

RECORDING REQUESTED BY AND
WHEN DONE RETURN TO:

4/16/02 – REDLINED AGAINST
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County of Santa Barbara
105 E. Anapamu Street, Suite 201
Santa Barbara, CA 93101
Attn: Alan Seltzer, Esq.
Chief Deputy County Counsel

DRAFT

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding (“MOU”) is made and entered into as of the ____ day of _____, 2002 (the “Effective Date”) by and among the County of Santa Barbara, a Body Politic (“County”), and Naples Property Owners Association, a California non-profit mutual benefit corporation; Morehart Land Co., a California corporation~~;~~ ~~Santa Barbara Guest Ranch, a California corporation, Rancho Santa Barbara, a California corporation, Santa Barbara Ranch, a California corporation,~~ **;** Martin S. Morehart and Patricia Morehart, husband and wife; **[Rancho Santa Barbara, a California corporation;]** Matthew C. Morehart, a married man **[and spouse; Mitchell E. Morehart, a single man; Santa Barbara Guest Ranch, a California corporation; Marcia A. Bottoms (a/k/a Marcia Morehart Bottoms) and Tim Bottoms, husband and wife];** Glennon D. Mueller and Madeleine M. Mueller, husband and wife; **[Santa Barbara Ranch, a California corporation;]** Roger W. Willmon and Marianita M. Willmon, husband and wife~~;~~ ~~Tim Bottoms and Marcia A. Bottoms (a/k/a Marcia Morehart Bottoms), husband and wife;~~ John Manuel Morehart, a single man; Matthew C. Morehart, Co-Trustee of the Morehart Grand Trusts, U/D/T June 11, 1982; and John M~~];~~ **[; Frances S]**. Morehart, Co-Trustee of The John M. and Frances Scheller Morehart Trust, U/D/T May 23 1986 ~~[and 126 Properties LLC];~~ **[; John M. Morehart, Co-Trustee of The John M. and Frances Scheller Morehart Trust, U/D/T May 23 1986]** (collectively referred to herein as the “Morehart Related Interests” or “MRI”); Vintage Communities, Inc. (“Vintage”); ~~[Osgood Farms]~~ **[Santa Barbara Ranch]**, LLC; Vintage Vineyards, LLC; ~~[Vintage Communities, LLC; Vintage Alliances, LLC; CCL Realty (California) Ltd.]~~ **[Osgood Farms, LLC; Matthew K. Osgood, a married man as his sole and separate property];** DLC Ranch, LLC; TW Family Farm, ~~[LLC; Santa Barbara Development, L.P.; and Santa Barbara Ranch,]~~ LLC (collectively referred to as the “Santa Barbara Ranch Related Interests” or “SBRI”).

RECITALS

A. The Morehart Related Interests (“MRI”) and the Santa Barbara Related Interests (“SBRI”) are all of the parties with ownership interests in that certain real property located in the County of Santa Barbara, State of California, constituting a portion of the Townsite of Naples, excluding Block 106, more particularly described in Exhibit “A” and referred to herein as the “Property”. **[The Ownership Guarantee issued by a title company on the Option Property shows certain ownership interests in a portion of a lot within the Option Property inhering in Jutta Odelle (as successor of Lathrop Ellinwood, Jr.); Sally Stewart (formerly Alice S. Ellinwood) and Norman Ellinwood (also known as Veranus Norman Ellinwood). This portion of the Option Property is referred to as the “Ellinwood Interest”. MRI claims title to the Ellinwood Interest through adverse possession and has or will institute a quiet title action to quiet title in MRI to the Ellinwood Interest. When and if MRI or SBRI quiets title to said Ellinwood Interest the same shall be made a part of the Option Property pursuant to the Option Agreement and shall also be subject to the provisions of this MOU.]**

B. MRI and Vintage ~~]~~~~[B. MRI and Vintage Communities, Inc.]~~ have entered into that certain Option Agreement and Joint Escrow Instructions dated May 1, 1998; which was amended by that certain First Amendment to Option Agreement and Joint Escrow Instructions dated August 27, 1998; and further amended and restated pursuant to that certain Amended and Restated Option Agreement and Joint Escrow Instructions dated September 4, 1998; as subsequently amended and as may be amended in the future. Said agreement, as previously amended and as may be amended in the future, **[and as the same may be amended pursuant to the provisions of Section 9 hereof.]** shall be referred to herein as the “Option Agreement.” Pursuant to the Option Agreement, Vintage ~~{Communities, Inc.}~~, as optionee, obtained the option to acquire a portion of the Property from MRI, more particularly described in Exhibit “B” (the “Option Property”). SBRI’s acquisition of the Option Property **[through the exercise by Vintage of its options]** shall be in phased acquisitions. Vintage ~~{Communities, Inc.}~~ exercised its options to and **[by which SBRI]** acquired Phases ~~{1, 2,}~~ **[I, II,]** and ~~{3}~~ **[III]** of the phased acquisitions and **[SBRI]** currently owns approximately two hundred sixty-five (265) acres of the **[Option]** Property. Pursuant to the Option Agreement, Vintage ~~{Communities, Inc.}~~ has the option to acquire the balance of the Option Property in additional phased acquisitions.

C. Separate and apart from the Option Property, MRI retains ownership of that certain portion of the Property more particularly described in Exhibit “C” (the “MRI Retained Property”) which consists of approximately sixteen (16) acres and has within it thirteen (13) Lots as shown on the Official Map.

D. A series of disputes have arisen between the County and MRI over the development and use of the Property which disputes have resulted in litigation described as follows:

1. Action No. 176474 filed in Santa Barbara County Superior Court (“Case No. 176474”) which litigation resulted in a decision of the California Supreme Court,

Morehart v. County of Santa Barbara (1994) 7 Cal.4th 725 and the payment by the County to the Morehart Related Interests of attorneys fees and money damages;

2. Action No. 179265 filed in Santa Barbara County Superior Court (“Case No. 179265”) challenging the County’s Antiquated Subdivision Overlay Ordinance alleging inverse condemnation; seeking monetary damages for alleged violations of civil rights and seeking declaratory relief; and

3. Action No. 203256 filed in Santa Barbara County Superior Court (“Case No. 203256”) challenging the action of the County and the California Coastal Commission (“Coastal Commission”) in adopting and certifying Ordinance No. 4084 effecting LCP Amendment 1-92-C (the “Public Facilities Ordinance”).

E. MRI and the County have entered into stipulations staying all statutory deadlines, statutes of limitations or other deadlines or time limits applicable to Case Nos. 179265 and 203256 pending settlement negotiations in said cases;

F. SBRI and MRI contend that there are over 400 legal parcels within the Property created by the recorded 1888 Plan of Naples and that a dwelling unit may be located upon each legal parcel on the Property pursuant to certain provisions of the County’s Coastal Zoning Ordinance.

G. The County disputes the aforesaid contentions and has recognized 233 parcels owned by MRI and/or SBRI within the Naples Townsite as being legal parcels by reason of the adoption of the Official Map of the Town of Naples on October 3, 1995, which was filed for record on December 19, 1995 in Book 99, at Pages 4 through 9 of Maps (the “Official Map”);

H. MRI have threatened to challenge County’s 1994 rescission of Antiquated Subdivision Overlay Resolution 84-298 and the adoption and recordation of the Official Map as well as the County’s determination of parcel validity within the Naples Townsite, the time to assert all of said challenges have been tolled by agreement of the parties; and

I. Pursuant to this MOU, SBRI agrees to waive and release any claims stated in the litigation identified in Recital D(2) above and that it may have succeeded to as a successor owner of the Property more particularly described in ~~{Section 2.27}~~ **[Section 2.28]** hereof; and

J. The parties hereto wish to provide a protocol for the settlement and compromise of the disputes herein described in accordance with the provisions of this MOU so as to put an end to and avoid additional litigation and establish the framework for the submittal and review of development proposals for the Option Property.

