

# SheppardMullin

Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4th Floor  
Costa Mesa, CA 92626-1993  
714.513.5100 main  
714.513.5130 main fax  
www.sheppardmullin.com

Writer's Direct Line: 714-424-2821  
drosenthal@sheppardmullin.com

January 3, 2012

Our File Number: 0NJP-160949

*VIA EMAIL AND U.S. MAIL*

Mr. Glenn Russell  
Planning and Development Director  
County of Santa Barbara  
105 E. Anapamu Street, 2d Floor  
Santa Barbara, CA 93101

Re: Santa Barbara Ranch Inland Development Agreement

Dear Mr. Russell:

We represent SBRHC, Inc. ("SBRHC"), the current owner of the majority of the Santa Barbara Ranch property (the "Ranch"). We previously submitted a request for a Notice of Compliance confirming that the Inland Development Agreement ("DA") remained in effect, but had been modified under Section 8.04 of the DA by SBRHC's acquisition of all of the covered property in 2010. We withdrew that request to allow additional time to discuss the contents of the Notice of Compliance with the attorney for the prior owners of the Ranch. Since withdrawal of the request, SBRHC has entered into an agreement for sale of the Ranch with a third party, necessitating the County's consent to a transfer agreement under Section 8.02 of the DA. This letter constitutes a renewed request for a Notice of Compliance, as well as a request for consent to a Transfer Agreement.

Pursuant to Section 8.04 of the DA, we have attached a draft of the requested Notice of Compliance as Exhibit A to this letter. The Notice of Compliance has been revised since our original submittal in accordance with discussions between attorneys for SBRHC, the prior owners of the Ranch and the County. We have requested the consent of the prior owners to the Notice of Compliance, which we hope will be forthcoming before the matter is considered by the County, since it affirmatively relieves them of any contingent or potentially remaining liability under the DA for property they no longer own. Attached to the Notice of Compliance is a signed Assumption of the Inland Development Agreement Rights and Obligations by SBRHC. For your convenience, we have attached a copy of our prior request, which contains a description of the process by which SBRHC acquired ownership of the property and additional background as Exhibit B.

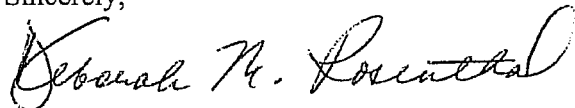
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Mr. Glenn Russell  
January 3, 2012  
Page 2

Pursuant to Section 8.02 of the DA, we have also attached a draft Transfer Agreement for your review, concurrent with review by the proposed transferee, CIP II/BR SBR, LLC ("CIP"), as Exhibit C. CIP is a limited liability company formed to own and develop the Ranch. Its members are Cross Harbor Capital Partners LLC ("CrossHarbor"), BondRok Partners ("BondRok") and Preserve Communities ("Preserve"). Cross Harbor is an investment management company that specializes in commercial real estate, with commitments of approximately \$2 billion in projects with combined property values of more than \$7.5 billion. BondRok is a real estate investment and development firm responsible for numerous successful projects in environmentally sensitive areas in the United States, including Colorado, Nevada and California. Preserve created the 28-square mile Santa Lucia Preserve in conjunction with development of the historic Rancho San Carlos in Monterey County. Tom Gray of Preserve was recently added to the team to deepen its experience with natural resource preservation and development due to his experience with the nationally recognized Santa Lucia Preserve. SBRHC is confident that you will be satisfied with CIP's reputation and resources, but if you require any additional information, please notify us immediately.

I look forward to working with you to complete review of these documents in accordance with the provisions of the DA. I am available to provide any information or assistance the County may require. Thank you for your attention to this matter, and a happy new year.

Sincerely,



Deborah M. Rosenthal, AICP

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

W02-WEST:3DMR1\404356407.2  
Enclosures

cc: Michael Ghizzoni, Esq. (w/enclosures)  
Ms. Dianne Black (w/enclosures)  
Mr. Norm Broyer (w/enclosures)  
Lance Adair, Esq. (w/enclosures)  
Paul Hedstrom, Esq. (w/enclosures)  
Mr. David Thurman (w/enclosures)

# EXHIBIT A

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Deborah M. Rosenthal, Esq.  
Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4<sup>th</sup> Floor  
Costa Mesa, CA 92626

---

DRAFT

NOTICE OF COMPLIANCE

Pursuant to Section 8.04 of the Inland Development Agreement for the Santa Barbara Ranch Project ("Inland Development Agreement" or "Agreement"), executed by County on October 21, 2008, this Notice of Compliance certifies the following:

