit facility, and provide for new equity capital investments of \$85 million in the aggregate. Based on a prepetition solicitation of the Plan, the Plan has been overwhelmingly approved by those voting classes of creditors who are impaired under the Plan – (i) the Prepetition Secured Term Loan Agreement; and (ii) the Old Notes. Significantly, other than the holders of Prepetition Secured Term Loan Agreement Claims, Old Notes Claims, and equity holders of DE Lyon (whose interests are being cancelled), the Plan provides for the Debtors' remaining creditors to be unimpaired, which may not have been possible absent the agreements reached under the Plan. The Plan will allow the Company to improve its liquidity position from its operations and be well-positioned going forward.

**B. The Cash Management System**

8. Prior to the commencement of these cases, the Debtors used a complex centralized cash management system to collect, transfer, and disburse funds generated by their operations and to accurately record all such transactions as they are made (the "Cash Management System"). A graphic depiction of the Cash Management System is set forth on Exhibit A hereto.

9. Prior to the commencement of these cases, in the ordinary course of business, the Debtors maintain thirty-four bank accounts (the “Debtor Bank Accounts”) at California Bank & Trust (“CBT”), JP Morgan Chase, Citibank, and Bank of America (Merrill Lynch), and Wells Fargo. A listing of the Debtors’ bank accounts with a description of the nature of the account, the bank, and the last four digits of the bank account numbers are set forth on Exhibit B hereto.

10. Almost all of the cash that the Debtors or the related Non-Debtor Affiliates receive from any source is deposited into the William Lyon Homes, Inc. (“CA Lyon”) general operating account (the “Operating Account”) at CBT. The amount of cash held in the Operating Account varies from day to day, but as of November 30, 2011, the Operating Account held book cash of approximately \$7.2 million. CA Lyon distributes the money from the Operating Account to other accounts as follows:

11. Negligible Balance Accounts. The Debtors maintain approximately 21 negligible balance disbursement accounts that were created for specific purposes and are only funded when the Debtors need to use the specific account to pay various accounts payable, including payroll, taxes, and general operating disbursements.

12. Market Accounts. Historically, CA Lyon transferred money from the Operating Account to money market and investment accounts that it maintains at Morgan Stanley and JP Morgan Chase (collectively, the “Market Accounts”). The Debtors used the Market Accounts to store and invest excess cash in order to maximize the return on cash that is not needed for immediate operations. Prior to the Petition Date, however, the Debtors liquidated almost all of their investments and moved all of the funds to their Operating Account. As of the Petition Date, the Market Accounts contain approximately \$1,500 in shares of stock of third party companies.

13. Restricted Accounts Backing Surety Bonds. The Debtors maintain two restricted bank accounts at CBT through which they have posted \$850,000 in the aggregate as

cash collateral to backstop surety bonds that they have been required to post in favor of bonding companies to support certain of their municipal development projects, as well as certain licensing and reporting requirements.

14. **Resmark Pledged Accounts.** As more fully described in the concurrently filed motion for order to sell homes free and clear of liens, the Debtors provide construction management services for Resmark Equity Partners, LLC and its affiliate ("Resmark"), which consists of developing, building, and selling William Lyon homes on Resmark-owned land. In connection therewith, the Debtors maintain 8 bank accounts at CBT through which they hold and disburse funds deposited by Resmark for payment to subcontractors that work on the Resmark projects. In exchange for their services, the Debtors also receive a fee from Resmark, which is paid through escrow when a home closes to the Operating Account.

15. **Non-Debtor Bank Accounts.** Under various joint venture, partnership, or other operating agreements, the Debtors may periodically be required to make contributions or other payments into bank accounts of their non-debtor affiliate joint ventures or non-debtor affiliates (collectively, the "Non-Debtor Affiliates"). Specifically, the Non-Debtor Affiliates maintain ten bank accounts on account of joint ventures in which the Debtors have an interest (the "Non-Debtor Bank Accounts"). However, during the course of these cases, the Debtors do not anticipate that any funds will need to be funded from the Operating Account into these Non-Debtor Bank Accounts, although funds may flow up to the Operating Account from one or more of the Non-Debtor Bank Accounts. The Debtors' additional Intercompany Transactions are more fully discussed below.

16. The Debtors routinely deposit, withdraw, and otherwise transfer funds to, from, and between the Bank Accounts by various methods including checks, automated clearing house ("ACH") transactions, electronic funds transfers and direct deposits. The Debtors generate

thousands of checks per month from the Bank Accounts. The Debtors believe that the Bank Accounts are generally in financially stable banking institutions with the Federal Deposit Insurance Corporation (“FDIC”), the Federal Savings and Loan Insurance Corporation (“FSLIC”), or other appropriate government-guaranteed deposit protection insurance. The Debtors pay on average approximately \$19,000 a month in banking fees to their various banks for use of the Bank Accounts.

17. Furthermore, the Bank Accounts are part of a carefully constructed and complex, automated cash management system (described more thoroughly below) that ensures the Debtors' ability to efficiently monitor and control all of their cash receipts and disbursements. Closing the existing Bank Accounts and opening new accounts inevitably would disrupt the Debtors' businesses and result in delays impeding the Debtors' ability to transition smoothly into chapter 11, and would likewise jeopardize the Debtors' efforts to successfully reorganize in a timely and efficient manner.

18. In other instances, CA Lyon transfers money from the Operating Account to the Negligible Balance Accounts held by CA Lyon, the other Debtors, and the Non-Debtor Affiliates to make payments. In those instances, CA Lyon transfers enough money from the Operating Account to the particular Negligible Balance Account to satisfy the necessary obligation, leaving the Negligible Balance Account with a zero or negligible balance after the obligation is satisfied. If the Negligible Balance Account is held by an entity other than CA Lyon, CA Lyon and the other entity record a notation that CA Lyon paid the debt. This process is used to make required payroll payments and satisfy accounts payable owed by CA Lyon or the other Debtors.

**C. Intercompany Transactions**

19. The Debtors engage in providing loans to one another and, in certain instances, Debtors transfer funds from one another (the “Intercompany Debt Transactions”). Further, in the

ordinary course of business, the Debtors regularly participate in transactions with one another and with Non-Debtor Affiliates in which they transfer lots or land between themselves (the “Intercompany Real Estate Transactions,” and together with the Intercompany Debt Transactions, the “Intercompany Transactions”). As a result of the Intercompany Transactions, the Debtors' books and records reflect prepetition obligations among the Debtors and between Debtors and Non-Debtor Affiliates. Before the commencement of these Chapter 11 Cases, the Debtors engaged in Intercompany Transactions, which the Debtors request authority to continue in the ordinary course of business post-petition as follows:

i. Intercompany Transactions Among Debtors:

- a. Transfer of Arizona Homes: CA Lyon regularly transfers finished homes to Debtor William Lyon Southwest, Inc. (“Lyon Southwest”), an Arizona corporation, for sale of the Debtors’ homes in Arizona. Lyon Southwest takes the homebuyer’s Deposits and places them into the Operating Account. When it is time to close the escrow, CA Lyon transfers the home to Lyon Southwest, which then sells the home to the buyer. Lyon Southwest then deposits the net proceeds from the escrow into the Operating Account.
- b. Transfers to Mountain Falls Golf Course, LLC: CA Lyon regularly transfers funds to two of its subsidiaries, Mountain Falls, LLC and Mountain Falls Golf Course, LLC (the “Mountain Falls Entities”) in connection with a golf course (the “Golf Course”) located at the Mountain Falls development and a loan secured by the Golf Course (the “Mt. Falls Loan”). The average monthly amount of transfers between CA Lyon and the Mountain Falls Entities is \$168,300, of which \$97,500 is on account of payroll for the Debtor’s employees who are employed by the Golf Course and \$70,800 is on account of interest payments under the Mt. Falls Loan and operations for the Golf Course. In addition, a quarterly principal payment of \$500,000 is due on January 1, 2012 under the Golf Course Loan. The Golf Course Loan is discussed in more detail in that concurrently filed motion for authority to honor land development and project finance agreements in the ordinary course of business.
- c. Transfers on Behalf of Circle G at Church Farms, LLC: Debtor Circle G at Church Farms North Joint Venture, LLC (“Church Farms”) is obligated to U.S. Bank N.A pursuant to that certain loan agreement under which approximately \$9 million is currently outstanding (the “U.S. Bank Loan”). CA Lyon, which is the parent to Church Farms, and DE Lyon are guarantors under the loan. CA Lyon makes regular interest payments to



U.S. Bank of approximately \$45,000, which payments are reflected in the DIP Budget and will continue during the course of these cases. In addition to interest payments, CA Lyon funds additional amounts to Church Farms for payment of property taxes and ancillary expenses necessary to maintain the land owned by Church Farms of between \$10,000 to \$20,000 per month. The U.S. Bank Loan is discussed in more detail in that concurrently filed motion for authority to honor land development and project finance agreements in the ordinary course of business.

ii. Intercompany Transactions Among Non-Debtors:

- a. Joint Venture Contributions: As discussed above, the Debtors do not anticipate funding any joint venture contributions to their Non-Debtor Affiliates during the course of these cases, although funds may flow up to the Debtors from their Non-Debtor Affiliates on account of the Debtors' interest in the joint ventures.
- b. Lyon Mayfield: The Debtors' non-debtor affiliate, Lyon Mayfield, LLC (a wholly-owned, special purpose subsidiary of CA Lyon) entered into a loan in connection with the Company's acquisition of certain property located in Mountain View and Palo Alto, California that the Company will use to develop homes in the future. The lender to Lyon Mayfield is Qina, LLC, which is an affiliate of Luxor, the largest holder of Old Notes. In connection with that acquisition, the Debtors, with the consent of their Prepetition Secured Lenders, have agreed to make a contribution of \$1.5 million on or after January 31st, 2012, with an additional contribution of \$1.75 million on or after the later of March 31st, 2012 and the Plan Confirmation Date, and certain fees and costs, all as permitted by the DIP financing Budget and as more fully set forth in the motion for approval of land development and project finance agreements filed concurrently herewith.

20. Any amounts funded on account of Non-Debtor Affiliates will be tracked and recorded by the Debtors in their accounting records, and bi-weekly reports of such transactions with Non-Debtor Affiliates will be provided to counsel for ColFin WLH Funding, LLC. The Debtors propose to continue to fund those operations in the ordinary course of business postpetition, utilizing their Cash Management System, if, in their business judgment, such funding is in the best interests of these estates and creditors.

**Relief Requested**

21. By this Motion, the Debtors seek an order (i) authorizing the Debtors to continue to use their existing (a) Bank Accounts, (b) Cash Management System (including payment of banking fees), (c) Business Forms and checks, (ii) authorizing the continuation of the Intercompany Transactions among Debtors and the Non-Debtor Affiliates and according superpriority status to all post-petition Intercompany Transactions between the Debtors and, (iii) waiving investment and deposit requirements of 11 U.S.C. § 345(b) on an interim basis to the extent set forth in the Order.<sup>2</sup>

**Basis for Relief**

22. The Office of the United States Trustee (the "U.S. Trustee") has established certain operating guidelines for debtors-in-possession in order to supervise the administration of chapter 11 cases. These guidelines require chapter 11 debtors to, among other things: (i) close all existing bank accounts and open new debtor-in-possession bank accounts; (ii) establish one debtor-in-possession account for all estate monies required for the payment of taxes, including payroll taxes; (iii) maintain a separate debtor-in-possession account for cash collateral; and (iv) obtain checks for all debtor-in-possession accounts which bear the designation "Debtor-In-Possession," the bankruptcy case number and the type of accounts. These requirements are designed to draw a clear line of demarcation between prepetition and postpetition transactions and operations and prevent the inadvertent postpetition payment of prepetition claims. As set forth below, the Debtors submit that enforcing these requirements would disrupt the Debtors' operations and impose a financial burden on the estate.

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<sup>2</sup> The Debtors will file a proposed order prior to any final hearing on the Motion.

**A. The Debtors Should be Authorized to Continue to Use Their Existing Cash Management System**

23. In order to ensure an orderly transition into chapter 11, the Debtors request authority to continue to use the Cash Management System as required by the Debtors in the ordinary course of business.

24. The Cash Management System is complex, computerized, and includes accounting controls needed to enable the Debtors, as well as creditors and the Court, if necessary, to trace funds through the system and ensure that all transactions are adequately documented and readily ascertainable. When manual transactions are made in the system, the Debtors closely monitor the accounts to ensure the transactions are appropriately documented.

25. The cash management procedures utilized by the Debtors are ordinary, usual and essential business practices, and are similar to those used by other major corporate enterprises. The Cash Management System provides significant benefits to the Debtors, including the ability to control corporate funds centrally, segregate cash flows, ensure availability of funds when necessary, and reduces administrative expenses by facilitating the movement of funds and the development of more timely and accurate balance and presentment information.

26. The operation of the Debtors' business requires that the Cash Management System continue during the pendency of these Chapter 11 Cases. Requiring the Debtors to adopt new cash management systems at this critical stage of these cases would be expensive, would create unnecessary administrative burdens and problems (including the possibility that transactions might not be adequately documented), and would likely disrupt and adversely impact the Debtors' ability to reorganize successfully. Indeed, requiring Cash Management System changes could irreparably harm the Debtors, their estates and their creditors by creating cash flow interruptions while systems were changed. Maintenance of the existing Cash Management System is therefore in the best interests of all creditors and other parties-in-interest.

27. In the ordinary course of the operation and maintenance of the Cash Management System, the Debtors incur routine bank charges and fees relating to the administration of the Cash Management System. The Debtors request authority, in their sole discretion, to pay any such routine prepetition banking fees, which average approximately \$19,000 per month, in order to maintain the Cash Management System.