NOW, THEREFORE, the parties agree as follows:

[1.] Incorporation of Recitals and Exhibits: The recitals set out in this MOU and the exhibits attached hereto are incorporated into the MOU as though set forth in full.

[2.] Definitions: The terms used in this MOU shall have the meanings and definitions as set forth below or as otherwise set out in the text of the MOU.

[2.1] Approvals: The term “Approvals” shall mean all necessary and required approvals by the County and the Coastal Commission, respectively, of the Legislative and Quasi-Adjudicative Approval Applications for the Coastal Project which are more particularly set out in Section 5.2 below and specifically consist of (i) the Rezone creating a Naples Planned District; (ii) the Coastal Land Use Plan Amendment; (iii) a development agreement; (iv) Minor Conditional Use Permits; and (v) Final Development Plan.

~~[1.1]~~ **[2.2]** Coastal Project: The term “Coastal Project” shall mean that certain ~~Project~~ **project** proposed for the Coastal Property as conceptually and generally described in ~~Sections 5.2 and 5.3~~ **Section 5.2** of this MOU.

~~[1.2]~~ **[2.3]** Coastal Project Applications: The term “Coastal Project Applications” shall mean the ~~applications seeking the necessary Approvals of the Coastal Project submitted by MRI and SBRI for approval by appropriate governmental agencies. Such applications include, but are not limited to, those applications listed~~ **[Legislative Approval Applications and Quasi-Adjudicative Approval Applications described]** in Section 5.2 hereof ~~, including~~ **The parties understand and agree that there may be applications for other governmental approvals necessary from federal, state or local agencies, including but not limited to] applications for Coastal Development Permits (“CDPs”) for single family residences and accessory structures on all of the lots with sufficient detail as may be required by County and Coastal Commission rules, ordinances, and regulations. [from the County or the Coastal Commission, which may be required before construction of parts of or all of the Coastal Project.]**

~~[1.3]~~ **[2.4]** Coastal Property: The term “Coastal Property” shall mean ~~all~~ **[that portion]** of the Option Property ~~located in the Coastal Zone of the County of Santa Barbara, State of California~~, more particularly described in Exhibit D ~~which is either owned by SBRI or subject to acquisition by SBRI under the Option Agreement, but excluding the Inland Property.~~ **[.]**

~~[1.4]~~ **[2.5]** Conditions Precedent: The term “Conditions Precedent” shall mean the conditions precedent to the effectiveness to each and every one of the Final Approvals as set out in Section 5.3 hereof.

~~[1.5]~~ **[2.6]** Covenants, Conditions and Restrictions: The term “Covenants, Conditions and Restrictions” or “CC&Rs” shall mean and refer to those restrictions approved by the County and recorded as covenants running with the Option Property designed to preserve existing sensitive habitat, protect public views, and provide for open space and agricultural use of the balance of the Option Property not used for Development Envelopes and to impose other conditions of development regarding the Option Property.

~~[1.6]~~ **[2.7]** Development Agent: The term “Development Agent” shall mean Santa Barbara Ranch, LLC acting in its individual capacity and as agent for MRI pursuant to the provisions of Section 7 hereof.

~~[1.7]~~ **[2.8]** Development Agreement: The term “Development Agreement” shall mean a proposed ~~Development Agreement~~ **[development agreement]** that may be negotiated

and entered into by and between the County and MRI and SBRI for the **implementation of the** Coastal Project.

~~{1.8}~~ **2.9** **Development Envelopes**: The term “Development Envelopes” shall mean those areas located on the Lots as established by the **Naples Planned District and/or** CC&Rs which constitute the areas on the Lots where residential improvements may be constructed, installed or established and residential use conducted.

~~{1.9}~~ **2.10** **Effective Date**: The term “Effective Date” shall mean the date set out in the first paragraph of this MOU.

~~{1.10}~~ **2.11** **Final Approval**: The term “Final Approval” or “Final Approvals” shall mean “Final Coastal Commission Approvals” and “Final County Approvals” as more particularly described in Sections ~~{2.11 and}~~ 2.12 **and 2.13** of this MOU.

~~{1.11}~~ **2.12** **Final Coastal Commission Approvals**: The term “Final Coastal Commission Approvals” shall mean the Approvals of the Coastal Project Applications by the Coastal Commission, without the approval of an initiative measure to prevent their implementation and with the expiration of all administrative appeal periods and the expiration of all applicable statutes of limitations to judicially challenge the Coastal Commission Approvals without such litigation being filed, or, if filed a successful defense in prosecution of such challenges; and with the expiration of all applicable periods to seek a referenda of the Coastal Commission Approvals without such being successfully instituted or, if successfully instituted, a defeat of the referenda issues by the electorate.

~~{1.12}~~ **2.13** **Final County Approvals**: The term “Final County Approvals” shall mean the Approvals of the Coastal Project Applications by the County~~[.]~~ without the approval of an initiative measure to prevent their implementation and with the expiration of all administrative appeal periods and the expiration of all applicable statutes of limitations to judicially challenge the County Approvals without such litigation being filed, or, if filed a successful defense in prosecution of such challenges, and with the expiration of all applicable periods to seek a referenda of the County Approvals without such being successfully instituted or, if successfully instituted, a defeat of the referenda issues by the electorate.

~~{1.13}~~ **2.14** **Inland Project**: The term “Inland Project” shall mean that certain project proposed for the Inland Property as conceptually and generally described in Sections 5.1 et seq. of this MOU.

~~{1.14}~~ **2.15** **Inland Project Applications**: The term “Inland Project Applications” shall mean the applications seeking the necessary ~~{Approvals}~~ **approvals** for development of the Inland Project on the Inland Property.

~~{1.15}~~ **2.16** **Inland Property**: The term “Inland Property” shall mean a certain approximately sixty (60) acres of the Property situated outside of the Coastal Zone more particularly described in ~~{Exhibit “D”}~~ **Exhibit “E”**.

~~{1.16}~~ **2.17** **Local Coastal Program Amendments**: The term “Local Coastal Program Amendments” or “LCP Amendments” shall mean and refer to the amendments and

modifications to the Local Coastal Program set out in Section 5.2.1 or as otherwise may be required during the processing of the Coastal Project.

~~{1.17}~~ **[2.18]** Lots: The term “Lot” or “Lots” shall mean those certain legal parcels located upon the Property recognized by the Official Map or by the issuance of Certificates of Compliance.

~~{1.18}~~ **[2.19]** Minor Conditional Use Permits: The term “Minor Conditional Use Permits” or “CUPs” shall mean the Minor Conditional Use Permits required pursuant to County Ordinance and more particularly set out in Section 5.2.2.

~~{1.19}~~ **[2.20]** Morehart Related Interests: The term “Morehart Related Interests” or “MRI” shall mean the parties identified as such in the first paragraph of this MOU.

~~{1.20}~~ **[2.21]** Morehart Retained Property: The term “Morehart Retained Property” shall mean all of that certain real property the ownership of which has been and shall be retained by MRI as more particularly described in Exhibit “C”.

~~{1.21}~~ **[2.22]** Naples Planned District: The term “Naples Planned District” or “NPD” shall mean the approved zoning district located upon the Coastal Property which will designate Development Envelopes upon each Lot and establish restrictions upon the remainder of the Coastal Property.

~~{1.22}~~ **[2.23]** Naples Townsite: The term “Naples Townsite” shall mean that real property in Santa Barbara County, California, lying within the boundaries of the Plan of Naples.