1. The Inland Development Agreement is unmodified, except as described in paragraph 3 below, and remains in full force and effect pending the decision in Naples Coalition, et al. v. County of Santa Barbara, SB Case No. 1304044.
2. There are no current uncured defaults by Developer under the Inland Development Agreement in that the above-referenced Naples Coalition action is litigation that is deemed to create excusable delay for all of Developer's obligations under Section 10.06 of the Agreement.
3. The Inland Development Agreement was modified on May 23, 2010 by SBRHC, Inc.'s acquisition of all of the original Developers' interests in the Inland Project and Inland Project Site (as defined therein). In addition to SBRHC's acquisition of the original owners' interests, SBRHC, Inc. has expressly assumed all obligations of the Developer under the Inland Development Agreement by separate instrument, attached hereto as **Exhibit A**. As a result, the Inland Development Agreement is modified in the following respects:
  - a. SBRHC, Inc. is and shall be the Developer as defined in the Inland Development Agreement; and
  - b. SBRHC, Inc. shall be obligated to perform the obligations of the Developer under the Inland Development Agreement, the Inland Project Approvals and the Subsequent Inland Approvals, if any.
  - c. The County acknowledges that the original Developers, Matthew K. Osgood, Vintage Communities, Inc., Santa Barbara Ranch, LLC, Vintage Vineyards, LLC, Osgood Farms, LLC, DLC Ranch, LLC, and TW Family Farm, LLC, are fully released from all obligations or liabilities under the Inland Development Agreement. The original Developers shall be free from any and all liabilities accruing on or after May 23, 2010 with respect to the

Inland Development Agreement, the Inland Project Approvals and the Subsequent Inland Approvals.

4. In the event SBRHC, Inc. transfers or assigns all or any portion of the Inland Project or Inland Project Site (as defined in the Inland Development Agreement), other than a transfer or assignment to an affiliated party, a holder of a mortgage, deed of trust, or similar security interest, or a Non-Assuming Transferee (as defined in the Inland Development Agreement), SBRHC, Inc. and the transferee will execute a Transfer Agreement pursuant to Section 8.02(a) of the Inland Development Agreement.

5. All other provisions of the Inland Development Agreement are unmodified.

[6. The original Developers have consented to this Notice of Compliance and their release from all obligations and liabilities pursuant hereto. A copy of their Consent to Assumption and Release is attached hereto as **Exhibit B.**]

7. This Notice was approved by Resolution \_\_\_ of the Board of Supervisors of the County of Santa Barbara on January \_\_, 2012.

This Notice is executed and acknowledged by the County as of January \_\_, 2012.

By: \_\_\_\_\_  
Director of Planning and Development

**ACKNOWLEDGMENT**

STATE OF CALIFORNIA    )  
  )  
COUNTY OF \_\_\_\_\_)

On \_\_\_\_\_ before me, \_\_\_\_\_,  
the undersigned, a Notary Public in and for said State, personally appeared \_\_\_\_\_,  
\_\_\_\_\_ who proved to me on the basis of satisfactory evidence  
to be the person whose name is subscribed to the within instrument and acknowledged to me that  
\_\_\_\_ he executed the same in \_\_\_\_\_ authorized capacity, and that by \_\_\_\_\_ signature on the  
instrument the person, or the entity upon behalf of which the person acted, executed the  
instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the  
foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

Name \_\_\_\_\_  
(typed or printed)

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Deborah M. Rosenthal, Esq.  
Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4<sup>th</sup> Floor  
Costa Mesa, CA 92626

---

**ASSUMPTION OF INLAND DEVELOPMENT AGREEMENT  
RIGHTS AND OBLIGATIONS**

A. SBRHC, Inc. ("SBRHC") is the owner of that certain real property located in the County of Santa Barbara, State of California more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Inland Project Site").

B. The Inland Project Site is subject to that certain Development Agreement executed between the County of Santa Barbara and the prior owners of the Inland Property, dated October 21, 2008 (the "Inland Development Agreement").

C. The Inland Development Agreement requires the "Developer" to perform various obligations as defined therein ("Developer Obligations").

D. Under Government Code Section 65868.5, the burdens of the Inland Development Agreement are binding upon, and the benefits of the Inland Development Agreement inure to all successors-in-interest of the parties executing the Inland Development Agreement.

E. Under Section 12.08 of the Inland Development Agreement, the burdens of the Inland Development Agreement are binding upon, and the benefits of the Inland Development Agreement inure to all successors-in-interest of the parties executing the Inland Development Agreement.

F. In 2010, SBRHC acquired all of the prior owners' right, title and interest in and to the Inland Project Site and all agreements, contracts and governmental approvals relating thereto, including the Inland Development Agreement.

G. As the owner of the Inland Project Site, SBRHC is a successor-in-interest under the Inland Development Agreement, and that all of the prior owners' interests, rights or obligations under the Inland Development Agreement or under Inland Project Approvals or Subsequent Inland Approvals (as these two terms are defined in the Inland Development Agreement) were transferred to SBRHC concurrent with SBRHC's acquisition of the Inland Project Site.

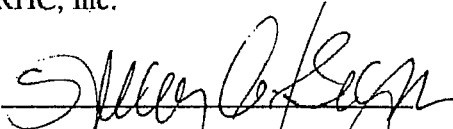
H. SBRHC agrees that it is bound by all burdens of the Inland Development Agreement as a successor-in-interest, including the obligation to perform all Developer Obligations to the extent they arise from development of the Inland Project Site.

