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April 29, 2009

San Simeon Community Association c/o Spectrum Property Services 4962 Via Fresco Camarillo, CA 93012

Re: SAN SIMEON COMMUNITY ASSN V. PARDEE HOMES
Pending Litigation between San Simeon Community
Association and Pardee Homes, Inc.,
Ventura County California Superior Court
Case No. 56-2007-00307763-CU-CO-VTA
Our File No.: 5043.0001

To Whom It May Concern:

The pending litigation between San Simeon Community Association and Pardee Homes, Inc., is based on a dispute involving two extended detention basins, and the pipe systems meant to convey water from the detention basins into Calleguas Creek. The basins are located at Tract 4759-3, Parcel B, and Tract 5077-5, Parcel B.

Pardee Homes developed and built infrastructure adjacent to the San Simeon Community Association property. Some of this infrastructure includes a soil-cement revetment along Calleguas Creek; two extended detention basins that receive rainwater runoff from subdivision properties; and a pipe system meant to carry water from the detention basins, through the soil-cement revetment, into Calleguas Creek.

San Simeon Community Association contends that both detention basins, and their respective pipe systems, require remedial work in order to achieve satisfactory current and long-term functioning. The purpose of the remedial work is to assure that the basins will dependably drain within a reasonable

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time after each rainfall/runoff event, in order to prevent the accumulation of long-term standing water in the basin areas.

San Simeon Community Association also contends that Pardee Homes should have enlisted additional homeowners associations to share maintenance costs for the basins. San Simeon Community Association also disputes the validity of Pardee Homes' purported conveyance of the parcels that contain the detention basins to San Simeon Community Association, as the sole owner of both basins.

Pardee Homes on its part contends that the basins were properly constructed and require some minor re-grading and plant removal in order to provide adequate function. Pardee Homes further contends that the basins were validly conveyed to San Simeon Community Association, as the sole owner of both basins.

San Simeon Community Association's legal action against Pardee Homes seeks declaratory relief from the court, declaring ownership rights as to both of the basins. If the court should rule that Pardee Homes is the owner of one or both of the basins, then San Simeon's legal action seeks related orders requiring Pardee Homes to clean and maintain each basin that Pardee owns, so that the basins will function properly and not retain standing water. If the court should rule that San Simeon Community Association is the owner of one or both of the basins, then San Simeon's legal action seeks a money judgment against Pardee Homes, sufficient to pay for remedial work that will enable the basins to function properly going forward, and sufficient to pay the share of maintenance costs that San Simeon contends should be shared by other homeowners associations whose runoff waters also drain into Calleguas Creek through the detention basins.

San Simeon Community Association contends that should it prevail in the legal action, it will be entitled to an award allowing it to recover some or all of its attorney's fees against Pardee Homes. Pardee Homes disputes the availability of attorney's fees.

The legal action was preceded by extensive efforts to informally resolve disputed issues surrounding the basins, followed by a formal notice of intention to commence legal action, which was delivered to Pardee Homes in December, 2006. The notice of intention to commence legal proceedings was followed by further unsuccessful efforts at an informal

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resolution. Legal action was commenced by San Simeon Community Association by way of an original complaint filed November 19, 2007.

The parties are currently engaged in settlement negotiations. The legal action is presently set for trial commencing July 20, 2009, in Ventura County California Superior Court at the Government Center, 800 South Victoria Avenue in Ventura (City of San Buenaventura), California.