~~{1.23}~~ **[2.24]** Official Map: The term “Official Map” shall mean the Official Map of the Town of Naples adopted by the County on October 3, 1995 and filed for record on December 19, 1995 in Book 99 at Pages 4 through 9 of Maps in the Office of the County Recorder, Santa Barbara County, California.

~~{1.24}~~ **[2.25]** Option Agreement: The term “Option Agreement” shall ~~mean that certain Option Agreement and Joint Escrow Instructions dated May 1, 1998; which was amended by that certain First Amendment to Option Agreement and Joint Escrow Instructions dated August 27, 1998; and further amended and restated pursuant to that certain Amended and Restated Option Agreement and Joint Escrow Instructions dated September 4, 1998; and further amended by that certain First Amendment to Amended and Restated Option Agreement and Joint Escrow Instructions dated February 11, 2000. Said agreement, as previously amended and as may be amended in the future, shall be referred to herein as the “Option Agreement” by and between SBRI as Optionee, and MRI as Optionor, as the same may be amended pursuant to the provisions of Section 9 hereof.~~ **[have the meaning set out in Paragraph B of the Recitals of this MOU.]**

~~{1.25}~~ **[2.26]** Option Property. The term “Option Property” shall mean that portion of the Property more particularly described in Exhibit “B” which has been or is subject to acquisition by SBRI under the Option Agreement.

~~{1.26}~~ **[2.27]** Plan of Naples: The term “Plan of Naples” shall mean the certain plan and map recorded in 1888 and referencing the Naples Townsite.

~~{1.27}~~ **[2.28]** Property. The term “Property” shall mean all of the real property located in the County of Santa Barbara more particularly described in Exhibit “A”.

~~{1.28}~~ **[2.29]** Rezone. The term “Rezone” shall mean the rezoning of the Coastal Property to a zone district which will allow the creation and approval of a Naples Planned District.

~~{1.29}~~ **[2.30]** Santa Barbara Ranch Related Interests: The term “Santa Barbara Ranch Related Interests” or “SBRI” shall have the meaning set out in the first paragraph of this MOU.

[3.] EFFECT OF MOU; RESERVATION OF POLICE POWER: This MOU is entered into by the parties only to provide a protocol and structure for the submission by SBRI with the approval of MRI of the Inland and Coastal Project Applications as a part of an overall settlement and compromise of litigation and does not create in SBRI or MRI any new entitlements, rights or approvals for the ultimate development of the Property. It is thought that development of the Property to a lesser density than might be sought under the Official Map or the 1888 Plan of Naples may provide significant public benefits. However, the processing of these project applications will be separate and apart from the approval of this MOU and will require complete and legally sufficient environmental analysis as well as compliance with all applicable planning and zoning laws. The County cannot and does not prejudge or make any commitments regarding ultimate approval of the project applications which shall be processed in accordance with all applicable ordinances, resolutions, policies and statutes. Nothing herein shall be deemed to be waiver or infringement of the County’s police power nor shall any part or all of this MOU be construed on the part of the County as an obligation to grant any permits, entitlements or approvals.

[4.] RECOGNITION OF NAPLES PARCELS BY OFFICIAL MAP; RESERVATION OF RIGHTS REGARDING CERTIFICATES OF COMPLIANCE:

~~{1.30}~~ **[4.1]** Recognition by Official Map: The parties acknowledge that County has adopted, approved and filed for recording the Official Map and recognized two hundred thirty-three (233) Lots on the Property, of which two hundred nineteen (219) Lots are located upon the Coastal Property and the Inland Property.

~~{1.31}~~ **[4.2]** Reservation of Rights Regarding Certificates of Compliance: MRI and SBRI contend that the Property contains over 400 legal parcels and that they are entitled upon application to receive certificates of compliance from the County on the balance of said Lots over those recognized on the Official Map. The County disagrees with such claims and the parties reserve all rights regarding the issuance of certificates of compliance, except as otherwise provided herein.

[5.] DEVELOPMENT PROPOSALS:

~~{1.32}~~ **[5.1]** Inland Project Description: The Inland Property consists of approximately 60 acres of the Property located north of U.S. 101 and outside of the Coastal Zone. The owners

of up to 16 legal Lots within the Inland Property intend to seek all requisite governmental approvals for development of up to 16 single-family residences thereon and to process the same to completion in good faith and with reasonable diligence and do all other things necessary to allow the consideration by the appropriate governmental authority of such applications separate and apart from the Coastal Project and this MOU. Such applications shall be subject to existing inland zoning (U-Zone District) and County General Plan policies. Such applications shall be subject to CEQA review and may consist of the following:

~~{1.32.1}~~ **[5.1.1]** Up to 16 land use permit applications for single-family dwellings and accessory structures.

~~{1.32.2}~~ **[5.1.2]** Applications for 15 Minor Conditional Use Permits for drywells for the single-family dwellings.

~~{1.32.3}~~ **[5.1.3]** Related Minor Conditional Use Permits for utilities.

~~{1.32.4}~~ **[5.1.4]** One Minor Conditional Use Permit for grading the road to Lot 185.

~~{1.32.5}~~ **[5.1.5]** Because the Townsite of Naples is a special problems area, the Conditional Use Permits for the drywells shall be reviewed by the County's Special Problems Area Committee. County BAR review of the single-family dwellings would be triggered by the hillside and ridgeline ordinance. The decision maker for these applications is expected to be the County's Zoning Administrator. Pursuant to existing County ordinance~~[.]~~ the Zoning Administrator's decision is directly appealable to the Board of Supervisors. A Conditional Use Permit for the Lot 185 road would be appealable to the Board of Supervisors and the California Coastal Commission.

~~{1.32.6}~~ **[5.1.6]** It is anticipated that the Coastal Project may further propose that the Inland Property be reviewed for a rezone to the Naples Planned District proposed for the Coastal Property. If that occurs, such a rezone would not become effective unless and until the Coastal Project received Final Approvals.

~~{1.33}~~ **[5.2]** Coastal Project Description: **[The Coastal Project Applications shall consist of the Legislative Approval Applications and the Quasi-Adjudicative Approval Applications set out below.]** Pursuant to the process established by this MOU and applicable laws, regulations and County ordinances, Santa Barbara Ranch, LLC, as the Development Agent, agrees to and shall within sixty (60) days of the Effective Date of this MOU file and MRI (so long as MRI remains an owner of any of the Option Property) shall execute and deliver to the County sufficient evidence of consent to the Coastal Project Applications, seeking ~~{all requisite}~~ **[the]** governmental Approvals **[set forth below]**; process the same to completion in good faith and with reasonable diligence; and do all other things necessary to allow the consideration by the appropriate governmental authorities of the Coastal Project, consisting of 39 single-family dwellings and accessory uses **[and structures]** on 39 Lots on the Coastal Property, 23 of those Lots located north of U.S. 101 and 16 located south of U.S. 101. The Project shall provide for dedication to the public of beach access at Naples and open space bluff areas and public improvements on the southeastern portion of the Coastal Property. The Coastal Project shall be

subject to a full environmental impact report analysis. The design of the Coastal Project has not been fully finalized and Coastal Project Applications have not been submitted to the County as of the time of the execution of this MOU. Therefore, the exact components of the Coastal Project and the exact land use process and approvals necessary for its development cannot be definitively ascertained at this time. However, the Coastal Project is conceptually envisioned as containing the following elements and being subject to the following land use process and requiring the following approvals:

~~{1.33.1 Legislative Approvals: The Coastal Project Applications shall seek all necessary legislative approvals (the “Legislative Approvals”)} [5.2.1 **Legislative Approval Applications: Legislative Approval Applications for the Coastal Project shall consist of the following applications for legislative Approvals (the “Legislative Approval Applications”)**] necessary for the implementation of the Coastal Project{, including the following}:~~

