

# SheppardMullin

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February 13, 2012

Our File Number: 0NJP-160949

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

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

Re: Santa Barbara Ranch Inland Development Agreement --  
Transfer Agreement to CIP II/SBR, LLC

Dear Dr. Russell:

We represent SBRHC, Inc. ("SBRHC"), the current owner of all real property subject to the Santa Barbara Ranch Inland Development Agreement ("DA"). In November 2011, SBRHC entered into a purchase and sale agreement with CIP II/BR SBR, LLC ("CIP II") for its entire interest in Santa Barbara Ranch, including the Inland portion subject to the DA. Under Section 8.02 of the DA, the proposed sale to CIP II triggers a requirement for the County's prior written consent to transfer the DA to an unaffiliated third party, other than a lender.

This letter requests the County's consent to the enclosed Transfer Agreement between SBRHC and CIP II pursuant to Section 8.02 of the DA. *See Exhibit A.* CIP II is a limited liability company formed to own and develop the Ranch. CIP II is capitalized with approximately \$425,000,000 of capital commitment from institutional investors and a \$125,000,000 subscription secured line of credit. In addition to its financial resources, CIP II can draw on the experience of its members, as described below.

CIP II's members are CrossHarbor Capital Partners LLC ("CrossHarbor"), BondRok Partners ("BondRok") and Preserve Communities ("Preserve"). CrossHarbor is an investment management company specializing 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 nationally-recognized 28-square mile Santa Lucia Preserve in conjunction with development of the historic Rancho San Carlos in Monterey County.

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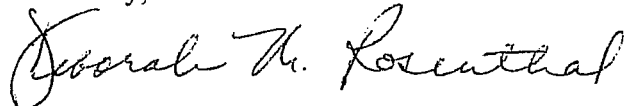
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Under Section 8.02(b) of the DA, the County is required to consent to the Transfer Agreement unless, "in light of the proposed transferee's reputation and financial resources, such transferee would not in the County's reasonable opinion be able to perform the obligations proposed by such transferee." Information about the reputation and financial resources of the transferee is being submitted under separate cover by the proposed transferee, CIP II. SBRHC is confident that you will be satisfied with CIP II's qualifications to assume the obligations of the DA and to complete development of the beautiful Ranch property.

We look forward to working with you to complete review of these documents in accordance with the provisions of the DA, with a proposed Board of Supervisors hearing date of March 20, 2012 in Santa Barbara. SBRHC and CIP II are available to discuss the terms of the attached draft Transfer Agreement or to provide any additional information or assistance the County may require.

Thank you for your attention to this matter.

Sincerely,



Deborah M. Rosenthal, AICP

for SHEPPARD, MULLIN, RICHTER & HAMPTON LLP

W02-WEST:3DMR1\404356407.2  
Enclosure

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

**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 CIP 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: \_\_\_\_\_