28. Bankruptcy courts routinely grant chapter 11 debtors authority to continue using their existing cash management systems and treat such requests for such authority as a relatively "simple matter." *In re Baldwin United Corp.*, 79 B.R. 321, 327 (Bankr. S.D. Ohio 1987). This is particularly true where, as here, the chapter 11 case involves complex financial affairs. In fact, some courts have specifically held that a debtor's use of its prepetition "routine cash management system . . . is entirely consistent with" the provisions of the Bankruptcy Code. *See Charter Co. v. Prudential Ins. Co. of America (In re Charter Co.)*, 778 F.2d 617, 621 (11th Cir. 1985). Likewise, in another context, the United States Bankruptcy Court for the District of Delaware has explained that a centralized cash management system "allows efficient utilization of cash resources and recognizes the impracticalities of maintaining separate cash accounts for many different purposes that require cash." *In re Columbia Gas Sys., Inc.*, 136 B.R. 930, 934 (Bankr. D. Del. 1992), *aff'd in part and rev'd in part sub nom., Official Comm. of Unsecured Creditors of Columbia Gas Transmission Corp. v. Columbia Gas Sys., Inc. (In re Columbia Gas Sys., Inc.)*, Case No. 91-803, 1992 U.S. Dist. LEXIS 9460 (D. Del. July 6, 1992), *aff'd in part and rev'd in part*, 997 F.2d 1039 (3d Cir. 1993).

29. The Third Circuit agreed, emphasizing that a requirement to maintain all accounts separately "would be a huge administrative burden and economically inefficient." *Official Comm. of Unsecured Creditors of Columbia Gas Transmission Corp. v. Columbia Gas Sys. Inc. (In re Columbia Gas Sys. Inc.)*, 997 F.2d 1039, 1061 (3d Cir. 1993). Additionally, relief similar

to that requested herein has been repeatedly granted by courts in this and other jurisdictions in other chapter 11 cases. *See, e.g., In re Nebraska Book Company, Inc.*, Case No. 11-12005 (PJW) (Bankr. D. Del. June 28, 2011); *In re Applesseed's Intermediate Holdings, LLC*, Case No. 11-10160 (KG) (Bankr. D. Del. Jan. 20, 2011); *In re Hayes Lemmerz Int'l, Inc.*, Case No. 09-11655 (MFW) (Bankr. D. Del. May 13, 2009); *In re Goody's Family Clothing, Inc.*, Case No. 08-11133 (CSS) (Bankr. D. Del. June 9, 2008); *In re American Home Mortgage Holdings, Inc.*, Case No. 07-11047 (CSS) (Bankr. D. Del. Aug. 7, 2007); *In re Tweeter Home Entertainment Group, Inc.*, Case No. 07-10787 (PJW) (Bankr. D. Del. June 12, 2007); and *In re New Century TRS Holdings, Inc.*, Case No. 07-10416 (KJC) (Bankr. D. Del. Apr. 11, 2007). Similar authorization is appropriate here.

**B. The Debtors Should be Granted Authority to Maintain Their Existing Bank Accounts**

30. The Debtors request that the Bank Accounts be deemed to be debtor-in-possession accounts, and that their maintenance and continued use, in the same manner and with the same account numbers, styles, and document forms as those employed during the prepetition period, be authorized. The Debtors represent that if the relief requested in this Motion is granted, they will not pay, and each of the banks will be directed not to pay, any debts incurred before the Petition Date, other than as authorized by this Court. The Debtors have worked closely with their financial advisors and banks to ensure that proper reporting and mechanisms are in place to ensure that no prepetition checks will be honored unless authorized by court order.

31. It is essential that the Debtors be permitted to continue to maintain their existing Bank Accounts and, if necessary, open new accounts (and give notice to the U.S. Trustee of such newly opened accounts), provided however, that any new bank account opened by the Debtors shall be with a bank that is insured by the FDIC or the FSLIC and organized under the laws of

the United States of America or any state therein, and shall be designated a “debtor-in-possession” or “DIP” account by the respective bank.

32. Courts in this and other districts have recognized that, in complex chapter 11 cases, strict enforcement of the requirement that a debtor-in-possession close its bank accounts does not serve the rehabilitative process of chapter 11 and have therefore waived this requirement and replaced it with more effective procedures similar to those requested herein. *See, e.g., In re Nebraska Book Company, Inc.*, Case No. 11-12005 (PJW) (Bankr. D. Del June 28, 2011); *In re Appleseed's Intermediate Holdings, LLC*, Case No. 11-10160 (KG) (Bankr. D. Del. Jan. 20, 2011); *In re Hayes Lemmerz Int'l, Inc.*, Case No. 09-11655 (MFW) (Bankr. D. Del. May 13, 2009); *In re Goody's Family Clothing, Inc.*, Case No. 08-11133 (CSS) (Bankr. D. Del. June 9, 2008); *In re American Home Mortgage Holdings, Inc.*, Case No. 07-11047 (CSS) (Bankr. D. Del. Aug. 7, 2007); *In re Tweeter Home Entertainment Group, Inc.*, Case No. 07-10787 (PJW) (Bankr. D. Del. June 12, 2007); *In re New Century TRS Holdings, Inc.*, Case No. 07-10416 (KJC) (Bankr. D. Del. Apr. 11, 2007).

C. **The Debtors Should be Granted Authority to Continue to Use Existing Business Forms and Checks**

33. Local Rule 2015-2(a) provides:

Where the debtor uses pre-printed checks, upon motion of the debtor, the Court may, without notice and hearing, permit the debtor to use its existing checks without the designation “Debtor-in-Possession” and use its existing bank accounts. However, once the debtor's existing checks have been used, the debtor shall when reordering checks, require the designation “Debtor-in-Possession” and the corresponding bankruptcy number on all such checks.

L.R. Bankr. P. 2015-2(a).

34. The Debtors will be able to place the “debtor in possession” label on all checks generated electronically, which constitutes the vast majority of their payments, shortly after the Petition Date. For any post-petition debtor-in-possession accounts opened, the Debtors will be

provided with check stock and deposit slips reflecting the “debtor in possession” label.

However, the Debtors request authority to continue using their existing pre-printed check stock without reference to their “debtor in possession” status until the existing pre-printed stock has been exhausted, provided that the Debtors shall add the “debtor in possession” designation to any new checks ordered after the depletion of the existing stock.

35. The Debtors also request authority to continue to use all correspondence and business forms (including, but not limited to letterhead, purchase orders, invoices, marketing materials, customer care booklets, etc.) without reference to their “debtor in possession” status. Parties doing business with the Debtors undoubtedly will be aware, as a result of the notice that will be sent of the filing of the cases and the publicity of the filing, of each of the Debtor’s status as a chapter 11 debtor in possession. Changing correspondence and business forms would be unnecessary and burdensome to the estates, as well as expensive and disruptive to the Debtors’ reorganization efforts. For this reason, the Debtors request that they be authorized to use business forms without placing the label “debtor in possession” on each such form.

36. This Court has routinely granted the same or similar relief to chapter 11 debtors. *See, e.g., In re Nebraska Book Company, Inc.*, Case No. 11-12005 (PJW) (Bankr. D. Del. June 28, 2011); *In re Appleseed's Intermediate Holdings, LLC*, Case No. 11-10160 (KG) (Bankr. D. Del. Jan. 20, 2011); *In re Hayes Lemmerz Int'l, Inc.*, Case No. 09-11655 (MFW) (Bankr. D. Del. May 13, 2009); *In re Goody's Family Clothing, Inc.*, Case No. 08-11133 (CSS) (Bankr. D. Del. June 9, 2008); *In re American Home Mortgage Holdings, Inc.*, Case No. 07-11047 (CSS) (Bankr. D. Del. Aug. 7, 2007); *In re Tweeter Home Entertainment Group, Inc.*, Case No. 07-10787 (PJW) (Bankr. D. Del. June 12, 2007); *In re New Century TRS Holdings, Inc.*, Case No. 07-10416 (KJC) (Bankr. D. Del. Apr. 11, 2007).