(a) **Rezone: Creation of Naples Planned District:** The Coastal Property would be rezoned to a new zoning classification (the “Rezone”) allowing the approval of a Naples Planned District ~~{(“NPD”)}~~ or some similar zoning classification which will designate residential development areas upon each Lot of the Coastal Property and subject the remainder of the Lots and common area of the Coastal Property to covenants, conditions and restrictions (the “CC&Rs”) designed to preserve and/or restore existing sensitive habitats, if any, and provide for open space and agricultural use on the balance of the Coastal Property. The CC&Rs shall designate Development Envelopes and stipulate use areas within the Lots and the common area of the Coastal Property where only agricultural, open space or conservation uses shall be allowed and shall subject the Lots of the Coastal Property to restrictions and use provisions deemed sufficient by the County to assure the long-term agricultural ~~{use}~~ or open space **use** of the Coastal Property. The CC&Rs shall be subject to the written approval of the County and shall not be modified or amended without the written consent of the County. The Rezone shall not become effective until the Conditions Precedent set out in Section 5.3 hereof have been satisfied. **[The Rezone application shall not include nor apply to the Morehart Retained Property.]**

(b) **Coastal Land Use Plan Amendment:** The Coastal Project ~~{will propose that the Coastal Property undergo a}~~ **[Applications will propose Coastal Land Use Plan amendments to conform the Coastal Land Use Plan with the proposed]** Rezone to change the existing AG-II-100 zone district designation to a new Naples Planned District ~~{(“NPD”)}~~ that reconciles open space and agricultural use with the lot density and development potential consistent with the provisions of CLUP Policy 2-13. The new zone district would require a final development plan for development. The new zone district will accommodate development consisting of up to 39 residential units; open space and agricultural uses in common areas, and CC&Rs in form reviewed and approved by the County Counsel restricting the use of approximately 250 acres of the Coastal Property to open space and common agricultural uses to be implemented under management plans. The agricultural and open space use of the Coastal Project shall be protected by the CC&Rs and shall provide open space and agricultural use restrictions and prohibitions against discontinuance of open space and agricultural use and affirmative obligations relating to the operation and maintenance of the open space and agricultural improvements, along with other restrictions and provisions. An application for Rezone shall be processed by the County of Santa Barbara and, if approved, forwarded to the

California Coastal Commission. The Rezone shall not become effective until the Conditions Precedent set out in Section 5.3 hereof have been satisfied. **[The Rezone application shall not include nor apply to the Morehart Retained Property.]**

(c) Development Agreement, Government Code § 65864, et seq.: MRI and SBRI will request that a Development Agreement be entered into by and between them and the County for the Coastal Project. The Development Agreement would be binding between the parties and would give assurances to the MRI and SBRI that upon ~~approval~~ **[Final Approval]** of the Coastal Project they may proceed with development in accordance with existing policies, rules and regulations.

~~{1.33.2 Quasi-Adjudicative Approvals: The Coastal Project Applications shall seek all necessary quasi-adjudicative approvals}~~ **[5.2.2 Quasi-Adjudicative Approval Applications: The Quasi-Adjudicative Approval Applications for the Coastal Project shall consist of the following applications for quasi-adjudicative Approvals]** (the “Quasi-Adjudicative ~~Approvals~~”) necessary for the implementation of the Coastal Project, including ~~the following:~~ **[Approval Applications]:**

(a) Minor Conditional Use Permits (“CUPs”), Article II, § 35-147.2.a.b.f.h.: Minor Conditional Use Permits (“CUPs”) are required for (i) development that is 20,000 square feet or more that will include storm drains, water distribution lines and roads; (ii) expansion of existing water treatment facilities; (iii) wastewater collection systems; and (iv) utility lines for gas, electricity and telephone serving 5 or more connections. The Coastal Project Applications shall include application for a Minor CUP for Coastal Project road improvements, water distribution lines (both potable and agricultural irrigation), wastewater collection systems, storm drain and utility infrastructure since these combined improvements will exceed 20,000 square feet.

(b) ~~{Coastal}~~ **[Final]** ~~Development {Permits (“CDPs”)} [Plan]:~~ The Coastal Project Applications shall include ~~{applications for CDPs upon all of the Lots for single family residences and accessory structures and the Coastal Permit Applications shall include sufficient detail as may be required to issue such CDPs.}~~ **[application for a Final Development Plan or Plans for development of the Coastal Property and shall include such detailed information as may be required.]**

~~{1.33.3}~~ **[5.2.3]** Other Agency Approvals: MRI and SBRI acknowledge and agree that development of the Coastal Project may require the consent and permission of other agencies. It shall be the obligation of MRI and SBRI to obtain all such permission and consents **[and the failure or delay to obtain such approvals shall not affect the status of Final Approvals.]**

5.3]

~~1.34)~~ Conditions Precedent to Effectiveness of [Final] County Approvals and [Final] Coastal Commission {Conditional} Approvals: The **[Final]** County Approvals and the **[Final]** Coastal Commission ~~{Conditional}~~ Approvals of the Coastal Project Applications, shall be

subject to the following conditions precedent and shall not become effective until satisfaction of the following:

(a) MRI and SBRI's acceptance of the County Approvals and **[the]** Coastal Commission ~~{Conditional}~~ Approvals~~{, as defined in and}~~ pursuant to Section 10.2 hereof ~~{;}~~**[]** provided, however~~{,}~~ that once MRI has conveyed all of the Option Property to SBRI under the Option Agreement or otherwise, ~~{MRI's approval}~~ **[MRI]** shall no longer ~~{be required}~~ **[have the ability to accept or reject]**;

(b) The dismissal of litigation pursuant to Section 6.4 hereof; and

(c) The waiver and release by MRI and SBRI of all claims against and the right to challenge the Official Map ~~{and}~~**[]** any parcel validity claims, including but not limited to all claims relating to the County's rescission of ASO Resolution No. 84-298**[]** and any other claims relating to the County's assertion of land use control and jurisdiction over the Property, as said waivers and releases are more particularly described in Section 6.4 hereof.

~~{1.35}~~ **[5.4]** Environmental Review: In accordance with the provisions of the California Environmental Quality Act ("CEQA"), an environmental impact report ("EIR") shall be prepared to study and analyze all of the various elements and impacts of the Coastal Project once the details and specific aspects of the Coastal Project have been determined. The EIR shall constitute a Project EIR which can be used to analyze and mitigate the various impacts of all of the various entitlements and development activity included in the Coastal Project, including, without limitation, the Rezone, Development Agreement, Coastal Development Permits, Conditional Use Permits, and any other entitlements. The EIR shall also study as Coastal Project alternatives the following alternatives: (i) a comprehensive grid development of the Naples Townsite; (ii) reduced on-site development, (iii) a one hundred sixty-two (162) Merger/Lot Line Adjustment Managed Agricultural Project more particularly described in the document entitled "Santa Barbara Ranch Managed Agricultural Development - 1998"; (iv) transferred development rights, as referenced in LCP Policy 2-13; (v) no project alternative; and (vi) such other alternatives as may be mandated by CEQA and applicable plans, law and ordinance. The proposed Coastal Project and alternatives shall include consideration of conventional septic systems for waste water disposal; extensions of sewer lines to the Coastal Property; onsite disposal, collection and treatment facilities; or other reasonable alternative options for sewage treatment and disposal. It shall also include a thorough evaluation of all reasonable alternatives for water distribution. So long as it is an optionee under the Option Agreement, assignee or owner, SBRI shall be obligated to pay the cost of the preparation and certification of the EIR. In the event SBRI ceases to be the optionee, assignee or owner of the Coastal Property, it shall be responsible for payment of the costs of preparation and certification of the EIR up until the time of certification or cessation; if MRI elects to proceed with the Coastal Project, it shall be obligated to (i) obtain the County's written approval of any substituted developer or developers other than MRI, if applicable; and (ii) pay all costs of preparation and certification of the EIR including any costs not paid by SBRI (in which case the County shall assign to MRI its rights to collect such costs from SBRI). The County shall cause the EIR to be prepared on an expeditious and economic basis.

