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File No. 36550

VIA PERSONAL DELIVERY

Mr. John Baker
Director of Planning
County of Santa Barbara
Planning and Development
123 E. Anapamu Street
Santa Barbara, California 93101

Re: Termination of Santa Barbara Ranch Memorandum of Understanding

Dear Mr. Baker:

This firm represents Vintage Communities, Inc., Santa Barbara Ranch, LLC, Vintage Vineyards, LLC, Osgood Farms, LLC, Matthew K. Osgood, DLC Ranch, LLC, and TW Family Farm, LLC, which are referred to as the Santa Barbara Ranch Related Interest ("SBRI") in the Memorandum of Understanding dated December 3, 2002 ("MOU"). SBRI is the successor in interest to the Morehart Related Interests ("MRI") identified in the MOU.

Our clients have been informed that on January 27, 2009, the Board of Supervisors in closed session elected to "cure" alleged Brown Act violations asserted by the Naples Coalition, Surfrider Foundation and Environmental Defense Center in a letter dated January 5, 2009. County Counsel has informed us that the Board's action rescinds the Board's October 7, 2008 approval of the First Amendment to the MOU ("MOU Amendment"). That amendment allowed for a protocol that would result in the reduction of Naples townsite lots on Santa Barbara Ranch in the coastal zone as our clients moved forward with the development outside the coastal zone.

The MOU Amendment resulted after our clients were informed last year that the County construed the MOU to prevent the Inland Project, as defined in the MOU, from going forward until the Coastal Commission certified the NPD zone district for the Coastal Project, as defined in the MOU. Our clients informed the County at that time that the County was misreading the MOU, that such a condition was never the agreement our clients had with the County and that they could not accept the Approvals for the Coastal Project with such a condition in place. Our clients addressed these concerns to the Board of Supervisors specifically last Fall.

The MOU Amendment resolved our clients' concerns. The terms of the MOU as amended were incorporated in the Coastal Project conditions of approval. Under Section 10.2.1 of the MOU, our clients had ten days from the Board's approval of the Coastal Project to notify the

County in writing of their rejection of the Coastal Project Approvals and, thereby, terminate the MOU. Our clients did not reject the Coastal Project Approvals that Board approved on October 21, 2008 and on December 9, 2008 in reliance on the MOU Amendment.

The Board's rescission of the MOU Amendment changed the conditions of the Coastal Project Approvals. The Coastal Project Approvals are now subject to MOU provisions which the County has interpreted to impose conditions which our clients cannot accept and would not have accepted if they had been part of the Coastal Project Approvals in October and December. In so doing, the Board reopened the ten-day period under Section 10.2.1 of the MOU for our clients to notify the County of their rejection of the Coastal Project Approvals.

While our clients continue to maintain that the County has misread the MOU, in light of the County's construction of the MOU and the Board's action on January 27, 2009, which terminated the MOU Amendment, our clients find it necessary to terminate the MOU. Accordingly, by this letter SBRI is formally notifying the County pursuant to MOU Section 10.2.1 that they reject the Approvals of the Coastal Project and, as a result, elect to terminate the MOU.

This notification applies only to the Coastal Project Approvals, which the MOU defines as "all things necessary to allow consideration" of up to "39 single-family dwellings and accessory uses and structures . . . on the Coastal Property," which consists only of that portion of Santa Barbara Ranch located in the coastal zone. All references to the terms Coastal Project and Coastal Project Approvals refer only to those terms as defined in the MOU and do not refer to any other property or approval in the coastal zone. This rejection, therefore, extends only to the approvals for the residential development on the portion of Santa Barbara Ranch located in the coastal zone, which consists of the 16 residences and related approvals on Santa Barbara Ranch located south of Highway 101. Under MOU Section 10.2.1, as a result of this notification, the applications for the approval of the Coastal Project are withdraw and shall not be submitted to the Coastal Commission for consideration.

This notification does not apply to the Inland Project, which the MOU defines to include the County's approval of the ten single family residences and related improvements on the portion of Santa Barbara Ranch that is located outside the coastal zone, including all coastal development permits for infrastructure to serve the Inland Project and the highway off ramps. It does not apply to the subdivision and other approvals for development on land located immediately north of Santa Barbara Ranch on Dos Pueblos Ranch. It does not include the approvals for development on Dos Pueblos Ranch south of Highway 101. All of these approvals remain in full force and effect. The County remains obligated to continue processing these entitlements under the terms of the Development Agreement for the Inland Project, which the Board of Supervisors approved on October 21, 2008.

The practical effect of this notification is that the development of up to 55 lots on the non-coastal portions of Santa Barbara Ranch and on the coastal and non-coastal portions of Dos Pueblos Ranch remain in effect, but there will be no corresponding reduction in the number of Naples lots on Santa Barbara Ranch south of Highway 101. Our clients will reconsider their plans for those lots on Santa Barbara Ranch south of Highway 101, which may include the individual sale

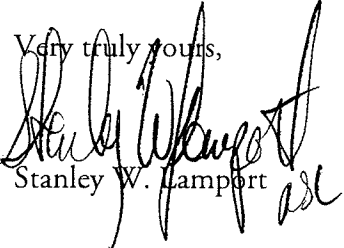
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and development of those lots. Our clients will not be providing any of the benefits the County was to receive under the Development Agreement for the Coastal Project, including, coastal trail and public access dedications and improvements, affordable housing fees, native grassland enhancement and additional cultural resource mitigation. Our clients will continue to provide the benefits the County is to receive under the non-Coastal Project Approvals and Inland Development Agreement, including contributions for creek restoration and placement of over 2,600 acres of land in permanent agricultural conservation.

Our clients are disappointed that the Board decided to rescind the MOU Amendment at the behest of the Naples Coalition, Surfrider Foundation and Environmental Defense Center, particularly given that their Brown Act violation claims were patently without merit. The Board was without authority to rescind its approval of the MOU Amendment, given that our clients relied on the MOU Amendment in accepting the approvals and entering into the development agreements last October when the Board approved the coastal and inland projects. Government Code 54960.1(d)(3) states that "an action taken that is alleged to have been taken in violation of [the Brown Act] shall not be determined to be null and void if . . . the action gave rise to a contractual obligation . . . upon which a party has, in good faith and without notice of a challenge to the validity of the action, detrimentally relied."

Our clients repeatedly informed the Board that they could not accept the Coastal Project entitlements if the MOU was not amended. It is regrettable that the Board did not address this issue with us before taking its action. Had it done so, our clients would have addressed with the Board the consequence of rescinding the MOU Amendment and all of this could have been avoided. Unfortunately, that did not occur and the limited time for our clients to reject the Coastal Project Approvals does not allow us the resolve this issue with the Board now that it has acted.

Our clients wish to thank the previous Boards as well as you and your staff, who labored with us to work out the delicate balance necessary to achieve a global solution to the Naples problem. Unfortunately, in light of the Board's action, it was not to be.

Very truly yours,

Stanley W. Lampert

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cc: Dennis Marshall, Esq.
Matthew K. Osgood