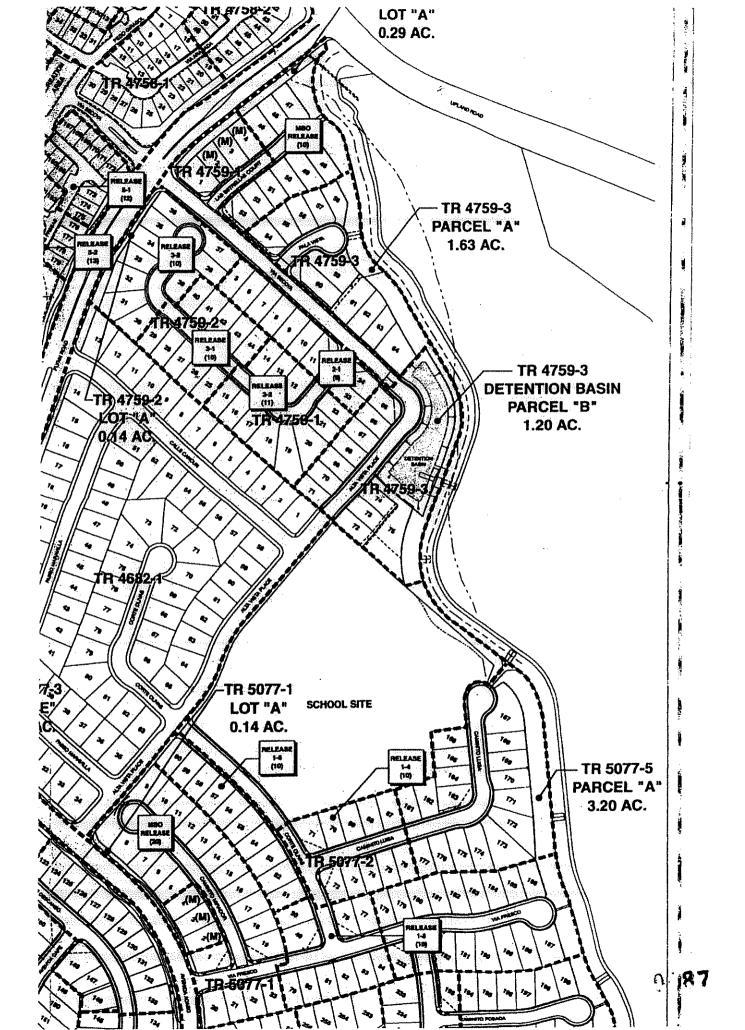
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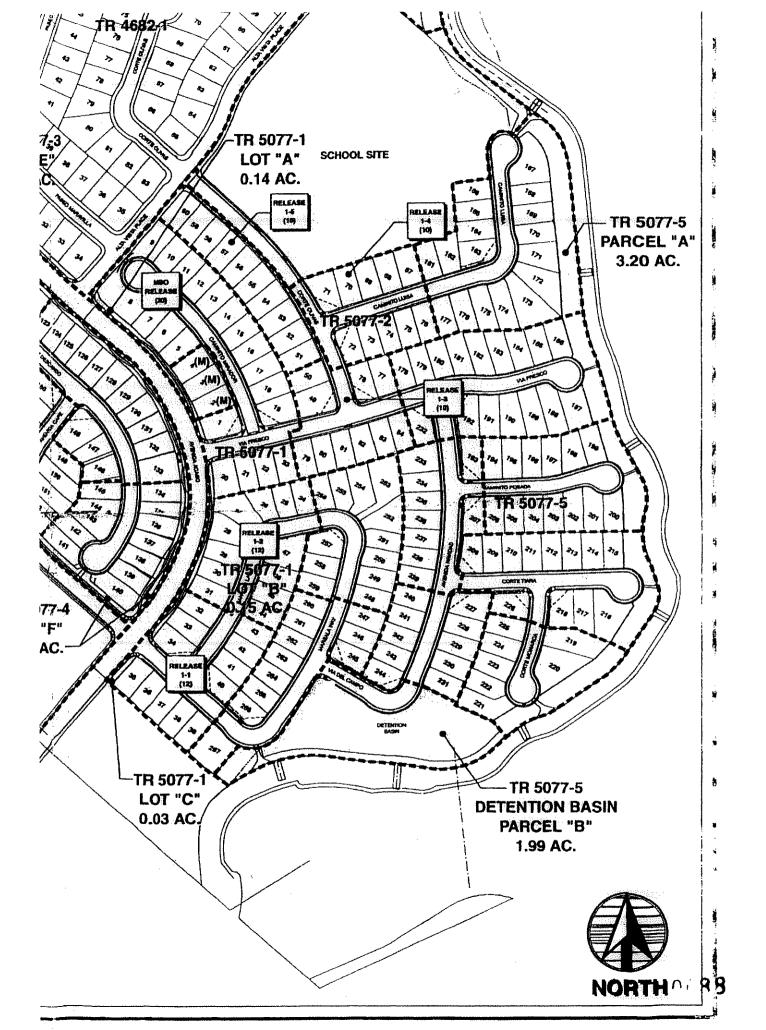
ROBERTSON & VICK, LLP

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enclosures: Exhibit "A" and Exhibit "B"





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