The County, in preparing the EIR, may use source material and other information from environmental documents which have been certified or adopted pursuant to CEQA.

~~{1.36}~~ **[5.5]** Agreement to Delay Application for Certificates of Compliance, Lot Line Adjustments and Lot Development: MRI and SBRI agree to defer and delay any application for: (i) certificates of compliance on the parcels within the Naples Townsite; and (ii) applications for development and construction on individual Lots or other parcels above and beyond the 16 Lots on the Inland Property and the 39 Lots on the Coastal Property within the ~~{Naples Townsite}~~ **[Option Property]**, until and unless ~~{this}~~: **(a) this** MOU is terminated pursuant to the provisions of this MOU; **(b) the Coastal Project Applications are denied; or (c) if approved, the date on which the County Approvals or the Coastal Commission Approvals are reversed or nullified by any challenge (including, without limitation, a challenge by referendum or initiative), whichever occurs first**. The above shall not apply to permits for normal construction, repair and maintenance of agricultural operations and permits on Lot 132. **Except as expressly provided herein, MRI reserves any and all rights to seek any and all approvals for the development and/or use of the Morehart Retained Property and MRI is not and shall not be deemed to be waiving any rights to seek such approvals for the Morehart Retained Property as a result of entering into this MOU.**

5.6 ~~{1.37}~~ Project Application Review: MRI and/or SBRI shall promptly pay all applicable fees and charges and submit all information, dates, reports and further information needed to allow expeditious processing of the Coastal Project Applications. In the event SBRI ceases to be the optionee or assignee of the Coastal Property it shall be responsible for payment of all fees and charges for processing the Coastal Project Applications up to the time of cessation. If MRI elects to proceed with the Coastal Project, it shall be obligated to (i) obtain the County written approval of any substituted developer or developers other than MRI, if applicable; and (ii) pay all fees and charges for processing the Coastal Project Applications including any fees not paid by SBRI. The County agrees to dedicate sufficient staff and resources to ensure an expeditious review and processing of the Coastal Project Applications. The time table for said review and approval shall be as follows:

~~{1.37.1}~~ **[5.6.1]** Project Application Review: The County shall adhere to the time limits provided in the Permit Streamlining Act in determining if the Coastal Project Applications are complete. The County Staff shall endeavor through informal pre-application conferences and subsequent consultation to identify inadequacies in the Coastal Project Applications and ensure an expeditious completeness determination.

~~{1.37.2}~~ **[5.6.2]** Commencement of Public Hearings Before Planning Commission: The County shall do all review and accomplish all things necessary so that the first public hearing on the Coastal Project Applications and the EIR shall be held before the Planning Commission no later than twelve (12) months after the Coastal Project Applications are determined to be complete. The Planning Commission shall complete its review and make recommendations to the Board of Supervisors no later than fourteen (14) months after the Coastal Project applications are deemed complete.

~~{1.37.3}~~ **[5.6.3]** Completion of County Review: The County shall accomplish all things necessary and the Board of Supervisors shall take final action on the

Coastal Project no later than eighteen (18) months after the Coastal Project Applications are deemed complete.

~~{1.37.4}~~ **[5.6.4]** Processing; Force Majeure: If the time limits established herein are not met, then the non-defaulting party may, pursuant to the provisions of Section 10, upon thirty (30) days prior written notice to the other parties, terminate this MOU and cease processing the Coastal Project. The Coastal Project Application shall be deemed withdrawn and the terminating party shall be free to seek such alternate approvals and assert such rights as they may deem appropriate. The parties acknowledge that delays occasioned by Coastal Project revisions or other causes beyond the control of the parties may arise in the processing and MRI and SBRI agree that a delay caused by such forces shall not constitute grounds to terminate this MOU.

~~{1.38}~~ **[5.7]** Consultation With Coastal Commission: The parties agree to solicit the advice and comments of the Coastal Commission staff early on in the processing of the Coastal Project.

[6.] LITIGATION:

~~{1.39}~~ **[6.1]** Continuation Of Stay Order In Case Nos. 179265 and 203256: The affected parties shall execute and file stipulations in Case Nos. 179265 and 203256 requesting that the court extend the pending stays in said cases indefinitely to allow performance by the parties of the matters set forth herein. The affected parties agree to report back to the judges assigned to said cases for all purposes of periodic case management conferences as directed by said judges. The parties further agree not to seek a dismissal (with or without prejudice) of said cases except as otherwise provided in this MOU. The affected parties further agree that all statutory deadlines, statutes of limitation or other deadlines or time limits applicable to said cases or any party thereto (including the time limit within which to bring said cases to trial) are waived, extended and tolled during the pendency of this MOU and until a date which is thirty (30) days after ~~{(i) the~~ **[the date that is the earlier to occur of: (i) the date on which the** Coastal Project Applications are denied; ~~{(ii) the Coastal Project Applications are withdrawn or abandoned, or (iii) if approved, }~~ **[(ii) if approved, the date on which]** the County Approvals or the Coastal Commission Approvals are reversed or nullified by any challenge (including, without limitation, a challenge by referendum or initiative) **]; or (iii) the date on which this MOU is terminated pursuant to the provisions of this MOU]**. The affected parties stipulate that they shall not be entitled to collect or accrue damages as alleged in the complaints during said stay period.

~~{1.40}~~ **[6.2]** SBRI's Waiver and Release of Claims: Upon execution of this MOU, SBRI shall, for themselves, and any future owner of **[that portion of]** the Option Property owned by SBRI as of the Effective Date **[and any additional portion of the Option Property as may be subsequently acquired by SBRI]**, their respective successors and assigns, fully and forever release, waive and discharge all claims, demands, actions and causes of action of whatever kind or nature, whether known or unknown, past or present, arising out of Case No. 179265 that SBRI may have succeeded to or may in the future succeed to as successor owner of the Option Property.

~~{1.41}~~ **[6.3]** Stay of Other Challenges: The affected parties further stipulate that all statutory deadlines, statutes of limitations or other deadlines or time limits applicable to MRI's or SBRI's right to challenge the County's 1994 rescission of ASO Resolution 84-298 and the right to challenge the adopted and recorded Official Map are waived, extended and tolled during the pendency of this MOU and until a date which is thirty (30) days after ~~{(i) the }~~ **[the date that is the earlier to occur of (i) the date on which the]** Coastal Project Applications are denied; ~~{(ii) the Coastal Project Applications are withdrawn or abandoned; or (iii) if approved, }~~ **[(ii) if approved, the date on which]** the County Approvals and/or Coastal Commission Approvals are finally reversed or nullified by any challenge (including, without limitation, a challenge by referendum or initiative); **or (iii) the date on which this MOU is terminated pursuant to the provisions of this MOU]**. The MRI and SBRI stipulate that they shall not be entitled to collect or accrue damages during said stay periods.

~~{1.42}~~ **[6.4]** Dismissal Of Litigation: Upon SBRI's purchase of all of the ~~{Coastal}~~ **[Option]** Property, MRI shall cause the plaintiffs to dismiss with prejudice Case No. 179265. Upon Final County Approval ~~{of the }~~ **[and Final]** Coastal ~~{Project Applications}~~ **[Commission Approval]**, MRI shall cause the plaintiffs to dismiss with prejudice Case No. 203256. MRI and SBRI shall upon obtaining Final County Approvals and Final Coastal Commission Approvals~~]~~ waive and release all claims against and the right to challenge the Official Map and any other parcel validity issues, including but not limited to the County's rescission of ASO Resolution No. 84-298.