I. SBRHC agrees that it is the sole "Developer" for all purposes under the Inland Development Agreement.

J. SBRHC agrees that, in the event it transfers or assigns all or any portion of the Inland Project or Inland Project Site (as defined under the Inland Development Agreement), SBRHC and the transferee will execute a Transfer Agreement pursuant to Section 8.02(a) of the Inland Development Agreement.

SBRHC, Inc.

By:



Name:

NORMAN O. BROYER

Title:

VICE PRESIDENT





# **EXHIBIT B**

Writer's Direct Line: 714-424-2821  
[drosenthal@sheppardmullin.com](mailto:drosenthal@sheppardmullin.com)

October 21, 2011

Our File Number: 0NJP-160949

***VIA EMAIL AND U.S. MAIL***

Mr. Glenn Russell  
Planning and Development Director  
County of Santa Barbara  
105 E. Anapamu Street, 2d Floor  
Santa Barbara, CA 93101

Re: Santa Barbara Ranch Inland Development Agreement

Dear Mr. Russell:

We represent SBRHC, Inc. ("SBRHC"), the current owner of the majority of the Santa Barbara Ranch property (the "Ranch"). As explained in detail below, when SBRHC became the owner of the Ranch in 2010, it also acquired the rights and obligations of the Developer under the statutory development agreement applicable to portions of the Ranch located inland of State Highway 101 and outside of the coastal zone ("Inland Development Agreement"). Pursuant to Section 8.04 of the Inland Development Agreement, SBRHC hereby requests the County execute and deliver to SBRHC the Notice of Compliance attached hereto as **Exhibit A**.

Following is background information of assistance to the County in certifying the facts sets forth in the Notice of Compliance:

1. SBRHC Is A Successor Owner Of The Inland Project Site Through Foreclosure Of A Security Interest

SBRHC is a special purpose entity formed by First Bank (the "Bank"). The Bank was the holder of a security interest in the portion of the Ranch covered by the Inland Development Agreement (the "Inland Project Site"). The Bank filed a Notice of Default in December 2009 and foreclosed on the Inland Project Property on or about May 13, 2010. Schedule 1 to the Financing Statement, referencing all agreements and governmental approvals, was part of the collateral for the Ranch and was included in the foreclosed property. A copy of the document is attached hereto as **Exhibit B**. The Bank transferred the Inland Project Site to SBRHC, an affiliated entity, on the same day. A copy of the Grant Deed to SBRHC is attached hereto as **Exhibit C**. For your convenience, we have not attached the entire legal description, which

Mr. Glenn Russell  
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exceeds 100 pages, but we will provide it upon request. SBRHC is the current owner of the Inland Project Site, with all rights and obligations arising from its ownership.

2. SBRHC Is A Successor Developer Under The Inland Development Agreement

On October 21, 2008, the County entered into the Inland Development Agreement with the then-owners ("Prior Owners") of the Inland Project Site. Section 12.08 of the Inland Development Agreement states:

All of the provisions contained in this Agreement shall be binding upon the parties and their respective heirs, successors and assigns, representatives, lessees, and all other persons acquiring all or a portion of the Inland Project, or any interest therein, whether by operation of law or in any manner whatsoever. All of the provisions contained in this Agreement shall be enforceable as equitable servitudes and shall constitute covenants running with the land pursuant to California law . . . Each covenant herein to act or refrain from acting is for the benefit of or a burden upon the Inland Project, as appropriate, runs with the Inland Project Site and is binding upon the owner of all or a portion of the Inland Project Site and each successive owner during its ownership of such property.

Accordingly, when SBRHC acquired the Inland Project Site, it automatically assumed all of the benefits or burdens of the Inland Development Agreement as a successor to the Prior Owners' interests. Approval of an assignment or transfer agreement was not required under Section 8.02(a) of the Inland Development Agreement because First Bank was the holder of a security interest and SBRHC is an affiliated entity.

However, even if the transfer occurred automatically, we understand that both the County and the Prior Owners may desire confirmation that SBRHC has assumed all of the Developer's obligations ("Developer Obligations") under the Inland Development Agreement. To confirm the transfer, we have attached an executed Assumption of Inland Development Agreement Rights and Obligations (the "Assumption") as **Exhibit D**. As set forth in the Assumption, SBRHC agrees that it became the Developer, as defined in the Inland Development Agreement, when it acquired the Inland Project Site in 2010. As the current Developer, SBRHC expressly assumes all of the Developer Obligations under the Inland Development Agreement.

Although we do not believe that the Prior Owners have any continuing obligations for property they no longer own, SBRHC intends the Assumption to clarify that SBRHC has replaced the Prior Owners as the Developer under the Inland Development Agreement. The Assumption also acknowledges and restates the need for a Transfer Agreement, pursuant to Section 8.02(a) of the Inland Development Agreement, if it assigns or transfers its interest in the Inland Project or Inland Project Site to a third party.