**D. The Debtors' Request Authority to Continue Intercompany Transactions and Afford Post-Petition Intercompany Transactions Superpriority Administrative Claim Status With Respect to Intra-Debtor Transactions**

37. To ensure that each individual Debtor will not, at the expense of its creditors, fund the operations of another Debtor entity, the Debtors respectfully request that, pursuant to Section 364(c)(1) of the Bankruptcy Code, all intercompany claims against a Debtor by another Debtor arising after the Petition Date as a result of the Intercompany Transactions and allocations be accorded superpriority status, with priority over any and all administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, subject and subordinate only to (a) the priorities, liens, claims and security interests granted under any debtor-in-possession financing facility approved by this Court (a "DIP Facility") or any order granting adequate protection to the prepetition secured lenders and (b) other pre-existing valid liens. If such Intercompany Transactions are accorded superpriority status, each individual Debtor on whose behalf another Debtor has utilized funds or incurred expenses will continue to bear ultimate repayment responsibility, thereby protecting the interests of each Debtor's creditors. Nothing herein is a request to validate the nature or amount of any Intercompany Transaction or claim, whether arising pre or postpetition. The Debtors will continue to maintain records of such transfers, including records of all current intercompany accounts receivable and payable.

38. Courts frequently have authorized debtors to continue their prepetition intercompany funding practices after the commencement of chapter 11 cases. *See, e.g., In re Hayes Lemmerz Int'l, Inc.*, Case No. 09-11655 (MFW) (Bankr. D. Del. May 13, 2009); *In re Goody's Family Clothing, Inc.*, Case No. 08-11133 (CSS) (Bankr. D. Del. June 9, 2008); *In re American Home Mortgage Holdings, Inc.*, Case No. 07-11047 (CSS) (Bankr. D. Del. Aug. 7,



2007); *In re Dura Automotive Systems, Inc.*, Case No. 06-11202 (KJC) (Bankr. D. Del. Nov. 20, 2006); *In re Pliant Corp.*, Case No. 06-10001 (MFW) (Bankr. D. Del. Jan. 4, 2006).

39. The Debtors believe in the exercise of their reasonable business judgment that preservation of the going concern value of the Debtors as an enterprise, including the maintenance and funding of the Non-Debtor Affiliates as described above, is absolutely essential to the success of any reorganization plan for the Debtors. The relief requested herein is necessary because certain of the Non-Debtor Affiliates may require intercompany advances in order to maintain their liquidity and going concern value. If the Debtors are not allowed to transfer funds to the Non-Debtor Affiliates in the ordinary course and consistent with any budget approved in connection with DIP financing and/or use of cash collateral, the Non-Debtor Affiliates may default on agreements or lose valuable rights to land that they own. If this occurs, the Debtors will not be able to use the land held by the Non-Debtor Affiliates for future development. This will impede the Debtors' reorganization and make it more difficult for the Debtors to successfully exit bankruptcy.

**E. An Interim Waiver of Section 345(b) to Allow the Debtors to Continue to Use Their Bank Accounts Without the Need for Posting a Bond or Providing Other Security is Appropriate in These Cases**

40. The Debtors seek an interim waiver of the requirements of Bankruptcy Code section 345, subject to final approval by this Court. Bankruptcy Code section 345(a) authorizes deposits or investments of money "as will yield the maximum reasonable net return on such money, taking into account the safety of such deposit or investment." Section 345(b) provides:

Except with respect to a deposit or investment that is insured or guaranteed by the United States or by a department, agency, or instrumentality of the United States or backed by the full faith and credit of the United States, the trustee shall require from an entity with which such money is deposited or invested --

- 1) a bond --

- a. in favor of the United States;
  - b. secured by the undertaking of a corporate surety approved by the United States trustee for the district in which the case is pending; and
  - c. conditioned on --
    - (1) a proper accounting of all money so deposited or invested and for any return on such money;
    - (2) prompt repayment of such money and return; and
    - (3) faithful performance of duties as a depository; or
- 2) the deposit of securities of the kind specified in section 9303 of title 31 unless the court for cause orders otherwise.

41. The Court's ability to excuse strict performance of the deposit and investment requirements of section 345(b) "for cause" arises from the 1994 amendments to the Bankruptcy Code. The legislative history of that amendment provides:

Section 345 of the Code governs investments of the funds of bankruptcy estates. The purposes (sic) is to make sure that the funds of a bankrupt (sic) that are obliged to creditors are invested prudently and safely with the eventual goal of being able to satisfy all claims against the bankruptcy estate. Under current law, all investments are required to be FDIC insured, collateralized or bonded. While this requirement is wise in the case of smaller Debtor with limited funds that cannot afford a risky investment to be lost, it can work to needlessly handcuff larger, more sophisticated Debtors. This section would amend the Code to allow the courts to approve investments other than those permitted by section 345(b) for just cause, thereby overruling *In re Columbia Gas Systems, Inc.*, 33 F.3d 294 (3d Cir. 1994).

*In re Service Merchandise Company, Inc.*, 240 B.R. 894, 896 (Bankr. M.D. Tenn. 1999) (quoting H.R. Rep. 103-834, 103<sup>rd</sup> Cong., 2<sup>nd</sup> Sess. 224 (Oct. 4, 1994); 140 Cong. Rec. H10767 (Oct. 4, 1994)) (emphasis added).

42. In determining whether the "for cause" standard has been met, the Court should consider a "totality of the circumstances," utilizing the following factors: (a) sophistication of

the debtor's business; (b) size of the debtor's business operations; (c) amount of the investments involved; (d) bank ratings (Moody's and Standard and Poors) of the financial institutions where the debtor in possession funds are held; (e) complexity of the case; (f) safeguards in place within the debtor's own business of insuring the safety of the funds; (g) debtor's ability to reorganize in the face of a failure of one or more of the financial institutions; (h) benefit to the debtor; (i) harm, if any, to the estate; and (j) reasonableness of the debtor's request for relief from section 345(b) requirements in light of the overall circumstances of the case. *Id.*

43. Because of the nature of their business, the Debtors may, at certain times, have funds accumulated in their Bank Accounts that exceed the limits provided in section 345, and therefore necessitate a waiver of section 345(b). The Debtor's Operating Account holds on average several million dollars, which is over the FDIC-insured limits. In addition, two of the Debtor's other Bank Accounts may hold from time-to-time slightly over the FDIC-insured limits of \$250,000. All three of these Bank Accounts are held at CBT, which is a party to a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware. The Debtors also have nominal amounts (\$1,500 approximately) invested in shares of third-party companies in the Money Market Accounts.

44. Unless the Debtors are granted a waiver from Bankruptcy Code section 345(b), the Debtors' restructuring will be prejudiced for the reasons discussed above. If any of the Debtors' Bank Accounts are held at banks that are not party to a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware, within fifteen (15) days from the date of entry of this Order the Debtor shall (a) contact each bank, (b) provide the bank with each of the Debtor's employer identification numbers, and (c) identify each of their accounts held at such banks as being held by a debtor in possession, but as discussed above, the

Debtors' Operating Account (and indeed the majority of the Debtors' Bank Accounts) are held at CBT, which is a party to a Uniform Depository Agreement.