In addition, upon obtaining Final County Approvals and Final Coastal Commission Approvals ~~{of the Coastal Project Applications}~~, MRI and SBRI shall, for themselves, any future owner of the **[Option]** Property, their respective successors and assigns fully and forever release, discharge and covenant not to sue the County of and from any and all losses, claims, demands, actions, causes of action of whatever kind or nature, whether known or unknown; past or present, related to the County's asserting land use control and jurisdiction over the **[Option]** Property on or before the date of the Final County Approvals and Final Coastal Commission Approvals and/or MRI or SBRI's claims as to entitlement rights (including the right to legal lot status) or similar claims relating to the **[Option]** Property which arose prior to the date of the Final County Approvals and Final Coastal Commission Approvals. MRI and SBRI shall effect such release by executing and delivering to the County a Release Agreement in a form prepared by **[the County Counsel]** and approved by the ~~{County Counsel}~~ **[parties hereto]** at time of the Final County Approvals and Final Coastal Commission Approvals.

[Except as expressly provided herein, MRI reserves any and all rights to seek any and all approvals for the development and/or use of the Morehart Retained Property and MRI is not and shall not be deemed to be waiving any rights to seek such approvals for the Morehart Retained Property as a result of the agreements, waivers and releases contained in this Section 6.4.]

[6.5] ~~{1.43}~~ Reactivation of Litigation; Reservation of Claims: If this MOU is terminated pursuant to the provisions of this MOU, **[the Coastal Project Applications are denied]** or the granted County Approvals and/or Coastal Commission Approvals are finally reversed or nullified by any challenge (including, without limitation, a challenge by referendum or initiative), plaintiffs shall have the right to reactivate ~~{non-}~~ **[litigation not]** dismissed ~~{and/or}~~

~~non-[or]~~ waived ~~{litigation}~~ [pursuant to Section 6.2 hereof] and pursue their claims against the County arising out of the rescission in 1994 of ASO Resolution No. 84-298 and their challenge to the Official Map. Any such claims or challenges must be filed in Santa Barbara County Superior Court within thirty (30) days after termination of the MOU, [denial of the Coastal Project Applications] or nullification [or reversal] of the County Approvals and/or Coastal Commission Approvals. Further, it is expressly stipulated and agreed that neither MRI, SBRI, nor their respective successors or assigns to the Property shall be bound by any findings that the County may adopt in approving Inland Project Applications for development of the Inland Property prior to obtaining Final County Approvals and Final Coastal Commission Approvals for the Coastal Project Applications. MRI and SBRI expressly reserve all rights to challenge any attempt by the County to apply such findings to the Coastal Property and the Coastal Project Applications.

~~{1.44}~~ [6.6] Filing of MOU With Court; Binding on Successors and Assigns: This MOU shall be approved by the County by action of the Board of Supervisors. The affected parties stipulate that this MOU shall be submitted to the respective judges assigned to Case Nos. 179265 and 203256 for approval and for filing in the court files of said respective court cases.

The terms and conditions contained in this MOU shall be binding upon the parties hereto, their heirs, successors and assigns. Each of the entities and persons comprising MRI and SBRI covenants and agrees that prior to conveyance of its or their interests in the Property, they shall give the County not less than thirty (30) days notice of such proposed conveyance, naming the party to whom the conveyance shall be made and shall fully inform the transferee or purchaser of the provisions of this MOU; that the MOU and its provisions bind said transferee or purchaser and that they shall acknowledge, in writing, that they are aware of and will be bound by the provisions of this MOU; and that a copy of this MOU shall be delivered to said transferee or purchaser.

[7.] DESIGNATION OF DEVELOPMENT AGENT; NOTICES: Subject to ~~{compliance with Section 11}~~ [Santa Barbara Ranch, LLC becoming a party to the Option Agreement and agreeing to comply with all of the terms and conditions] of the Option Agreement, [in particular Sections 11 and 16 thereof,] MRI and SBRI hereby appoint and designate Santa Barbara Ranch, LLC ~~{(the "Development Agent")}~~ as their ~~{agent}~~ [Development Agent] to control and coordinate the development processing and to sign any and all applications, consents and acknowledgements relating to the Coastal Project Applications and their processing and review. The designation of the Development Agent may be changed upon written notice to the County by Morehart Land Company and Santa Barbara Ranch, LLC as set out below. The initial Development Agent, as the agent for MRI and SBRI, shall execute the attached consent and acknowledgement indicating their agreement to be bound by the provisions of this MOU.

All notices called for pursuant to this MOU required during the development processing shall be given in writing by personal delivery, U.S. registered mail; or certified mail, return receipt requested; or any overnight delivery service which obtains the signature of the addressee or its agent as evidence of delivery, or teletype/facsimile. All such notices or communications shall be deemed to have been given and received on the first to occur of: (i) actual receipt by any of the addressees listed below; or (ii) five (5) days after a registered letter containing said notice or communication, properly addressed postage prepaid, is deposited

in the United States mail; **and/or (iii) upon receipt by the sender of electronic confirmation of delivery of such notices or communications sent by telecopy/facsimile**. Mailed or delivered notices shall be addressed as set forth below, but either party may change its address by giving written notice thereof to the other in accordance with the provisions of this Paragraph.

Santa Barbara Ranch, LLC/

Development Agent:

Santa Barbara Ranch, LLC
18401 Von Karman Avenue, Suite 350
Irvine, CA 92612
Facsimile No. (949) 253-7139
Attn: Matthew K. Osgood

MRI:

John M. Morehart
Post Office Box 1209
Carpinteria, CA 93014-1209
Facsimile No. (805) 566-9101

With copies to:

Mark Lloyd
L&P Consultants
3 West Carrillo, Suite 250
Santa Barbara, CA 93101
Facsimile No. (805) 962-4161

Richard C. Monk, Esq.
Hollister & Brace
Attorneys at Law
1126 Santa Barbara Street
Santa Barbara, CA 93101
Facsimile No. (805) 965-0329

**[Peter D. Slaughter, Esq.
Price, Postel & Parma LLP
200 East Carrillo Street, Suite 400
Santa Barbara, CA 93101
Facsimile No. (805) 965-3978]**

County:

John Patton
Director of Planning
County of Santa Barbara
123 East Anapamu Street
Santa Barbara, CA 93101
Facsimile No. (805) 568-2030

With a copy to:

Stephen Shane Stark, Esq.
County Counsel
County of Santa Barbara
105 East Anapamu Street
Santa Barbara, CA 93101
Facsimile No. (805) 568-2982

[8.] REPRESENTATIONS AS TO DUE EXECUTION: The parties represent and warrant to each other that this MOU has been duly executed and appropriately authorized by all required governmental and other authorizations. MRI/SBRI specifically represent and warrant that all of the parties with ownership interests in the Property and all of the parties to Cases Nos. 179265 and 203256 have duly executed this MOU and copies of all powers of attorney or other authorizations of authority shall be provided the County's legal counsel for review and approval prior to execution of this MOU. The County shall treat such copies as confidential. MRI and SBRI specifically represent and warrant that any portion of the Property acquired by them after the Effective Date shall be and is fully subject to and governed by the provisions of this Agreement.

[9.] MODIFICATIONS TO OPTION AGREEMENT: ~~{SBRI and MRI shall, if necessary, prior}~~ **[Prior]** to execution of this MOU by the ~~{County,}~~ **[parties, SBRI and MRI shall]** modify and amend the Option Agreement by written agreement in a manner to allow application for Approvals of the Coastal Project (the "Option Agreement Amendment"). A copy of this MOU in the form substantially as executed by the parties shall be attached to the Option Agreement Amendment. MRI, by executing this MOU, indicates its approval of and commitment to all of the provisions thereof and agrees to cooperate with SBRI, subject to the performance by Vintage **[and Santa Barbara Ranch, LLC]** of the terms and conditions of the Option Agreement as amended by the Option Agreement Amendment. The form and substance of the Option Agreement Amendment shall be subject to the review and written approval of the County, and MRI and SBRI.