Mr. Glenn Russell  
October 21, 2011  
Page 3

3. The Notice Of Compliance Is Required To Acknowledge SBRHC's Interests And SBRHC's Assumption Of All Developer Obligations

SBRHC previously advised the County of its intention to pursue completion of entitlements for the Inland Project Site as the Developer under the Inland Development Agreement. However, in February 2011, the Board of Supervisors requested clarification of SBRHC's status as Developer before the County acknowledged the effect of pending litigation under Section 10.06 of the Inland Development Agreement. The attached Assumption should resolve any questions about SBRHC's assumption of the Developer Obligations or the enforceability of the Inland Development Agreement against SBRHC.

Section 8.04 of the Inland Development Agreement states, "Within forty-five (45) days following any written request which Developer may make from time to time, County shall execute and deliver to Developer . . . a written 'Notice of Compliance,' in recordable form, duly executed and acknowledged by County" which certifies, among other things, any modifications to the Inland Development Agreement, and whether there are any uncured defaults under the Inland Development Agreement.

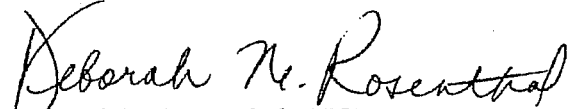
We believe that the Notice of Compliance is an appropriate vehicle for the County to acknowledge that SBRHC is a successor under Section 12.08 as well as an assignee or transferee under the automatic transfers provisions of Sections 8.01 and 8.02 of the Inland Development Agreement. Accordingly, pursuant to Section 8.04 of the Inland Development Agreement, SBRHC requests that the County execute the Notice of Compliance attached hereto as **Exhibit A** within 45 days.

SHEPPARD MULLIN RICHTER & HAMPTON LLP

Mr. Glenn Russell  
October 21, 2011  
Page 4

SBRHC as the Developer under the Inland Development Agreement looks forward to working with you. Please let me know if you have any questions or comments about the attached Assumption or Notice of Compliance.

Sincerely,

  
Deborah M. Rosenthal, AICP

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

W02-WEST:3GEW1\404014872.3  
Enclosures

cc: Michael Ghizzoni, Esq. (w/enclosures)  
Mr. Norm Broyer (w/enclosures)  
Ms. Dianne Black (w/enclosures)

# **EXHIBIT C**

**SANTA BARBARA RANCH**  
**INLAND DEVELOPMENT AGREEMENT**  
**TRANSFER AGREEMENT**

This Transfer Agreement ("**Agreement**") is made and entered into by and among SBRHC, INC., a Missouri corporation ("**SBRHC**") and CIP II/BR SBR, LLC, a Delaware limited liability company ("**CIP**"). This Agreement is made as of \_\_\_\_\_, 2012. SBRHC and CIP are sometimes referred to in this Agreement individually, as a "**Party**" or, collectively, as the "**Parties**."

**RECITALS**

1. On or about October 21, 2008, Santa Barbara Ranch, LLC ("**SBR**"), Vintage Vineyards, LLC ("**Vintage Vineyards**"), Vintage Communities, Inc. ("**Vintage Communities**"), Osgood Farms, LLC ("**Osgood Farms**"), DLC Ranch, LLC ("**DLC**"), TW Family Farm, LLC ("**TW**"), and Matthew K. Osgood (collectively the "**Osgood Entities**") entered into a statutory development agreement with the County of Santa Barbara ("**County**") with respect to approximately 624 acres of property ("**Property**") located inland of State Highway 101 in the unincorporated Gaviota coast area of County (the "**Inland Development Agreement**"). The Property described and depicted in Exhibits A-1 through A-4 to the Inland Development

2. Following a default on the loan for the Property, SBRHC purchased the Property at auction and succeeded to the Property interests of the Osgood Entities, including the rights and obligations of the Osgood Entities under the Inland Development Agreement.

3. As a result of SBRHC's acquiring the rights and obligations under the Inland Development Agreement, and pursuant to an express Assumption of Inland Development Agreement Rights and Obligations executed by SBRHC, the Osgood Entities were released from their obligations and rights under the Inland Development Agreement.

4. SBRHC and CIP have entered into a Purchase and Sale Agreement, executed on November 30, 2011, for an area containing approximately 1,048 acres located both north and south of State Highway 101 and commonly known as "Santa Barbara Ranch," including the Property. CIP is currently completing its due diligence for acquisition of this property.

5. Paragraph 8.02 of the Inland Development Agreement requires that the transfer of all or any portion of the Property to an assuming entity be documented by a transfer agreement.

6. SBRHC and CIP agree that, upon transfer of the Property from SBRHC to CIP, all rights and obligations under the Inland Development Agreement are to be transferred from SBRHC to CIP.

7. SBRHC and CIP agree that, upon transfer of the Property from SBRHC to CIP, SBRHC is released from all subsequent obligations under the Inland Development Agreement and the Inland Project Approvals and the Subsequent Inland Approvals, as those terms are



defined in the Inland Development Agreement that relate to the Property, as set forth in Section 8.02(a) of the Inland Development Agreement.