45. In other chapter 11 cases, courts have liberally construed the requirement of section 345(b) that a debtor in possession obtain a bond from any entity with which its money is deposited or invested. In those instances, courts, including many within this district, have waived the requirements of section 345(b) and replaced them with alternative procedures. *See, e.g., In re NetEffect, Inc.*, Case No. 08-12008 (KJC) (Bankr. D. Del. Aug. 28, 2008); *In re Western Nonwovens, Inc., et al.*, Case No. 08-11435 (PJW) (Bankr. D. Del. July 15, 2008); *In re Global Motorsport Group, Inc., et al.*, Case No. 08-10192 (KJC) (Bankr. D. Del. Feb. 1, 2008); *In re Aegis Mortgage Corp.*, Case No 07-11119 (BSL) (Bank. D. Del. Aug. 16, 2007); *In re Mortgage Lenders Network, USA, Inc.*, Case No. 07-10146 (PJW) (Bank. D. Del. Feb. 5, 2007).

46. For the foregoing reasons, it is critical that the Debtors continue to utilize their existing Cash Management System and continue to use their existing business forms as set forth herein, without disruption. Accordingly, it is appropriate and entirely consistent with applicable provisions of the Bankruptcy Code and case law for the Court to approve the Debtors' Cash Management System in its current form and grant a waiver of the requirements of section 345(b) of the Bankruptcy Code on an interim basis pending a final hearing.

**F. Cause Exists to Waive Bankruptcy Rules 6003(b) and 6004(h)**

47. Pursuant to Rule 6003(b) of the Federal Rules of Bankruptcy Procedure, "a motion to pay all or part of a claim that arose before the filing of the petition" shall not be granted by the Court within 21 days after the filing of the petition "[e]xcept to the extent that relief is necessary to avoid immediate and irreparable harm . . . ." Fed. R. Bankr. P. 6003(b). The Debtors submit that the instant facts satisfy the requirements for a waiver of the rule, in order to avoid the disruption to operations that would result in the absence of immediate relief.

For the same reason, the Debtors request that the Court waive Bankruptcy Rule 6004(h), which provides that an “order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” *Id.* (emphasis added).

48. For the reasons described more fully above and in the Zaist Declaration, the Debtors submit that the requirements of Rule 6003 have been met and that the relief requested in this Motion in the ordinary course of business is necessary to avoid immediate and irreparable harm. For the foregoing reasons, it is critical that the Debtors utilize the Cash Management System and continue to use their existing business forms as set forth herein, without disruption. Accordingly, it is appropriate and entirely consistent with applicable provisions of the Bankruptcy Code and case law for the Court to approve the Debtors’ centralized Cash Management System and grant a waiver of the requirements of section 345(b) of the Bankruptcy Code on an interim basis.

#### Notice

49. Notice of this Motion has been given to the following parties or, in lieu thereof, to their counsel, if known: (i) the Office of the United States Trustee for the District of Delaware; (ii) counsel to the Prepetition Secured Lenders and proposed DIP Lender; (iii) counsel to the Ad Hoc Noteholders Group; and (iv) counsel to the Backstop Investors.

50. As the Motion is seeking “first day” relief, within two business days of the hearing on the Motion, the Debtors will serve copies of the Motion and any order entered respecting the Motion as required by Del. Bankr. LR 9013-1(m). The Debtors submit that, in light of the nature of the relief requested, no other or further notice need be given.

WHEREFORE, the Debtors respectfully request that this Court enter the interim order, substantially in the forms attached hereto (i) authorizing the Debtors to continue to use their

existing (a) Bank Accounts, (b) Cash Management System, (c) Business Forms and checks, (ii) authorizing the continuation of intercompany transactions among Debtors and the Non-Debtor Affiliates and according superpriority status to all post-petition Intercompany Transactions, (iii) waiving investment and deposit requirements of 11 U.S.C. § 345(b), and (iv) granting such other and further relief as this Court deems appropriate.

Dated: December 19, 2011

PACHULSKI STANG ZIEHL & JONES LLP

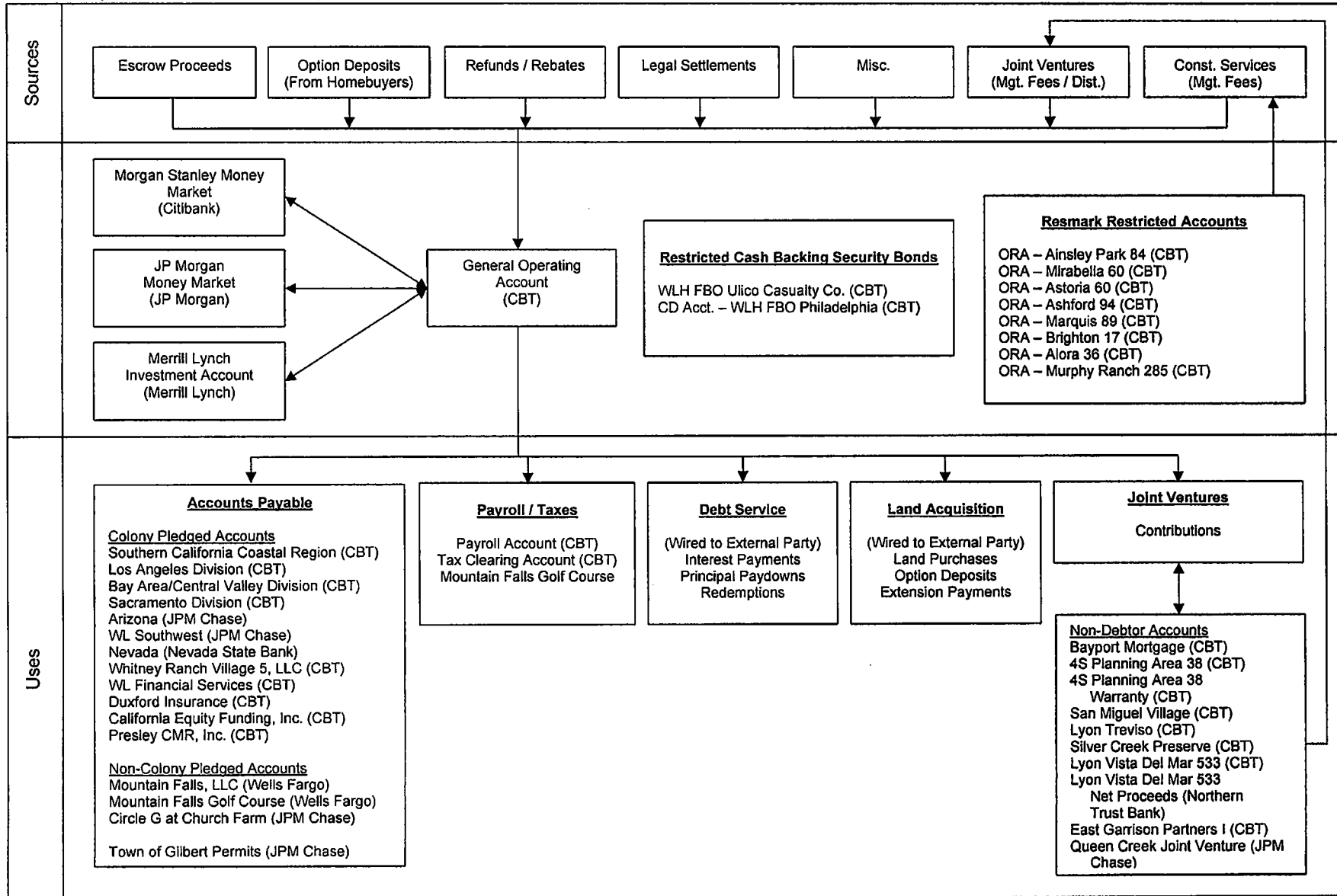
By: 