[10.] TERMINATION: This MOU may be terminated in accordance with the provisions of this section. Upon termination the Coastal Project Applications shall be automatically deemed to be withdrawn by MRI and SBRI and MRI and SBRI shall be obligated to execute any and all documents requested by the County to acknowledge such withdrawal. The MOU may be terminated ~~{at}~~ as follows:

~~{1.45}~~ **[10.1] For Breach:** Either side may terminate the MOU upon thirty (30) days written notice to the other side, which notice stipulates the grounds of the alleged default and allows the other side the opportunity to cure said alleged default (if curable). The sole remedy for either side in the event of breach of this MOU shall be termination and neither damages nor specific performance or injunctive relief shall be available; provided, however, that each party shall retain all claims, demands for damages and other remedies specifically reserved pursuant to the provisions of this MOU.

~~{1.46 Acceptance}~~ **[10.2 Rejection]** of Approvals by MRI and SBRI; **Withdrawal of Application by MRI and SBRI:** MRI and SBRI may voluntarily and unilaterally withdraw the Coastal Project Applications or ~~{disapprove}~~ **[reject]** and relinquish any rights to or in the

County Approvals and/or Coastal Commission Approvals at anytime during the term of the MOU **[and by so doing terminate this MOU]**, subject to the following; provided, however, that MRI's right to ~~review and approve any of the approvals set out below~~ **[accept or reject the County Approvals or Coastal Commission Approvals]** shall exist only so long as ~~MRI continues to own any of the Option Property and once it has conveyed all of the Option Property to SBRI or its designees under the Option Agreement then only SBRI shall have the approval rights set out herein.~~ **[it continues to own some portion of the Option Property:]**

~~{1.46.1}~~ **[10.2.1]** If the County grants ~~{final approvals}~~ **[Approvals]** for the **[Coastal]** Project ~~{(the "Final Approvals")}~~ prior to consideration by the Coastal Commission, ~~{the}~~ **[then]** MRI and SBRI shall be afforded a period extending ten (10) calendar days from the issuance of ~~{the County}~~ **[said]** Approvals ~~{to}~~ **[in which either may]** notify the County, in writing, of its ~~{disapproval}~~ **[rejection]** of the ~~{County}~~ Approvals, in which case the ~~{applications for the}~~ Quasi-Adjudicative ~~{Approvals}~~ **[Approval Applications]** shall be withdrawn (and the Quasi-Adjudicative ~~{Approvals}~~ **[Approval Applications]** shall not be sent to the Coastal Commission for consideration) and the MOU shall terminate. Failure to ~~{disapprove}~~ **[reject]** the County Approvals during the ten (10) day period mentioned above shall be deemed to constitute acceptance and if the Coastal Commission approves the County Approvals, without amendments, additions or deletions thereto, **[and if such approval by the Coastal Commission thereafter becomes a Final Coastal Commission Approval,]** then MRI and SBRI shall be deemed to have received all necessary **[Final]** County and **[Final]** Coastal Commission Approvals under this MOU, **[pursuant to the provisions hereof.]**~~{-}~~

~~{1.46.2}~~ **[10.2.2]** If MRI and SBRI accept the County Approvals and the Coastal Commission determines not to approve the Coastal Project Applications or suggests modifications and/or conditionally approves or modifies the County Approvals (the "Coastal Commission Conditional Approval"), then MRI and SBRI shall be afforded a period of ten (10) calendar days from the issuance of the Coastal Commission Conditional Approval in which ~~{to}~~ **[either may]** notify the County, in writing, of its ~~{disapproval}~~ **[rejection]** of the Coastal Commission Conditional Approval, and its election to (a) withdraw the ~~{applications for the}~~ Quasi-Adjudicative ~~{Approvals}~~ **[Approval Applications]** and terminate this MOU, or (b) request that the County respond to the Coastal Commission Conditional Approval in a manner other than that suggested by the Coastal Commission, in which case the County shall further consider the matter. Failure to ~~{disapprove}~~ **[reject]** the Coastal Commission Conditional Approval within said ten (10) day period shall be deemed acceptance and approval of the Coastal Commission Conditional Approval and ~~{subsequent acceptance of}~~ **[if the County accepts]** the Coastal Commission Conditional Approval ~~{by the County}~~, without amendments, additions or deletions thereto, ~~{shall be deemed the acceptance by MRI/SBRI of all necessary County and}~~ **[and if such acceptance by the County thereafter becomes a Final County Approval and such Coastal Commission Conditional Approval thereafter become a Final Coastal Commission Approval, then MRI and SBRI shall be deemed to have received all necessary Final County and Final]** Coastal Commission Approvals **[under this MOU, pursuant to the terms hereof.]**

~~[10.2.3]~~

~~1.46.3)~~ If MRI and SBRI fail to disapprove the Coastal Commission Conditional Approval or elect the option specified in Section 10.2.2(b) hereof, and County determines to respond to the Coastal Commission Conditional Approval in a manner other than as suggested by the Coastal Commission (the “County Response”), then MRI and SBRI shall be afforded a period of ten (10) calendar days from receipt of the County Response ~~to~~ **in which either may** notify the County, in writing, of its ~~disapproval~~ **rejection** of the County Response (in which case the ~~quasi-adjudicatory applications for the~~ Quasi-Adjudicative ~~Approvals~~ **Approval Applications** shall be withdrawn) and the MOU shall terminate. Failure to ~~disapprove~~ **reject** the County Response during the ten (10) day period mentioned above shall be deemed to constitute acceptance and if the Coastal Commission approves the County Response, without amendments, additions or deletions thereto, **and if such County Response thereafter becomes a Final County Approval and if such approval by the Coastal Commission thereafter becomes a Final Coastal Commission Approval,** then MRI and SBRI shall be deemed to have received all necessary County Approvals and Coastal Commission Approvals under this MOU, pursuant to the provisions hereof.

~~1.47)~~ **10.3** **Failure to Approve Developer:** If the County does not approve in writing a developer or developers designated by MRI, as provided in Section 5.4 and 5.6, MRI may terminate this MOU.

~~1.48)~~ **10.4** **Failure to Approve Option Agreement Amendment:** If MRI, SBRI and the County do not approve the Option Agreement Amendment, as provided in Section 9, MRI, SBRI or the County may terminate this MOU.

~~1.49)~~ **10.5** **SBRI’s Breach of Option Agreement:** If ~~SBRI~~ **Vintage or any other SBRI party who is also a party to the Option Agreement** breaches the Option Agreement, including without limitation Section 11 thereof, and said breach is not cured within five (5) business days after written notice is given to **Vintage or** SBRI in accordance with the Option Agreement, **with a copy of said notice sent to the County in accordance with the MOU,** MRI may terminate this MOU. **MRI shall also give notice to the County in accordance with this MOU within thirty (30) days of the date of termination of the Option Agreement if the breach is not cured during the applicable cure period.**

~~1.50)~~ **10.6** **Failure to Approve Inland Project Applications:** While the Inland Project Applications are separate and apart from the processing procedures set out in this MOU and the described Coastal Project, the parties agree that if the Inland Project Applications are (i) not approved in a manner reasonably acceptable to SBRI or are denied by final governmental agency action; or (ii) approved by such final governmental agency action but ultimately overturned, reversed or nullified by any challenge (including, without limitation, a challenge by referendum or initiative); or (iii) not processed by the County within a reasonable timeframe taking into account the requirement for CEQA review and all other processing elements and constraints, then SBRI may, in its reasonable discretion, terminate and cancel this MOU upon notice to the County pursuant to the provisions hereof.