8. SBRHC and CIP agree that, upon recordation of this transfer agreement, SBRHC shall automatically be released from those obligations assumed by CUP hereunder, as set forth in Section 8.02(c) of the Inland Development Agreement. The Parties further agree that this automatic release is intended to extend to all surviving obligations, if any, of the Osgood Entities under the Inland Development Agreement.

## AGREEMENT

### NOW, THEREFORE, THE PARTIES AGREE AS FOLLOWS:

9. **Effective Date.** The Effective Date of this Agreement shall be the closing date for the sale of the Property from SBRHC to CIP.

10. **Transfer and Release.**

(a) Pursuant to Section 8.02(a) of the Inland Development Agreement, CIP hereby expressly assumes any and all of SBRHC's obligations under the Inland Development Agreement and the Inland Project Approvals and the Subsequent Inland Approvals, as those terms are defined in the Inland Development Agreement that pertain to the Property.

(b) Pursuant to Section 8.02(a) of the Inland Development Agreement, SBRHC hereby transfers to CIP any vested rights to improve that portion of the Inland Project or Inland Project site, as those terms are defined in the Inland Development Agreement.

(c) Pursuant to Section 8.02(d) of the Inland Development Agreement, SBRHC shall be free from any and all liabilities accruing on or after the Effective Date with respect to all obligations under the Inland Development Agreement assumed by CIP hereunder. No breach or default of the Inland Development Agreement by CIP shall be attributed to SBRHC, nor may SBRHC's rights, if any, remaining after the Effective Date, be canceled or diminished in any way by any breach or default by CIP.

(d) CIP agrees to provide the County of Santa Barbara (the "**County**") any non-privileged or non-confidential documents that the County may request, to allow the County to determine, in its reasonable opinion, whether CIP has the reputation and financial resources to be able to perform the obligations proposed to be assumed by CIP, as provided in Section 8.02(b) of the Inland Development Agreement.

11. **County Approval Contingency.** The terms of this Agreement are contingent upon the County providing written or "deemed" consent pursuant to Section 8.02(b) of the Inland Development Agreement. In the event that the County withholds its consent for any reason, this Agreement may be declared be null and void by either Party.

12. **Amendment.** This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and attached to this Agreement.

13. **Counterparts.** This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

14. **Entire Agreement.** This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

15. **Further Assurances.** Each Party shall, at the reasonable request of the other Party, execute and deliver to the other Parties all further instruments, assignments, assurances and other documents, and take any actions as the other Party reasonably requests in connection with the carrying out, implementation or defense of this Agreement.

16. **Recordation of Transfer Agreement.** Pursuant to Section 8.02(c) of the Inland Development Agreement, this Agreement shall be submitted for recordation by the Parties concurrent with the closing date for sale of the Property from SBRHC to CIP.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

SBRHC, INC.  
a Missouri corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CIP II/BR SBR, LLC  
a Delaware limited liability company

By: CrossHarbor Institutional Partners II GP, L.P.,  
a Delaware limited partnership,  
its Manager

By: CrossHarbor Capital Partners LLC,  
a Delaware limited liability company,  
its General Partner

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

# SheppardMullin

Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4th Floor  
Costa Mesa, CA 92626-1993  
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www.sheppardmullin.com

Writer's Direct Line: 714-424-2821  
drosenthal@sheppardmullin.com

January 19, 2012

Our File Number: 0NJP-160949

## *VIA EMAIL AND U.S. MAIL*

Mr. Glenn Russell  
Planning and Development Director  
County of Santa Barbara  
105 E. Anapamu Street, 2d Floor  
Santa Barbara, CA 93101

Re: Santa Barbara Ranch Inland Development Agreement

Dear Mr. Russell:

SBRHC, Inc. ("SBRHC") has continued to refine the Notice of Compliance submitted to the County on January 3, 2012 under Section 8.04 of the Inland Development Agreement ("DA"). Enclosed is a slightly modified Notice of Compliance, revised to clarify that the County is both (a) confirming SBRHC's status as the Developer under the DA due to its acquisition of all of the covered property, and (b) releasing all of original signatories to the DA ("Osgood entities") from any potential obligations that may have survived the property transfer.

On February 1, 2011, counsel for the Osgood entities asserted that they remained the Developer under the DA, even though they no longer owned any of the covered property. As explained to County Counsel, this assertion was based on the fact that the Board of Supervisors never formally released them from the Developer's obligations under the DA after SBRHC acquired the property. Unless released by formal action, the Osgood entities contend they remain liable for the Developer's obligations under the DA.

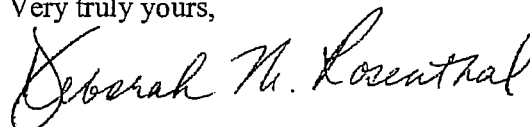
The simplest way to resolve the Osgood entities' alleged concern is for the Board of Supervisors to confirm their release from all obligations under the DA as set forth in the attached Notice of Compliance. In support of the request, SBRHC executed an assumption of all Developer obligations as a successor under Section 8.02(a) of the DA. Copies of all documents have been provided to counsel for the Osgood entities, and changes have been made in response to comments.