Richard M. Pachulski (CA Bar No. 90073)  
Laura Davis Jones (DE Bar No. 2436)  
David M. Bertenthal (CA Bar No. 167624)  
Joshua M. Fried (CA Bar No. 181541)  
Shirley S. Cho (CA Bar No. 192616)  
Timothy P. Cairns (DE Bar No. 4228)  
919 North Market Street, Seventeenth Floor  
P.O. Box 8705  
Wilmington, Delaware 19899-8705  
Telephone: (302) 652-4100  
Facsimile: (302) 652-4400  
e-mail: rpachulski@pszjlaw.com  
ljones@pszjlaw.com  
dbertenthal@pszjlaw.com  
jfried@pszjlaw.com  
scho@pszjlaw.com  
tcairns@pszjlaw.com

[Proposed] Counsel for the Debtors and Debtors in Possession

# **EXHIBIT A**

**William Lyon Homes – Cash Management**





# **EXHIBIT B**

**William Lyon Homes**  
**Bank Account Listing**  
As of 12/7/11

Account Name	Institution	Acct # (Last 4 Digits)	Type	Tax ID #	Entity	Contact Name/Information
Morgan Stanley Money Market	Citibank	3065	Money Market	33-0253855	WLHI	Gary Roney <a href="mailto:gary.roney@morganstanley.com">gary.roney@morganstanley.com</a> 2040 Main St, Ste 600, Irvine (949) 809-1330 (949) 756-8908 fax
JP Morgan - Money Market	JP Morgan	8637	Money Market	33-0253855	WLHI	David Yao <a href="mailto:david.w.yao@chase.com">david.w.yao@chase.com</a> 17875 Von Karman Ave, 2nd Fl Irvine (949) 833-4520 (949) 833-4524 fax
Merrill Lynch Investment Account	Merrill Lynch	2259	Investment Account	33-0253855	WLHI	Howard Woo <a href="mailto:howard_woo@ml.com">howard_woo@ml.com</a> 4695 MacArthur Ct, Ste 1600 Newport Beach (949) 955-6104 (949) 955-6147 fax
General Operating Account	California Bank & Trust	5831	Operating Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
<i>Accounts Payable</i>						
Southern California Coastal Region	California Bank & Trust	8071	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Los Angeles Division	California Bank & Trust	4811	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Bay Area / Central Valley Division	California Bank & Trust	5971	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Sacramento Division	California Bank & Trust	2991	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Arizona	JP Morgan	4281	AP	33-0253855	WLHI	Nate Carter <a href="mailto:nathaniel.carter@chase.com">nathaniel.carter@chase.com</a> 201 N. Central Ave, AZ1-1183, Phoenix (800) 335-8449 Option 4 (602) 221-4657 fax
WL Southwest	JP Morgan	8548	AP	86-0978474	William Lyon Southwest, Inc.	Nate Carter <a href="mailto:nathaniel.carter@chase.com">nathaniel.carter@chase.com</a> 201 N. Central Ave, AZ1-1183, Phoenix (800) 335-8449 Option 4 (602) 221-4657 fax
Nevada	Nevada State Bank	7614	AP	33-0253855	WLHI	Lena Brass <a href="mailto:lena.brass@nsbank.com">lena.brass@nsbank.com</a> 750 E. Warm Springs Rd, Las Vegas

**William Lyon Homes**  
**Bank Account Listing**  
As of: 12/7/11

Account Name	Institution	Acct # (Last 4 Digits)	Type	Tax ID #	Entity	Contact Name/Information
						(702) 855-4603 (702) 855-4600 (Main #) fax
Whitney Ranch Village 5, LLC	California Bank & Trust	5951	AP	20-1595256	Whitney Ranch Village 5, LLC	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
WL Financial Services	California Bank & Trust	8691	AP	33-0640824	Duxford Financial Inc.	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Duxford Insurance	California Bank & Trust	0521	AP	36-4588232	Duxford Insurance Services, LLC	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
California Equity Funding	California Bank & Trust	8501	AP	33-0830016	California Equity Funding, Inc.	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Presley CMR, Inc	California Bank & Trust	1301	AP	33-0603862	Presley CMR, Inc.	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Mountain Falls, LLC	Wells Fargo	8995	AP	20-1119631	Mountain Falls, LLC	Kim Knihnisky <a href="mailto:knihnisk@wellsfargo.com">knihnisk@wellsfargo.com</a> P.O. Box 53418 Phoenix (800) 988-0004 ext 2359 (866) 895-3562 fax
Mountain Falls Golf Course	Wells Fargo	9001	AP	20-1223291	Mountain Falls Golf Course, LLC	Kim Knihnisky <a href="mailto:knihnisk@wellsfargo.com">knihnisk@wellsfargo.com</a> P.O. Box 53418 Phoenix (800) 988-0004 ext 2359 (866) 895-3562 fax
Circle G at Church Farm	Chase	4779	AP	20-3431322	Circle G at Church Farm	Nate Carter <a href="mailto:nathaniel.carter@chase.com">nathaniel.carter@chase.com</a> 201 N. Central Ave, AZ1-1183, Phoenix (800) 335-8449 Option 4 (602) 221-4657 fax
Town of Gilbert Permits	Chase	2824	AP	33-0253855	WLHI	Nate Carter <a href="mailto:nathaniel.carter@chase.com">nathaniel.carter@chase.com</a> 201 N. Central Ave, AZ1-1183, Phoenix (800) 335-8449 Option 4 (602) 221-4657 fax
WLHI Payroll Account	California Bank & Trust	5811	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
Mtn Falls GC Payroll Account	California Bank & Trust	4161	AP	20-1223291	Mountain Falls Golf Course, LLC	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734

William Evon Homes  
 Bank Account Listing  
 As of 12/7/11

Account Name	Institution	Acct # (Last 4 Digits)	Type	Tax ID #	Entity	Contact Name/Information
						(949) 251-7730 fax
<i>Taxes</i>						
Tax Clearing Account	California Bank & Trust	6211	AP	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
<i>Restricted Cash</i>						
WLH FBO Ullico Caulaty Co	California Bank & Trust	5609	Restricted Cash	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
CD Acct - WLH FBO Philadelphia	California Bank & Trust	6873	Restricted Cash	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
<i>Resmark Restricted Accounts</i>						
ORA - Ainsley Park 84	California Bank & Trust	1401	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Mirabella 60	California Bank & Trust	1591	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Astoria 60	California Bank & Trust	1751	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Ashford 94	California Bank & Trust	1831	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Marquis 89	California Bank & Trust	1911	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Brighton 17	California Bank & Trust	2051	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
ORA - Alora 36	California Bank & Trust	2131	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734