[10.7] Failure to Purchase. If Vintage or SBRI fails to purchase the Option Property, or any part thereof, in accordance with the Option Agreement, MRI may terminate this MOU. MRI shall notify the County within thirty (30) days of (i) Vintage or SBRI's failure to exercise the option during its term and the subsequent termination of the Option Agreement; or (ii) Vintage or SBRI's failure to complete the purchase of the Option Property after exercise of the option and Vintage or SBRI's failure to cure such default within the applicable cure period.

[11.] NONASSIGNMENT: Neither MRI nor SBRI shall assign this MOU or any of the rights contained therein to any party without the prior consent of County, which consent shall not be unreasonably withheld. Notwithstanding the foregoing, MRI and/or SBRI may assign their interest in the MOU to an entity in which MRI or SBRI is a principal and retains the controlling interest.

[12.] SEVERABILITY: It is agreed that if any terms, covenants, provisions or cancellation of this MOU shall be illegal or unenforceable, such illegality or unenforceability shall not invalidate the entire MOU, but the MOU shall be construed as if the provision containing the illegal or unenforceable part were not a part hereof.

[13.] AMENDMENT: This MOU may only be amended by a written document executed by all parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this MOU to be executed as of the Effective Date.

“County”

COUNTY OF SANTA BARBARA

By: _____
Chair Board of Supervisors†

†

“Morehart Related Interests”

NAPLES PROPERTY OWNERS ASSOCIATION, a California non-profit mutual benefit corporation

By: _____
Its: President

By: _____
Its: Secretary

IMOREHART LAND CO., a California corporation

By: _____
John M. Morehart‡

‡

MARCIA A. BOTTOMSA/K/A Marcia Morehart Bottoms}

{By: John M. Morehart Her Attorney-in-Fact} _____

†

**TIM BOTTOMS} [MARTIN S.
MOREHART, a married man]**

By: _____
John M. Morehart
His Attorney-in-Fact[

**PATRICIA MOREHART, a married
woman] †**

MADELEINE M. MUELLER}

By: _____
John M. Morehart
Her Attorney-in-Fact†

†

**† _____
-GLENNON D. MUELLER} [RANCHO
SANTA BARBARA, a California
Corporation**

**By: _____
Its: _____**

**MATTHEW C. MOREHART, a married
man]**

By: _____
John M. Morehart
His Attorney-in-Fact[

]}

MATTHEW C. MOREHART ~~Co-Trustee of
the Morehart Grand Trusts, U/D/T/June 11,
1987}~~

~~{By: John M. Morehart His Attorney-in-
Fact}~~ _____

}

MATTHEW C. MOREHART

By: John M. Morehart His Attorney-in-Fact

**MARIANITA M.
WILLMON** _____, **a married
woman**

By: _____

John M. Morehart
Her Attorney-in-Fact

MITCHELL E. MOREHART, a single man

By: _____

John M. Morehart
His Attorney-in-Fact

**SANTA BARBARA GUEST RANCH, a
California Corporation**

By: _____

Its: _____

MARCIA A. BOTTOMS
A/K/A Marcia Morehart Bottoms, a
married woman

By: _____
John M. Morehart
Her Attorney-in-Fact

TIM BOTTOMS, a married man †

ROGER W. WILLMON}

By: _____
John M. Morehart
His Attorney-in-Fact

†

JOHN MANUEL MOREHART}

{By: John M. Morehart His Attorney-in-
Fact} _____

{ NAPLES PROPERTY OWNERS
ASSOCIATION, a California non-profit
mutual benefit corporation

By: Madeleine M. Mueller

PATRICIA MOREHART **[MADELEINE**
M. MUELLER, a married woman]

By: _____
John M. Morehart
Her Attorney-in-Fact

GLENNON D. MUELLER, a married man

By: _____
John M. Morehart
His Attorney-in-Fact

SANTA BARBARA RANCH, a California Corporation

By: _____
Its: _____

MARIANITA M. WILLMON, a married woman

By: _____
John M. Morehart
Her Attorney-in-Fact

ROGER W. WILLMON, a married man

By: _____
John M. Morehart
His Attorney-in-Fact

FRANCES S. MOREHART,
Co-Trustee

JOHN M. MOREHART Co-Trustee of The
John M. and Frances Scheller Morehart Trust,
U/D/T May 23, 1986

By: _____
John M. Morehart
Her Attorney-in-Fact

JOHN M. MOREHART
Co-Trustee of The John M. and Frances
Scheller Morehart Trust,
U/D/T May 23, 1986

“Vintage Related Interests”:

VINTAGE COMMUNITIES, {INC., a}
[INC., a] California corporation

By: _____

Its: _____

{Matthew K. Osgood, President} [

]

SANTA BARBARA RANCH, LLC [

]By: _____

† _____

Its: _____

VINTAGE VINEYARDS, LLC, a California
limited liability company]

]By: __+

+ _____
Its: _____

OSGOOD FARMS, LLC, a California
limited liability

+y company]

]By: _____
+ _____
= Matthew K. Osgood

~~VINTAGE VINEYARDS, LLC a California
limited liability
company]~~ _____

~~{By: _____
= Matthew K. Osgood VINTAGE
COMMUNITIES} [MATTHEW K.
OSGOOD, a married man as his sole and
separate property~~

~~DLC RANCH], LLC, a California limited
liability {corporation} [company]~~

~~{By: _____
= Matthew K. Osgood VINTAGE
ALLIANCES, LLC, a California limited
liability corporation~~

By: _____
Matthew K. Osgood CCL REALTY
(California) LTD., a California limited
partnership

By: _____
General Partner DLC RANCH, LLC a
California limited liability company

By: _____
} By: _____
} Matthew K. Osgood

**TW FAMILY FARM, {LLC, a California
limited liability company**

By: _____
**Matthew K. Osgood SANTA BARBARA
DEVELOPMENT, L.P., a California limited
partnership**

By: _____
**General Partner SANTA BARBARA
RANCH, } LLC, a California limited liability
company**

By: _____
} _____
} _____
} Matthew K. Osgood{

†

Approved as to form.

Dated: _____

Stephen Shane Stark
COUNTY COUNSEL

By: _____

} Alan Seltzer,
Chief Deputy County Counsel

}

Approved as to form.

Dated: _____

HOLLISTER & BRACE

By: _____

} Richard C. Monk } **Richard C. Monk**

Approved as to form.]

{ }

Dated: _____

PRICE POSTEL & PARMA, LLP

By: _____
Peter D. Slaughter

↓
STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2002 before me, _____, Notary Public, personally appeared _____, personally known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 2002 before me, _____, Notary Public, personally appeared _____, personally known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

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STATE OF CALIFORNIA)
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COUNTY OF _____)

On _____, 2002 before me, _____, Notary Public, personally appeared _____, personally known to me to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

Witness my hand and official seal.

Notary Public

LIST OF EXHIBITS

<u>Exhibit</u>	<u>Description</u>
A	Description of the Property
B	Description of the Option Property
C	Description of the MRI Retained Property
D	Description of the Coastal Property {and} [
<u>E</u>	<u>Description of the</u> Inland Property{ ‡

This redlined draft, generated by CompareRite (TM) - The Instant Redliner, shows the differences between -
original document : C:\WINDOWS\TEMP\IMANAGE_469721_1
and revised document: C:\WINDOWS\TEMP\IMANAGE_467736_5

CompareRite found 264 change(s) in the text

Deletions appear as Overstrike text surrounded by {}

Additions appear as Bold+Dbl Underline text surrounded by []