# SheppardMullin

Mr. Glenn Russell  
January 19, 2012  
Page 2

Please let me know if you have any questions about the enclosed documents. Thank you for your attention to this matter.

Very truly yours,



Deborah M. Rosenthal, AICP

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

W02-WEST:3DMR1\404531629.1  
Enclosures

cc: Michael Ghizzoni, Esq. (w/enclosures)  
Ms. Dianne Black (w/enclosures)  
Mr. Norm Broyer (w/enclosures)  
Lance Adair, Esq. (w/enclosures)  
Paul Hedstrom, Esq. (w/enclosures)  
Mr. David Thurman (w/enclosures)

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Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4<sup>th</sup> Floor  
Costa Mesa, CA 92626

---

**SANTA BARBARA RANCH INLAND DEVELOPMENT AGREEMENT**

**NOTICE OF COMPLIANCE**

Pursuant to Section 8.04 of the Inland Development Agreement for the Santa Barbara Ranch Project ("Inland Development Agreement" or "Agreement"), executed by County on October 21, 2008, this Notice of Compliance certifies the following:

1. The Inland Development Agreement is unmodified, except as described in paragraph 3 below, and remains in full force and effect pending the decision in Naples Coalition, et al. v. County of Santa Barbara, SB Case No. 1304044.
2. There are no current uncured defaults by Developer under the Inland Development Agreement in that the above-referenced Naples Coalition action is litigation that is deemed to create excusable delay for all of Developer's obligations under Section 10.06 of the Agreement.
3. The Inland Development Agreement was modified on May 13, 2010 by SBRHC, Inc.'s acquisition of the entirety of the Inland Project and Inland Project Site (as defined therein). In addition to SBRHC's acquisition of the Inland Project and Inland Project site, SBRHC, Inc. has expressly assumed all obligations of the Developer under the Inland Development Agreement by separate instrument, attached hereto as **Exhibit A**. As a result, the Inland Development Agreement is modified in the following respects:
  - a. SBRHC, Inc. is and shall be the Developer as defined in the Inland Development Agreement;
  - b. SBRHC, Inc. has and shall have all rights of the Developer under the Inland Development Agreement; and
  - c. SBRHC, Inc. shall be obligated to perform the obligations of the Developer under the Inland Development Agreement, the Inland Project Approvals and the Subsequent Inland Approvals, if any.
4. The original Developers under the Inland Development Agreement, Matthew K. Osgood, Vintage Communities, Inc., Santa Barbara Ranch, LLC, Vintage Vineyards, LLC, Osgood

Farms, LLC, DLC Ranch, LLC, and TW Family Farm, LLC ("Original Developers"), were released from all obligations or liabilities under the Inland Development Agreement by operation of law on May 13, 2010 when SBRHC, Inc. acquired all of the real property subject to the Inland Development Agreement.

5. Further, in the event the Original Developers, or any of them, were not released by operation of law on May 13, 2010, the Original Developers are hereby fully released from any and all obligations or liabilities under the Inland Development Agreement, including the Inland Project Approvals and the Subsequent Inland Approvals, as defined in the Inland Developer Agreement. No breach or default under the Inland Development Agreement by any person or entity succeeding to any portion of the Original Developers' obligations under the Inland Development Agreement shall be attributed to the Original Developers. This release shall be effective as of the date of the Resolution approving this Notice of Compliance.

6. In the event SBRHC, Inc. transfers or assigns all or any portion of the Inland Project or Inland Project Site (as defined in the Inland Development Agreement), other than a transfer or assignment to an affiliated party, a holder of a mortgage, deed of trust, or similar security interest, or a Non-Assuming Transferee (as defined in the Inland Development Agreement), SBRHC, Inc. and the transferee will execute a Transfer Agreement pursuant to Section 8.02(a) of the Inland Development Agreement.

7. All other provisions of the Inland Development Agreement are unmodified.

8. This Notice was approved by Resolution \_\_\_\_\_ of the Board of Supervisors of the County of Santa Barbara on February \_\_\_\_\_, 2012.

This Notice is executed and acknowledged by the County as of February \_\_\_\_\_, 2012.

By: \_\_\_\_\_  
Director of Planning and Development





Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4th Floor  
Costa Mesa, CA 92626-1993  
714.513.5100 main  
714.513.5130 main fax  
www.sheppardmullin.com

Writer's Direct Line: 714-424-2821  
drosenthal@sheppardmullin.com

Our File Number: 0NJP-160949

January 23, 2012

*VIA EMAIL AND U.S. MAIL*

Mr. Glenn Russell  
Planning and Development Director  
County of Santa Barbara  
105 E. Anapamu Street, 2d Floor  
Santa Barbara, CA 93101

Re: Santa Barbara Ranch Inland Development Agreement

Dear Mr. Russell:

On January 17, 2012, the County requested evidence that the dispute between SBRHC, Inc. ("SBRHC") and the original signatories ("Osgood ") to the Inland Development Agreement ("DA") has been resolved. As I explained by telephone, the parties have not be able to resolve the dispute about their respective rights and obligations as the Developer under the DA, primarily because we disagree about the County's contentions with respect to DA interpretation. Unfortunately, I do not believe the dispute will be resolved without the County clarifying the procedures it intends to apply to the transfer of rights and obligations under the DA.