**William Lyon Homes**  
**Bank Account Listing**  
 As of 12/7/11

Account Name	Institution	Acct # (Last 4 Digits)	Type	Tax ID #	Entity	Contact Name/Information
						(949) 251-7730 fax
ORA - Murphy Ranch 285	California Bank & Trust	3991	Restricted Account	33-0253855	WLHI	Maryam Sedadi <a href="mailto:sedadim@calbt.com">sedadim@calbt.com</a> 1900 Main St, Ste 200, Irvine (949) 251-7734 (949) 251-7730 fax
<i>Additional Bank Contacts</i>						
	California Bank & Trust					Laurie Omiya <a href="mailto:Laurie.Omiya@calbt.com">Laurie.Omiya@calbt.com</a> (949) 251-7737 (949) 251-7730
William Lyon Homes, Inc.	Nevada State Bank					Sunshine Vale Cruz <a href="mailto:Sunshine.Valecruz@nsbank.com">Sunshine.Valecruz@nsbank.com</a> (702) 855-4602

IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
WILLIAM LYON HOMES, <i>et al.</i> , <sup>1</sup>	)	Case No. 11-14019 (CSS)
	)	
Debtors.	)	(Joint Administration Requested)
	)	
	)	Related Docket No. 3

**ORDER UNDER 11 U.S.C. §§ 105(a), 345, 363, 364, 503(B)(1), 553, 1107, AND 1108 AND LOCAL RULE 2015-2 (I) AUTHORIZING CONTINUED USE OF EXISTING (A) BANK ACCOUNTS, (B) CASH MANAGEMENT SYSTEM, AND (C) BUSINESS FORMS AND CHECKS; (II) AUTHORIZING THE CONTINUATION OF INTERCOMPANY TRANSACTIONS AMONG DEBTORS AND NON-DEBTOR AFFILIATES AND ACCORDING SUPERPRIORITY STATUS TO POST-PETITION DEBTOR INTERCOMPANY TRANSACTIONS; AND (III) WAIVING INVESTMENT AND DEPOSIT REQUIREMENTS OF 11 U.S.C. § 345(B) ON AN INTERIM BASIS**

Upon consideration of the *Motion of Debtors for Order Under 11 U.S.C. §§ 105(a), 345, 363, 364, 503(B)(1), 553, 1107, and 1108 and Local Rule 2015-2 (I) Authorizing Continued Use of Existing (A) Bank Accounts, (B) Cash Management System, and (C) Business Forms and Checks; (II) Authorizing the Continuation of Intercompany Transactions Among Debtors and Non-Debtor Affiliates and According Superpriority Status to all Postpetition Intercompany Transactions; (III) Setting a Final Hearing on the Motion and (IV) Waiving Investment and Deposit Requirements of 11 U.S.C. § 345(B) on an Interim*

<sup>1</sup> The debtors and debtors in possession in these cases and the last four digits of their respective taxpayer identification numbers are as follows: William Lyon Homes (4902); William Lyon Homes, Inc. (3855); Mountain Falls Golf Course, LLC (3291); Mountain Falls, LLC (9631); Circle G at the Church Farm North Joint Venture, LLC (1322); Presley CMR, Inc. (3862); William Lyon Southwest, Inc. (8474); Sycamore CC, Inc. (1307); PH-LP Ventures (9119); PH Ventures – San Jose (5089); HSP, Inc. (6045); PH Rielly Ventures (7710); Lyon Waterfront, LLC (1928); Lyon East Garrison Company I, LLC (5692); WLH Enterprises (3333); Duxford Financial, Inc. (0824); California Equity Funding, Inc. (0016); Laguna Big Horn, LLC (2590); Presley Homes (5035); Cerro Plata Associates, LLC (5090); Whitney Ranch Village 5, LLC (5256); and Duxford Insurance Services, LLC (8232). The Debtors' mailing address is 4490 Von Karman Avenue, Newport Beach, CA 92660.

Date: 12/20/11  
Docket #: 51

*Basis* (the "Motion"<sup>2</sup>), and the Court having found good and sufficient cause exists for granting the Motion; and upon consideration of the Zaist Declaration; and upon the record of these Chapter 11 cases and any hearing held to consider the Motion; and it appearing that the relief requested in the Motion is appropriate in the context of these cases and in the best interests of the Debtors and their respective estates, their creditors, and all other parties-in-interest; and it appearing that the relief requested in the Motion and granted in this Order being necessary to avoid immediate and irreparable harm as contemplated by Bankruptcy Rule 6003; and it appearing that notice of the Motion was adequate and proper under the circumstances of these cases, and it appearing that no other or further notice need be given; it is hereby

ORDERED that the Motion is granted, as set forth herein; and it is further

ORDERED that each of the Debtors' Banks is authorized to debit the Debtors' accounts in the ordinary course of business without the need for further order of this Court for: (i) all checks drawn on one or more of the Bank Accounts which are cashed at such Bank's counters or exchanged for cashier's checks by the payees thereof prior to the Petition Date; (ii) all checks or other items deposited in one or more of the Debtors' accounts with such Bank prior to the Petition Date which have been dishonored or returned unpaid for any reason, together with any fees and costs in connection therewith, to the same extent that such Debtor was responsible for such items prior to the Petition Date; and (iii) all undisputed prepetition amounts outstanding as of the date hereof, if any, owed to any Bank as service charges for the maintenance of the Cash Management System; and it is further

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<sup>2</sup> Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in the Motion.

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**ORDERED** that any of the Debtors' Banks may rely on the representations of one or more of the Debtors with respect to whether any check or other payment order drawn or issued by one or more of the Debtors prior to the Petition Date should be honored pursuant to this or any other order of this Court, such Bank shall not have any liability to any party for relying on such representations by such Debtor as provided for herein, and any such check or payment order that is not listed as a stop payment by a Debtor shall be deemed to have been represented by such Debtor as appropriate to be honored; and it is further

**ORDERED** that each Bank that maintains a disbursement account of the Debtors shall implement reasonable procedures to not honor any check for which one or more of the Debtors has delivered to Bank a stop payment notice and identified such check on a list provided to the appropriate Bank of all checks for which such Debtor has represented that a stop payment notice has been issued, and no Bank that implements such procedures and then honors a prepetition check or other item drawn on any account that is the subject of this Order (i) at the direction of the Debtors to honor such prepetition check or item, (ii) in good faith belief that the Court has authorized such prepetition check or item to be honored, or (iii) as a result of an innocent mistake made despite implementation of such procedures, shall be deemed in violation of this Order or liable under the Bankruptcy Code for the failure to pay to the Debtors amounts payable on account of such prepetition check or item; and it is further

**ORDERED** that any obligation requiring the Debtors to (a) open and maintain separate postpetition bank accounts; (b) close their existing books and records as of the Petition Date; or (c) open new book and records as of the Petition Date are waived;



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provided, that the Debtors shall distinguish between prepetition and postpetition transactions in their books and records; and it is further

ORDERED that the Debtors are hereby authorized to continue to maintain their existing Bank Accounts, and if necessary, open new accounts (with notice to the U.S. Trustee of any newly opened accounts), in the same manner and with the same account numbers, styles and documents form as such existed prior to the Petition Date; and it is further

