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Member
Riva on the River Homeowners Association

**Re: *Riva on the River Homeowners Association v. Riva 252, L.P., Nevada
Pacific West Builders, Inc., et al.***

Dear Member:

In accordance with Civil Code section 1375.1, we are pleased to inform you in writing that we have successfully reached on behalf of the Riva on the River Homeowners Association a negotiated settlement of the construction defect litigation against the developer and general contractor for the amount remaining on the single existing insurance policy. Such policy has limits in the amount of \$2,000,000.00 and was written as a "wrap" policy with "wasting limits," which means that the Association's damage claim, as well as any defense fees and costs, are paid from the policy. At this time, it is our understanding that there is approximately \$1.6 million left on the policy. The parties are in the process of reducing the agreement to writing which we expect to be executed within the next few weeks. The Association expects to receive approximately Nine Hundred Thousand Dollars (\$900,000) as its portion of the recovery after payment of costs and attorney's fees; this payment will be received within approximately ninety (90) days from execution of the settlement agreement. Based upon our experience and expertise, and given the limited amount of insurance available to address this claim, we believe this to be a very good recovery on behalf of the Association.

The Association's initial notice to the developer raised the following issues:

- (a) Excessive noise transfer between condominium units;
- (b) Improper installation of exterior lighting;
- (c) Improper installation of exterior stucco system;
- (d) Improper installation of exterior caulking at windows, trim and lighting;
- (e) Improper installation of metal flashing at thresholds, balconies and columns; and
- (f) Improper installation of windows.

The Association's Board of Directors is currently evaluating repair options with qualified contractors. The timeline for commencement and completion of the repairs will be dependent upon several factors including the phasing of the project and the contractors' schedules. The Association will, of course, provide additional details regarding the repairs as the information becomes available.

We sincerely appreciate your patience throughout this process. If you should have any questions, please feel free to contact me directly.

Very truly yours,

BERDING & WEIL LLP


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cc: Rachel Groves, Kocal Management