Counsel for the Osgood has publicly asserted that he remains the Developer under the DA, even though he no longer owns any of the covered property and has no legal authority to cause any development. In support of this assertion, Osgood argues that the County may contend its consent is required for any entity to succeed to Developer status under the DA, even a foreclosing lender specifically excluded from the consent provisions. Osgood has further argued that the County may contend he and his related entities remain liable for all obligations under the DA because they have not been formally released by resolution of the Board of Supervisors.

SBRHC believes the County does not contend its consent is required for a foreclosing entity to become the Developer under the specific exclusions to the consent provisions in Section 8.02(a). SBRHC further believes County does not contend it can hold prior landowners responsible for future DA obligations until they are formally released. Osgood's assertions appear to be based based on speculation about contentions the County may make in the future, contrary to the express terms and conditions of the DA. For this reason, SBRHC expects they cannot be resolved in the pending litigation unless the County states its positions on the consent and release issues.



# SheppardMullin

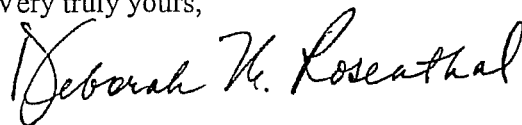
Mr. Glenn Russell  
January 23, 2012  
Page 2

SBRHC, Inc. ("SBRHC") submitted a request for issuance of a Notice of Compliance on January 3, 2012 under Section 8.04 of the Inland Development Agreement ("DA"). The purpose of the Notice of Compliance is to confirm that (a) a foreclosing entity does not require the County's consent to succeed under Section 8.02(a) of the DA, (b) SBRHC is the Developer under the DA due to its acquisition through foreclosure of all of the covered property, and (c) Osgood and the other original signatories are released from any potential obligations under the DA that may have survived the property transfer.

As assurance to both the County and Osgood, SBRHC executed an assumption of all Developer obligations as a successor under Section 8.02(a) of the DA. Copies of all documents have been provided to counsel for the Osgood entities, and changes have been made in response to comments. SBRHC has attempted to address all concerns expressed about the Notice of Compliance by Osgood, and we are not aware of any outstanding objections to the specific language of the Notice. Although SBRHC has requested in writing that Osgood consent to the assumption and release on numerous occasions since November 2011, he has not done so.

For your convenience, enclosed is a copy of the requested Notice of Compliance incorporating all revisions since January 3, 2012, together with another copy of the SBRHC assumption. If you would prefer to receive the Notice in Word format, I can submit it by email. This draft replaces all previous drafts submitted for review, together with the related correspondence. I am available to answer any questions you may have about this request.

Very truly yours,



Deborah M. Rosenthal, AICP

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

W02-WEST:3DMR1\404539924.1  
Enclosures

cc: Michael Ghizzoni, Esq. (w/enclosures)  
Ms. Dianne Black (w/enclosures)  
Mr. Norm Broyer (w/enclosures)  
Lance Adair, Esq. (w/enclosures)  
Paul Hedstrom, Esq. (w/enclosures)

RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Deborah M. Rosenthal, Esq.  
Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4<sup>th</sup> Floor  
Costa Mesa, CA 92626

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**SANTA BARBARA RANCH INLAND DEVELOPMENT AGREEMENT**

**NOTICE OF COMPLIANCE**

Pursuant to Section 8.04 of the Inland Development Agreement for the Santa Barbara Ranch Project ("Inland Development Agreement" or "Agreement"), executed by County on October 21, 2008, this Notice of Compliance certifies the following:

1. The Inland Development Agreement is unmodified, except as described in paragraph 3 below, and remains in full force and effect pending the decision in Naples Coalition, et al. v. County of Santa Barbara, SB Case No. 1304044.
2. There are no current uncured defaults by Developer under the Inland Development Agreement in that the above-referenced Naples Coalition action is litigation that is deemed to create excusable delay for all of Developer's obligations under Section 10.06 of the Agreement.
3. The Inland Development Agreement was modified on May 13, 2010 by SBRHC, Inc.'s acquisition of the entirety of the Inland Project and Inland Project Site (as defined therein). In addition to SBRHC's acquisition of the Inland Project and Inland Project site, SBRHC, Inc. has expressly assumed all obligations of the Developer under the Inland Development Agreement by separate instrument, attached hereto as **Exhibit A**. As a result, the Inland Development Agreement is modified in the following respects:
  - a. SBRHC, Inc. is and shall be the Developer as defined in the Inland Development Agreement;
  - b. SBRHC, Inc. has and shall have all rights of the Developer under the Inland Development Agreement; and
  - c. SBRHC, Inc. shall be obligated to perform the obligations of the Developer under the Inland Development Agreement, the Inland Project Approvals and the Subsequent Inland Approvals, if any.
4. The original Developers under the Inland Development Agreement, Matthew K. Osgood, Vintage Communities, Inc., Santa Barbara Ranch, LLC, Vintage Vineyards, LLC, Osgood