ORDERED that any new bank account opened by the Debtors shall be with a bank that is insured by the FDIC or the FSLIC and organized under the laws of the United States of America or any state therein and shall be designated a "debtor-in-possession" or "DIP" account; and it is further

ORDERED that the Debtors are authorized to continue to use and issue pre-printed checks without alteration and without the designation "debtor in possession" imprinted upon them provided, however, that upon exhaustion of its current check supply the Debtors shall designate "debtor in possession" on any new checks obtained postpetition and for electronically issued checks, the Debtors shall place the "debtor in possession" label on any such checks issued post-petition; and it is further

ORDERED that the Debtors are hereby authorized to continue to maintain and continue the use of the Cash Management System as it existed prior to the Petition Date, and it is further

ORDERED that the Debtors are hereby authorized to continue using all correspondence and business forms (including, without limitation, letterhead, purchase

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orders, and invoices) without reference to the Debtors' status as debtors in possession; and it is further

ORDERED that the Debtors are hereby authorized, in their discretion, to continue the Intercompany Transactions, if, in the exercise of the Debtors' business judgment, they deem the payment necessary and in the best interest of the Debtors' estates and other parties in interest; and it is further

ORDERED that any amounts funded on account of Non-Debtor Affiliates will be tracked and recorded by the Debtors in their accounting records, and bi-weekly reports beginning on January 6, 2012 for the first two-week period and continuing every second Friday thereafter for the prior two-week period, of such transactions with Non-Debtor Affiliates will be provided to counsel for ColFin WLH Funding, LLC; and it is further

ORDERED that, pursuant to Section 364(c)(1) of the Bankruptcy Code, all intercompany claims against a Debtor by another Debtor arising after the Petition Date as a result of Intercompany Transactions and allocations shall be accorded superpriority status, with priority over any and all administrative expenses of the kind specified in Sections 503(b) and 507(b) of the Bankruptcy Code, subject and subordinate only to (a) the priorities, liens, claims and security interests granted under any debtor-in-possession financing facility approved by this Court, or any order granting adequate protection to the prepetition secured lenders and (b) other pre-existing valid liens, including the prepetition liens of the prepetition secured lenders; and it is further

ORDERED that the Debtors shall maintain accurate and detailed records of all transfers, including Intercompany Transactions, so that all transactions may be readily

ascertained, traced, recorded properly and distinguished between prepetition and post-petition transactions; and it is further

ORDERED that, subject to the following paragraph of this Order, the Debtors are (i) authorized, on an interim basis, to deposit funds, in excess of amounts insured by the Federal Depository Insurance Corporation, as requested in the Motion, all in accordance with the Debtors' customary prepetition Cash Management System, in addition to the investments and deposits permitted by Bankruptcy Code § 345 and (ii) granted a 60-day extension of time to comply with the investment and deposit requirements of section 345 of the Bankruptcy Code, which extension is without prejudice to the Debtors' ability to seek a final waiver of those requirements; and it is further

ORDERED that, after expiration of any interim waiver of the investment and deposit requirements of section 345 of the Bankruptcy Code granted by this order or otherwise ordered by the Court, the Debtors shall comply with the requirements of Delaware Local Rule 4001-3, Investment in Money Market Funds; and it is further

ORDERED, for banks at which the Debtors hold accounts that are party to a Uniform Depository Agreement with the Office of the United States Trustee for the District of Delaware, within fifteen (15) days from the date of entry of this Order the Debtors shall (a) contact each bank, (b) provide the bank with each of the Debtors' employer identification numbers, and (c) identify each of their accounts held at such banks as being held by a debtor in possession; and it is further

ORDERED, for banks at which the Debtors hold accounts that are not party to a Uniform Depository Agreement with the Office of the United States Trustee for the District


of Delaware, the Debtors shall use their good-faith efforts to cause the banks to execute a Uniform Depository Agreement in a form prescribed by the Office of the United States Trustee within sixty (60) days of the date of this Order. The United States Trustee's rights to seek further relief from this Court on notice in the event that the aforementioned banks are unwilling to execute a Uniform Depository Agreement in a form prescribed by the United States Trustee are fully reserved; and it is further

ORDERED that the Court finds and determines that the requirements of Bankruptcy Rule 6003 are satisfied and that the relief requested by the Motion is necessary to avoid immediate and irreparable harm; and it is further

ORDERED that notwithstanding Bankruptcy Rule 6004(h), this Order shall be effective and enforceable immediately upon entry hereof; and it is further

ORDERED that the Court shall retain jurisdiction over all matters arising from or related to the interpretation or implementation of the Motion or this Order.

Dated: December 20, 2011

  
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The Honorable Christopher S. Sontchi  
United States Bankruptcy Judge

# **Retainers Paid**

In re William Lyon Homes et al  
Debtor

Case No. 11-14019(CSS)  
Reporting Period: December 19th, 2011

Payee	Check		Name of Payor	Amount	Applied To Date	Balance
	Date	Number				
Alvarez & Marsal, LLC	1/28/2011	Wire	William Lyon Homes, Inc.	250,000	0	250,000
Alvarez & Marsal, LLC	10/19/2011	Wire	William Lyon Homes, Inc.	250,000	0	250,000
Monga, LLC	12/2/2010	Wire	William Lyon Homes, Inc.	15,000	0	15,000
Milbank, Tweed, Hadley & McCloy LLP	5/19/2011	Wire	William Lyon Homes, Inc.	150,000	0	150,000
Milbank, Tweed, Hadley & McCloy LLP	11/2/2011	Wire	William Lyon Homes, Inc.	150,000	0	150,000
Milbank, Tweed, Hadley & McCloy LLP	12/16/2011	Wire	William Lyon Homes, Inc.	300,000	0	125,000
Akin Gump	6/27/2011	Wire	William Lyon Homes, Inc.	150,000	0	150,000
Akin Gump	12/16/2011	Wire	William Lyon Homes, Inc.	150,000	0	150,000
KCC Restructuring	11/9/2011	Wire	William Lyon Homes, Inc.	10,000	0	10,000
Irell & Manella, LLP	12/16/2011	Wire	William Lyon Homes, Inc.	100,000	0	100,000
Pachulski Stang Ziehl & Jones, LLP	10/28/2011	Wire	William Lyon Homes, Inc.	250,000	0	250,000
Pachulski Stang Ziehl & Jones, LLP	11/15/2011	Wire	William Lyon Homes, Inc.	250,000	0	250,000
Pachulski Stang Ziehl & Jones, LLP	11/22/2011	Wire	William Lyon Homes, Inc.	250,000	0	250,000
Pachulski Stang Ziehl & Jones, LLP	12/16/2011	Wire	William Lyon Homes, Inc.	350,000	0	350,000
Pepper Hamilton LLP	11/22/2011	Wire	William Lyon Homes, Inc.	50,000	0	50,000
Brown Rudnick LLP	12/12/2011	Wire	William Lyon Homes, Inc.	75,000	0	75,000
Brown Rudnick LLP	12/16/2011	Wire	William Lyon Homes, Inc.	25,000	0	25,000
Morris Nichol, Arsht & Tunnell LLP	12/15/2011	Wire	William Lyon Homes, Inc.	75,000	0	75,000
Gibson, Dunn & Crutcher	12/8/2011	Wire	William Lyon Homes, Inc.	200,000	0	200,000