Farms, LLC, DLC Ranch, LLC, and TW Family Farm, LLC ("Original Developers"), were released from all obligations or liabilities under the Inland Development Agreement by operation of law on May 13, 2010 when SBRHC, Inc. acquired all of the real property subject to the Inland Development Agreement.

5. Further, in the event the Original Developers, or any of them, were not released by operation of law on May 13, 2010, the Original Developers are hereby fully released from any and all obligations or liabilities under the Inland Development Agreement, including the Inland Project Approvals and the Subsequent Inland Approvals, as defined in the Inland Developer Agreement. No breach or default under the Inland Development Agreement by any person or entity succeeding to any portion of the Original Developers' obligations under the Inland Development Agreement shall be attributed to the Original Developers. This release shall be effective as of the date of the Resolution approving this Notice of Compliance.

6. In the event SBRHC, Inc. transfers or assigns all or any portion of the Inland Project or Inland Project Site (as defined in the Inland Development Agreement), other than a transfer or assignment to an affiliated party, a holder of a mortgage, deed of trust, or similar security interest, or a Non-Assuming Transferee (as defined in the Inland Development Agreement), SBRHC, Inc. and the transferee will execute a Transfer Agreement pursuant to Section 8.02(a) of the Inland Development Agreement.

7. All other provisions of the Inland Development Agreement are unmodified.

8. This Notice was approved by Resolution \_\_\_\_\_ of the Board of Supervisors of the County of Santa Barbara on February \_\_\_\_\_, 2012.

This Notice is executed and acknowledged by the County as of February \_\_\_\_\_, 2012.

By: \_\_\_\_\_  
Director of Planning and Development



RECORDING REQUESTED BY  
AND WHEN RECORDED MAIL TO:

Deborah M. Rosenthal, Esq.  
Sheppard Mullin Richter & Hampton LLP  
650 Town Center Drive, 4<sup>th</sup> Floor  
Costa Mesa, CA 92626

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**ASSUMPTION OF INLAND DEVELOPMENT AGREEMENT  
RIGHTS AND OBLIGATIONS**

A. SBRHC, Inc. ("SBRHC") is the owner of that certain real property located in the County of Santa Barbara, State of California more particularly described in Exhibit "A" attached hereto and made a part hereof (the "Inland Project Site").

B. The Inland Project Site is subject to that certain Development Agreement executed between the County of Santa Barbara and the prior owners of the Inland Property, dated October 21, 2008 (the "Inland Development Agreement").

C. The Inland Development Agreement requires the "Developer" to perform various obligations as defined therein ("Developer Obligations").

D. Under Government Code Section 65868.5, the burdens of the Inland Development Agreement are binding upon, and the benefits of the Inland Development Agreement inure to all successors-in-interest of the parties executing the Inland Development Agreement.

E. Under Section 12.08 of the Inland Development Agreement, the burdens of the Inland Development Agreement are binding upon, and the benefits of the Inland Development Agreement inure to all successors-in-interest of the parties executing the Inland Development Agreement.

F. In 2010, SBRHC acquired all of the prior owners' right, title and interest in and to the Inland Project Site and all agreements, contracts and governmental approvals relating thereto, including the Inland Development Agreement.

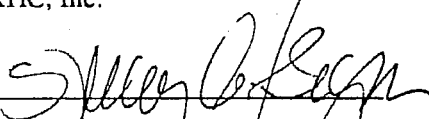
G. As the owner of the Inland Project Site, SBRHC is a successor-in-interest under the Inland Development Agreement, and that all of the prior owners' interests, rights or obligations under the Inland Development Agreement or under Inland Project Approvals or Subsequent Inland Approvals (as these two terms are defined in the Inland Development Agreement) were transferred to SBRHC concurrent with SBRHC's acquisition of the Inland Project Site.

H. SBRHC agrees that it is bound by all burdens of the Inland Development Agreement as a successor-in-interest, including the obligation to perform all Developer Obligations to the extent they arise from development of the Inland Project Site.

I. SBRHC agrees that it is the sole "Developer" for all purposes under the Inland Development Agreement.

J. SBRHC agrees that, in the event it transfers or assigns all or any portion of the Inland Project or Inland Project Site (as defined under the Inland Development Agreement), SBRHC and the transferee will execute a Transfer Agreement pursuant to Section 8.02(a) of the Inland Development Agreement.

SBRHC, Inc.

By:   
Name: NORMAN O. BROYER  
Title: VICE PRESIDENT

